

Final Report

Strategic Planning and Budgeting

Effective Multi-Beneficiary Learning and Networking

SUCCESSFUL
PROJECT
CONCLUSION

HIGH-LEVEL POLICY DIALOGUE ON ECONOMIC
GOVERNANCE IN SOUTH EAST EUROPE

COORDINATION
IS CRITICAL

STRENGTHENING THE ROLE
OF THE MINISTRY OF FINANCE
TO SET THE SCENE FOR
THE BUDGET

GOOD DATA
IMPORTANT
TO FRAME
PFM REFORM

FISCAL RESPONSIBILITY
ACT IN PREPARATION

GOOD COORDINATION
AMONG BUDGET
STAKEHOLDERS

SPB HELPED
BETTER CONNECT
STRATEGIC PLANNING
AND BUDGETING
PROCESS

FISCAL RULES CAN
SERVE AS
COMMUNICATION
DEVICE

BENEFITED FROM
THE SPB PROJECT

LOTS OF WORK
DONE IN THE REGION,
BUT CHALLENGES
REMAIN

WITH
HAS BEEN

MEDIUM-TERM BUDGET
FRAMEWORK STRENGTH
BUT IMPLEMENTATION
ISSUES REMAIN

BUDGET CEILING
FLEXIBILITY IS
BUT NEEDS TO
PRESERVE CREDIT

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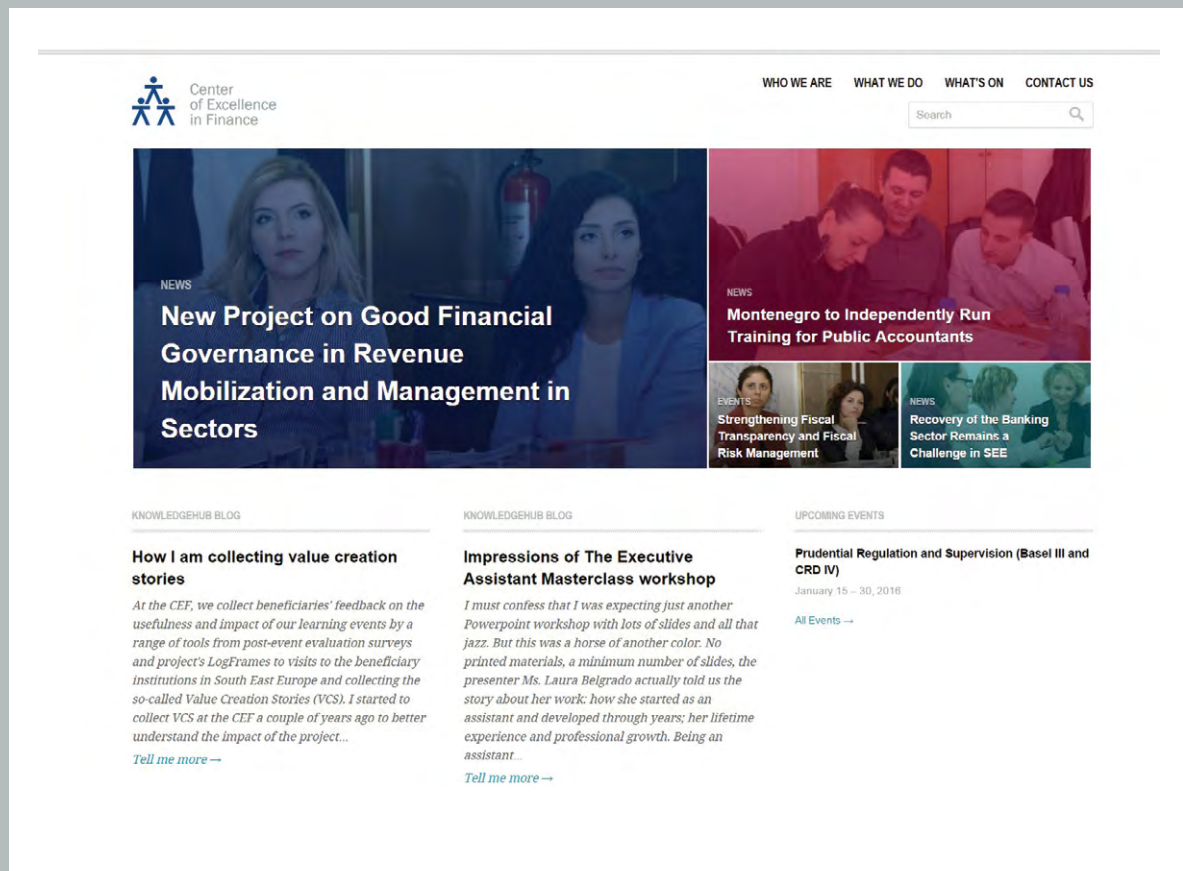
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MANAGEMENT TO
BE ENHANCED



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Author of the cover picture is Lucija Kušar.

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PROJECT DESCRIPTION

- **Title of the Action:** Strategic Planning and Budgeting (SPB)
- **Start and end date of implementation:** March 21, 2013 – September 20, 2015
- **Contract Number:** 2012/310-295 (ReSPA Specific Networking Component 2)
- **Beneficiary of grant contract:** Center of Excellence in Finance (CEF), Cankarjeva 18, SI-1000 Ljubljana, Slovenia; www.cef-see.org
- **Contact person:** Robert Bauchmüller, CEF Senior Program Officer
- **Partners in the Action:** European Commission (EC), International Monetary Fund – Fiscal Affairs Department (IMF-FAD), Regional School of Public Administration (ReSPA), Joint Vienna Institute (JVI)
- **Beneficiary region:** EU candidates and potential candidates covered by the IPA 2007–2013 (Albania, Bosnia and Herzegovina, Croatia,¹ Kosovo,² former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey)³
- **Target institutions:** Institutions in charge of strategic planning and budgeting processes (mainly ministries of finance), budget users (in particular budget-intensive line ministries) and, to some degree, central planning authorities, central banks, and macroeconomic research institutes
- **Target groups:** Public administration officials at top, middle, and junior levels involved in the design, implementation, and coordination of medium-term macroeconomic and fiscal policies
- **Countries, in which the activities took place:** Promotion and evaluation visits to beneficiary countries; training and networking activities delivered in Slovenia and Montenegro (as well as online)



1 EU Member State as of July 1, 2013.

2 This designation is without prejudice to positions on status, and is in line with the United Nations Security Council Resolution 1244/99 and the ICJ Opinion on the Kosovo Declaration of Independence.

3 Officials from other SEE countries (especially Moldova) joined several SPB activities, as far as space permitted and other funding sources were identified. Their participation supported the regional exchange of knowledge and experience.

PREAMBLE



Dear colleagues,

As South East European countries pursue to strengthen governance for growth, and work towards EU accession and convergence, they face major challenges to develop and implement effective macroeconomic and fiscal policies.

The economic and financial crisis, which has affected many emerging markets, including in the region, has underscored the key role that strongly anchored medium-term economic and fiscal programs need to play in helping the region's economies apply international standards.

Upon the initiative of our constituency, we developed the Strategic Planning and Budgeting (SPB) project to help strengthen the design and implementation of medium-term macroeconomic and fiscal policy, with the aim to contribute to better governance. Through its multi-beneficiary Instrument for Pre-Accession, the European Union provided the financial resources to implement this project.

Since 2013, we have delivered 21 learning and networking activities to more than 400 participants. The SPB activities were implemented in cooperation with our partners: the International Monetary Fund – Fiscal Affairs Department, Joint Vienna Institute and Regional School of Public Administration; and involved more than 50 leading experts. Experts from beneficiary countries have been identified, trained and involved in delivering SPB learning activities.

Delivered activities raised awareness among top-level officials of institutions coordinating medium-term macrofiscal frameworks about the need and opportunities

to improve those frameworks; strengthened capacities in designing and implementing them; promoted sharing of experience and good practices; and provided opportunities to strengthen networks with other officials as well as international experts.

The intensive regional knowledge exchange and cooperation have been highly rewarding. We have learned a lot from the officials and experts we worked with, and have better understood the specific learning priorities of beneficiaries and how to support them. Serving as a knowledge hub for finance officials, donors and experts, we have been collecting first-hand feedback throughout the project on the impact of our learning facilitation. The overall positive tone of the stories they told us reaffirmed that our learning initiatives add value.

Although this project produced excellent results, it is just the beginning of a much bigger effort to develop capacities of finance officials in our constituency in designing and implementing effective macroeconomic and fiscal policies. We are determined to continue the SPB learning journey, responding to evolving challenges and embedding a wider blend of topics and learning solutions.

At the conclusion of the project, I would like to thank all who have contributed to its success: the participating finance officials and their institutions for their commitment to actively engage in SPB learning initiatives, the many experts involved for having shared their cutting edge knowledge and good practice, the supporting donors and partners for their substantial contributions of financial and in-kind resources, and the CEF team for the good work done in designing and implementing the project.

Yours sincerely,

Robert Bauchmüller,
CEF Senior Program Officer

EXECUTIVE SUMMARY

We developed the Strategic Planning and Budgeting (SPB) project on the initiative of our beneficiaries across South East Europe (SEE), with input from the European Commission (EC) and close involvement of international financial institutions. The SPB project focused on developing capacities of public finance officials of target beneficiary institutions in the Western Balkans and Turkey in the following areas: medium-term macroeconomic and fiscal frameworks; fiscal programming of structural reforms; policy coordination and planning processes; and consistency of strategic documents.

The SPB activities were implemented in cooperation with our partners: the International Monetary Fund – Fiscal Affairs Department (IMF-FAD), the Regional School of Public Administration (ReSPA), and the Joint Vienna Institute (JVI). The design and delivery of the SPB activities have been facilitated by CEF learning experts. More than 50 international experts have been involved, of which over ten have been engaged directly from SPB

beneficiaries to promote regional knowledge exchange and to develop internal regional expertise for knowledge sharing.

All scheduled 21 learning and networking activities (including two e-learning courses and two high-level policy dialogues) have been delivered, recording a high satisfaction of participants of 4.7 on average (1–5 scale; 5 being the highest), all activities performing above the established performance threshold of 4.2. The envisaged number of 300 participants has been achieved.

The project helped strengthen beneficiary countries' knowledge and skills in responding to the EC's macrofiscal surveillance requests and contributed to strengthening beneficiaries' governance for growth. This statement is supported by an earlier Result-Oriented Monitoring mission and a range of interviews with SPB beneficiaries that confirmed the positive value created by SPB activities.

To get some first-hand project impressions, see <http://www.cef-see.org/spb/final-video>.





LEARNING AND NETWORKING PROVIDED



Responding to the Need

The SPB project builds on needs assessments that we have been organizing since 2008 in preparation for *Building Capacities for Policy Design and Implementation*, a major program initiated by our constituency. At large, the SPB beneficiaries were at that time characterized by the following circumstances (or a subset of them):

- Alleviation of the aftermath of financial crisis
- Implementation of a deferred structural reforms agenda
- Fiscal consolidation and search for fiscal space, e.g. for new public investments
- Change of economic growth model from a rather capital-intensive to a more export-oriented one
- Promotion of economic governance and institutional capacities for EU accession
- Increased macrofiscal surveillance, especially by the European Commission

In 2010-2011, needs assessments were carried out by a Task Force that we facilitated; representatives from beneficiary institutions joined forces with regional experts from the International Monetary Fund's Fiscal Affairs Department, Joint Vienna Institute, and the University of Ljubljana. In 2012, a further needs assessment looked in depth at the fiscal impact assessment of structural reforms.

To ensure that the activities are in line with beneficiaries' needs, we reconfirmed the envisaged agenda in the initiation phase, and regularly consulted beneficiary and partner institutions, in particular via the Project Steering Committee.







The following major challenges had been identified with respect to SPB beneficiaries' capacity to design and implement medium-term macroeconomic and fiscal policy:

- **Ineffective medium-term macroeconomic framework:** need for strengthened forecasts and scenarios; insufficient macroeconomic policy analysis and design
- **Ineffective medium-term fiscal framework:** medium-term budget framework not fully operational; need to introduce fiscal rules and strengthen fiscal institutions
- **Insufficient incorporation of structural reforms:** lack of capacity to carry out impact assessment of structural reforms; underdeveloped sectoral fiscal programming capacity
- **Weak integration of national processes and reporting to the European Commission:** discrepancies in quality of medium-term planning documents; need for strengthened strategic policy coordination among key stakeholders



Activities Delivered

Learning and networking activities			Delivery date length location	Main target audi- ence	Linked results (see Page 35)	(Funded) participants funded places available	Bene- ficiary experts involved	Learning resour- ces shared (event information presentations & group work background reading event documentation)	Folders distribut- ed (esti- mate)
2.01a		Building Fiscal Institutions to meet post-crisis challenges (kick-off event) ¹	May 13–17, 2013 4.5 days CEF Ljubljana	A	1, 2, 3, 5	(14 of) 16 16 places		31 (1 18 5 7)	25
2.02		Medium-Term Budgeting ¹	May 29–31, 2013 2.5 days CEF Ljubljana	A	2, 3	(15 of) 22 16 places		31 (6 14 10 1)	26
2.03		Program Budgeting, Evaluation and Spending Review ¹	Jun 17–19, 2013 2.5 day CEF Ljubljana	A	2, 3	(13 of) 17 16 places		16 (2 4 2 8)	20
2.01b		High-Level Policy Dialogue on Strategic Planning and Budgeting	Sep 3, 2013 0.5 days Bled Strategic Forum	A	1, 2, 3, 5	(5 of) 12 16 places	5	4 (3 0 0 1)	47
2.04		Capital Budgeting ¹	Oct 16–18, 2013 2.5 days CEF Ljubljana	A	2, 3	(12 of) 16 16 places		14 (1 8 5 0)	20
2.07		Macroeconomic Policy Analysis ^{2,3}	Jan 20–24, 2014 5 days ReSPA Danilovgrad	A, B	2, 3	(15 of) 20 16 places		20 (1 16 3 0)	26
2.06a		Training-of-Trainers ²	Feb 26–28, 2014 2.5 days ReSPA Danilovgrad	A	3, 4	(15 of) 18 16 places		12 (1 4 2 5)	24
2.05		Integration of Structural Reforms in Fiscal Programming	Apr 9–11, 2014 2.5 days CEF Ljubljana	A,B	2, 3, 5	(19 of) 20 16 places	2	16 (1 12 1 2)	29
2.10		Medium-Term Budgeting ¹	May 7–9, 2014 2.5 days CEF Ljubljana	B	2, 3, 4	(17 of) 22 16 places	1	14 (3 10 0 1)	30
2.11		Program Budgeting, Evaluation and Spending Review ¹	May 26–28, 2014 2.5 days CEF Ljubljana	B	2, 3, 4	(19 of) 22 24 places		22 (2 16 4 0)	27
2.12		Capital Budgeting ¹	Sep 17–19, 2014 2.5 days CEF Ljubljana	B	2, 3, 4	(14 of) 16 24 places	1	15 (2 8 5 0)	20
2.14		Budget Submissions of Line Ministries	Oct 15–17, 2014 2.5 days CEF Ljubljana	A,B	2, 3, 5	(16 of) 17 24 places	3	30 (2 18 0 10)	24
2.09		Macroeconomic Forecasting ^{2,3}	Oct 20–24, 2014 5 days ReSPA Danilovgrad	A,B	2, 3	(14 of) 14 24 places		21 (2 19 0 0)	19
2.15		Writing Strategic Documents ²	Oct 22–24, 2014 3 days ReSPA Danilovgrad	A,B	2, 3	(12 of) 18 24 places		13 (2 2 9 0)	19
2.06b		Training-of-Trainers	Feb 17–19, 2015 2.5 days CEF Ljubljana	B	3, 4	(20 of) 23 24 places		66 (2 56 0 8)	30

Learning and networking activities		Delivery date length location	Main target audi- ence	Linked results (see Page 35)	(Funded) participants funded places available	Bene- ficiary experts involved	Learning resour- ces shared (event information presentations & group work background reading event documentation)	Folders distribut- ed (esti- mate)
2.08		Budget Formulation¹	Feb 23 - Mar 23, 2015 5 weeks online	A, B	2, 3	(16 of) 24 32 places		20 (4 34 0 0)
2.17		Recent Developments and Issues in Medi- um-Term Budgeting¹	May 18–20, 2015 2.5 days CEF Ljubljana	A, B	2, 3, 4	(28 of) 28 24 places		40 (2 9 3 26)
2.13		Budget Execution¹	Jun 15–Jul 5, 2015 3 weeks online	A, B	2, 3	(9 of) 17 32 places		1 (1 14 0 0)
2.18		Strengthening Fiscal Institutions¹	Jun 15–18, 2015 3.5 days CEF Ljubljana	A, B	2, 3, 4, 5	(18 of) 21 24 places	1	31 (1 14 1 15)
2.16a		Enabling Fiscal Programming of Structural Reforms	Sep 15–17, 2015 3 days CEF Ljubljana	A, B	2, 3, 4, 5	(26 of) 29 24 places	4	43 (3 14 10 16)
2.16b		High-Level Policy Dialogue on Economic Governance in South East Europe (closing event)¹	Sep 18, 2015 0.5 days Hotel Slon Ljubljana	A, B	1, 2, 3, 5	(7 of) 14 16 places	7	3 (1 0 0 2)
Total achievement		21 activities delivered	A, B	1, 2, 3, 4, 5	(340 fund- ed of) 406 participants	24	463 (43 258 60 102)	551
Target value (cf. logical framework matrix)		Up to 16	A, B	1, 2, 3, 4, 5	Up to 300	Up to 8		

Note: Activity codes are in line with the Description of the Action (including the three additional activities 2.06b, 2.18, and 2.17, as agreed in the Addendum of August 2014). – Participant numbers exclude additional observers, who attended mostly the two High-Level Policy Dialogues (30 observers in 2013; 45 observers in 2015). – For funded participants, we have arranged travel, accommodation and per diems, which are covered by the Action. – In class, we distributed to all participants, observers, and experts involved folders with learning resources, which included event information (e.g. the agenda, outline, and list of participants), presentations, and instructions for group work. Those learning resources have also been shared digitally, together with background reading materials and the event documentation (e.g. selected photos, captured flipcharts and other materials produced in class).

Delivered in cooperation with:

- FAD** ► International Monetary Fund – Fiscal Affairs Department
- ReSPA** ► Regional School of Public Administration
- JVI** ► Joint Vienna Institute

-  **Learning Activity** ► delivered in a classroom setting
-  **High-level seminar** ► delivered in a seminar room setting
-  **High-level policy dialogue** ► delivered in a conference setting
-  **E-learning course** ► delivered in a virtual environment

Target audience:

A SPB coordinators

- institutions in charge of strategic planning and budgeting processes (mainly ministries of finance)

B SPB contributors

- budget users (in particular budget-intensive line ministries) and, to some degree, central planning authorities, central banks, and macroeconomic research institutes

Thematic Priorities

The SPB learning initiatives can be divided into four thematic areas:

- Macroeconomic Framework
- Medium-Term Fiscal Framework
- Fiscal Programming of Structural Reforms
- Coordination, Communication and Knowledge Sharing



Macroeconomic Framework

Macroeconomic Policy Analysis and Forecasting SPB activities 2.07 and 2.09

Description

We successfully cooperated with the JVI and ReSPA in delivering SPB activities strengthening *Macroeconomic Policy Analysis* and *Macroeconomic Forecasting*.

The objective of the learning activity on *Macroeconomic Policy Analysis* was to strengthen participants' expertise in assessing country's macroeconomic situation and in evaluating economic policies. The course built capacities in the description and analysis of the current macroeconomic framework and developments needed for macrofiscal planning, e.g. in EC surveillance reports. The following topics were discussed during the course: macroeconomic accounts and interrelations; economic growth; measuring the fiscal stance; advances in monetary policy analysis; monetary analysis; fiscal sustainability; fiscal rules; assessing the external position; exchange rate assessment; banking sector issues; and cross-border bank lending.

The learning activity on *Macroeconomic Forecasting* presented various forecasting tools and discussed the assumptions and limitations underlying different forecasting models. Participants explored how to interpret and credibly convey forecast results, assess the uncertainty around the central forecast, and make use of outside forecasts. They also discussed ways to improve forecasts in some practical situations (e.g. in case of limited and low-quality data, or structural breaks). The activity provided participants with the necessary skills for forecasting key macroeconomic variables – including growth, current account, and inflation – and for gauging the sustainability of public debt. With the help of hands-on exercises using EViews software, participants learned how to evaluate regression models; properties of time series data and co-integration; auto-regressions and error-correction models; conditional forecasting with time series data; and forecasting with panel and cross-section data.

Contribution to EU pre-accession agenda

The activities built capacities in the description and analysis of the current macroeconomic framework and developments that are needed for macrofiscal planning, e.g. as part of the preparation of an Economic Reform Programme (ERP) under EC surveillance. They also contributed to an improved understanding of economic growth, monetary and fiscal policy, public debt, external vulnerabilities, exchange rate sustainability, and financial sector developments. They helped strengthen the macroeconomic analysis skills needed for good macrofiscal planning, and thus for improving the inputs for the preparation of EC surveillance reports and other official reports about a country's macroeconomic outlook.

Beneficiary feedback

»In future, I plan to apply the models and exercises of the workshops for the data of my country, to run the regressions and tests (econometrics) for my country, and to use the knowledge acquired to write reports.«

»I'll use [the knowledge acquired at this workshop] for my daily work, which includes writing of strategic documents (such as the Convergence programs), as well as the macroeconomic forecasting for the purpose of budget planning.«

»I have observed different levels of knowledge among the participants from the SPB beneficiary countries. However, through comparing myself with colleagues from the region, I got a better understanding of opportunities to promote our domestic practice, e.g. with respect to applying computer software for macroeconomic forecasting.«

Medium-Term Fiscal Framework

Building and Strengthening Fiscal Institutions

SPB activities 2.01a and 2.18

Description

In May 2013, we started the SPB project with an activity on *Building Fiscal Institutions to Meet Post-Crisis Challenges*, which we delivered together with the IMF-FAD. The learning and networking activity examined the role of strong fiscal institutions in improving the quality of fiscal management and helping to ensure fiscal sustainability. Through presentations, case studies on advanced and emerging market experiences, and group work, the activity aimed to improve officials' awareness of the importance of strong fiscal institutions for sound macrofiscal policymaking and management. In particular, the activity reviewed good practices for a sound budget process (e.g. fiscal forecasting, budget execution and treasury management, and reporting). These elements, combined with sound management and reporting on fiscal risks, are crucial for implementing a medium-term orientation of fiscal policy as part of a medium-term budget framework (MTBF). The activity discussed in details the elements and process to facilitate fiscal policymaking within an MTBF, and the linkages to fiscal transparency and fiscal rules.

In June 2015, we organized with the IMF another learning and networking activity on *Strengthening Fiscal Institutions*, which helped officials from ministries of finance and respective line ministries better understand the role of strong fiscal institutions in ensuring long-term fiscal sustainability, and provided them with experience-based reform options to use in their own countries. In addition to the earlier activity, it emphasized the role of strong fiscal institutions in improving the quality of fiscal management and helping to ensure fiscal sustainability. It explored the role of fiscal councils in strengthening fiscal performance through effective oversight of government fiscal policies, and promoting public awareness and accountability. The activity also reviewed the features of the various types of fiscal rules and discussed specific design features.

Contribution to EU pre-accession agenda

The activities aimed to improve participants' awareness of the importance of strong fiscal institutions for sound macrofiscal policymaking and management, and discussed options for putting in place a comprehensive institutional framework. It drew on international experiences and recent developments, including current requirements under the EU fiscal governance framework. The activity also discussed challenges connected to adopting structural budget balance rules, as agreed, for example, under the EU's Fiscal Compact.

Beneficiary feedback

»Right now we are in the process of drafting the strategy for public finance and got a lot of inspiration from this seminar on very important issues for the public financial management of my country.«

»I will use the information that I have learned in my professional career. Moreover, I had the chance to get to know my colleagues from South East Europe.«

»My country will implement fiscal rules and establish a fiscal council in the future, and I will advise the ministry on this matter.«

»The topics covered were mostly related to my work and interest in the field of public finance. At the least, I will use them for producing analysis, reports etc. on those subjects.«

Medium-Term Budgeting

SPB activities 2.02, 2.10 and 2.17

Description

To make rational budgetary decisions, decision-makers must focus on their medium- and long-term implications. Most importantly, new spending initiatives often kick in only after the budget year in which the decision is taken. Conversely, important saving measures usually take longer than a year to take effect. This realization has prompted many countries to introduce medium-term budget frameworks, a set of institutional arrangements for prioritizing, sequencing, and managing revenue and expenditure in a multiyear perspective.

Three SPB activities have addressed *Medium-Term Budgeting* since May 2013. The objective of this activity has been to help participants better understand the objectives and features of multi-year budgeting, to identify the challenges and bottlenecks in these reforms, and to share experiences with colleagues in other SEE countries about how to overcome the challenges. The following topics were discussed: introduction to medium-term budgeting – theoretical background, key concepts and definitions; medium-term budgeting reforms – international experiences; the role of fiscal rules; a practical model for South-East Europe to build a medium-term budget framework from a top-down perspective; challenges and bottlenecks for medium-term budgeting; and medium-term budgeting in practice.

The second learning activity further advanced the efforts invested earlier, in particular by targeting not only finance officials from ministries of finance, but also those working at other budget users (mainly budget-intensive line ministries). Moreover, the upgraded learning activity incorporated a stronger emphasis on macroeconomic and revenue forecasting, and an additional case study on Montenegro.

The third activity delivery on medium-term budgeting reviewed recent developments and issues on this topic. It emphasized the importance of budget decisions, especially with respect to the fiscal impact of given and new policies that extend beyond the current budget year.

Contribution to EU pre-accession agenda

The activities touched upon international experiences on medium-term budgeting reforms and discussed a practical model for South East Europe to build a medium-term budget framework from a top-down perspective. A well-designed and well-managed framework for medium-term budgeting contributes to improved fiscal discipline and control, allocative efficiency and cost-effectiveness of service delivery through increased clarity of policy objectives, greater predictability on budget allocation, increased comprehensiveness of budget information, and enhanced accountability and transparency in the use of resources. Those capacities are essential for later absorption of EU funds.

Beneficiary feedback

»I will share the knowledge with my colleagues when I get back to my country. And I will have strong arguments to defend the benefits of medium-term budgeting.«

»[In future, I plan to] deliver my knowledge from this workshop to my colleagues within the ministry; present my experience and some ideas for improvement to the minister's cabinet; and exchange the knowledge, experience, and ideas with my colleagues from the Ministry of Finance.«

»Highlights were the presentations on EU funds and fiscal councils.«

»Medium-term budgeting preconditions also affect the implementation of institutional strategic plans. So I will consider and pay attention to medium-term budgeting preconditions.«

»I have broader knowledge of the need to apply a Medium-Term Budget Framework within line ministries. In addition, I will try to implement some of what I have learned by incorporating it in the writing of the fiscal strategy (such as the reconciliation table and additional information that goes along with it, as well as the less aggregate ceilings reported in the fiscal strategy).«

Program Budgeting, Evaluation and Spending Review

SPB activities 2.03 and 2.11

Description

We delivered two SPB learning and networking activities strengthening *Program Budgeting, Evaluation and Spending Review*, in May 2013 and 2014 respectively. The activities helped participants better understand the challenges in implementing program oriented budgets. They covered the following topics: design of a program-oriented budget classification; program evaluation; procedures, regulations and implementation; steering of arm's-length agencies – the role of performance information; and spending review procedures in relation to the revision of the medium-term expenditure framework.

The second delivery of the activity further advanced earlier efforts by targeting not only finance officials from ministries of finance, but also those working at budget-intensive line ministries. The upgraded activity provided an intense exchange of experience to officials involved in the budget preparation process in ministries of finance and in line ministries, and put a stronger focus on the design of a program classification of a line ministry (i.e. a ministry of education), on the description of key implementation challenges and factors that are necessary to make program-based budgeting work in practice, and on potential introduction and usage of program evaluations and spending reviews to make better informed decisions about future financial resource allocations. We invited top-notch experts and practitioners to share their knowledge and experience in setting-up spending reviews, and using results of program evaluation in feeding the line ministries' budget submissions.

Contribution to EU pre-accession agenda

The two activities paid attention to different new budget trends and provided information about the recent reforms in the countries where they occurred. In Central, Eastern and South Eastern European (CESEE) countries, reforms aimed at performance budgeting were often lacking behind those in Western Europe. Given the reorientation that is currently taking place in Western Europe, this can now be seen as an advantage. The CESEE countries can learn from the experiences of other countries and do not need to go through the same difficult process.

Beneficiary feedback

»The lecturers had great knowledge in this field, they were encouraging and stimulating, and they made us be active all the time.«

»[I am going] to propose that we use spending reviews as in the EU countries, or at least a similar process within our ministry prior to the budget needs assessment and negotiations.«



Capital Budgeting

SPB activities 2.04 and 2.12

Description

Another important aspect of Medium-Term Fiscal Frameworks addressed in the SPB project has been *Capital Budgeting*. The objective of the two learning and networking activities was to familiarize participants with the fundamentals of capital planning, capital budget formulation, and capital budget execution.

The following three areas were further analyzed and discussed: capital planning (i.e. developing policies, setting priorities, choosing projects, cost benefit analysis, determining multi-year cost estimates and assessing alternative methods of financing, with special attention to forms of public private partnerships); integration in the regular budget process (i.e. baseline estimates, relation with medium-term budgeting; dealing with cost overruns); capital budget execution (i.e. procurement methods, project monitoring, changes in cost estimates, and project completion evaluations).

The upgraded second activity provided an intense exchange of experience to officials involved in the budget preparation process in ministries of finance and in line ministries, and put a stronger focus on the ex-ante evaluation, selection, and execution of public investment projects. A case study on the City of Oslo was developed to showcase a good practice in selecting public investment projects.

Contribution to EU pre-accession agenda

The activities addressed effective processes of capital budget formulation and capital budget execution, as essential elements for ensuring country's social and economic development and its financial stability. With a systematic plan for acquisition, construction, and development of capital assets, countries will be able to provide essential services to their citizens and business community.

Beneficiary feedback

»I will share my knowledge from this course with my colleagues at the Ministry of Finance to better do the job of project execution.«

»My directorate forecasts the revenues and expenditures, so close cooperation with the budget directorate is required. From now such cooperation will be easier for me, since I know more about it.«



Budget Formulation

SPB activity 2.08

Description

Budget formulation includes the steps and processes necessary for preparing a government budget, from preliminary analyses and forecasts, submission of budget requests by ministries and other government units, the review and decision by the executive, to its official presentation to the legislature. We involved participants in a joint learning journey to share their experience and knowledge in strengthening the national budget formulation processes. The course has been structured into four learning units of public financial management: (1) the role of budget formulation in the budget cycle; (2) key steps of budget formulation; (3) medium-term budgeting; and (4) program and performance budgeting.

We designed this e-learning course based on the recent IMF publication »Public Financial Management and Its Emerging Architecture«, which provides lessons learnt from 20 years of reforms to help governments improve their management of their public finances. The course provided an opportunity to learn and share experience for officials who participate in budget formulation processes in ministries of finance and line ministries.

Contribution to EU pre-accession agenda

The budget is a political instrument that is the main tool at governments' disposal to allocate resources to achieve political priorities. All policies and priorities that derive from the planning process, including reforms in preparation of EU accession, need to be costed to ensure that they are realistic and that they can be accommodated within the resource constraint identified during the budget formulation process.

Beneficiary feedback

»Excellent experience – I think this is the future of learning!«

»I believe I have better understanding of the budget process now, but also some insight in good budget practices all around the world. The knowledge I've acquired at the course will help me to analyze existing problems of the budget process in my country, and possibly to come up with some solutions for improvements.«

Budget Execution

SPB activity 2.13

Description

The purpose of the budget execution process is to effectively and efficiently manage the use of resources approved by the parliament to achieve the stated goals of the government. The SPB learning and networking activity on this topic aimed to introduce participants to the critical issues both before and during the budget execution process. It described the organizations involved in the process, both directly and indirectly. And it discussed the role of the treasury, as well as processes that a ministry of finance typically carries out to guide all government spending units in executing their budgets. We facilitated online collaborative learning of participants through our Moodle-platform, and engaged participants in mapping out their countries' processes using modern e-learning tools such as, for example, Articulate.

Contribution to EU pre-accession agenda

The activity provided an opportunity to learn and share experience among officials who participate in budget execution processes in ministries of finance and line ministries in countries covered by the EU's Instrument for Pre-Accession Regulation. It contributed to strengthening beneficiaries' capacity to manage spending and keep budgets on track, which is particularly important with respect to the use of external funds such as, for example, provided through IPA sector-budget support.

Beneficiary feedback

»Thank you for organizing online courses and inviting participants from different countries to share experience with each other. Looking forward to other interesting courses.«

»I will use the knowledge when I am going to audit the ministry of finance.«

»It was a really good way to get new knowledge in this new field.«

Fiscal Programming of Structural Reforms

Fiscal Programming of Structural Reforms

SPB activities 2.05 and 2.16a

Description

The activity aimed at identifying key stakeholders in coordinating fiscal programming, illustrating strategic planning and budgeting processes, reviewing the integration of strategic macrofiscal documents, recognizing ambiguous responsibilities and different interests, exchanging good coordination practices, pointing out transparency issues, and reviewing information flows among stakeholders. We discussed concepts of structural reforms, their fiscal implications and integration into fiscal programming, with case studies on Montenegro, Turkey, and the Netherlands; and the integral description of structural reforms in macrofiscal surveillance reporting to the European Commission.

The second learning and networking activity had the primary objective to better understand objectives and features of structural reforms and their costing, to identify the challenges and bottlenecks in fiscal policy coordination among ministries, and to share experiences with colleagues in other SEE countries on how these challenges are being addressed. Participants have been involved in a discussion of the importance of good macrofiscal frameworks, and the role of structural reforms, especially in the context of EU accession. They got the opportunity to describe the implementation challenges and the factors that are necessary to make fiscal planning work in practice in their countries, and to identify operations and methodology needed to better assess the fiscal impact of structural reforms.

Contribution to EU pre-accession agenda

The quality of fiscal programming processes is a crucial aspect of economic governance, needing capacity development in preparation of EU accession. The activity contributed to developing capacities of various government actors involved in those processes, and helped improve their coordination. The activity focused on sharing of experiences with the preparation of Economic Reform Programmes (ERP) that EU (potential) candidate countries carry out as part of their economic governance dialogue with the EU, focusing in particular on how to systematically incorporate information on structural reforms and their fiscal implications in the two parts of the annual ERP reporting. Closely associated with the subject of sectoral fiscal programming is also the sector budget support mechanism introduced as an important financial delivery instrument under the EU's new IPA II.

Beneficiary feedback

»After this workshop, I have a clear picture of the whole process. Now, I understand all previous questions and comments in reports of the international institutions. My country has good legislation to cover structural reforms, but what is needed now is to improve capacities and to better organize the flow of information between line ministries and the ministry of finance.«

»I will use the knowledge acquired at this event in the future work, in the process of ERP preparation.«

»I will share information and knowledge I got with my colleagues and partners. And I will also share the materials we received in electronic form and hard copy.«

»It will be easy for me to use the knowledge, because each topic that we discussed is also in the focus of my work.«

Budget Submissions of Line Ministries

SPB activity 2.14

Description

The learning activity was designed to strengthen budget users' capacity to respond to budget instructions, and promoted a shared understanding of the importance of good macrofiscal frameworks, especially in the context of preparing for EU accession. It explored key institutions involved in the budget preparation process.

Participants discussed different definitions of structural reforms, and the main issues with integrating structural reforms and new policy initiatives in budget submissions. To reflect on beneficiary countries' budget submission processes, participants discussed recent budget circulars. Finance experts of the transport sector in the former Yugoslav Republic of Macedonia and Albania presented case studies on budget submissions in their countries. In groups, they engaged in simulations of the budget preparation in a ministry of education and of giving advice to their minister on improvements of the budget submission process, and did an exercise on providing information about the fiscal implications of structural reforms in EFP/PEP reports.

Contribution to EU pre-accession agenda

Beneficiaries' EFP/PEP reports shall provide realistic and consistent information on fiscal implications of envisaged structural reforms. Shortcomings in that regard have been linked to coordination and responsibility issues between budget users, to issues with ministries of finance' guidance of budget users, as well as to budget users' limited capacities in preparing their budget submissions. By addressing those issues, the activity helped strengthen the quality of budget submissions, and budget users' inputs to EFP/PEP reports.

Beneficiary feedback

»Incorporation of PEP tables was a good idea. It gave participants a good oversight of how it works in the sense of the Ministry of Finance side, and line ministries' inputs.«



Coordination, Communication and Knowledge Sharing

Writing Strategic Documents SPB activity 2.15

Description

To convey messages effectively, authors of any government piece of writing (from short e-mails to most formal reports) need to ensure that readers quickly understand the key points and structure of their writing. Participants of the learning activity learned about strategies for making English writing more effective, clear, concise, and engaging. Through a combination of brief lectures, small group work and plenary discussions, participants learned about ways to develop and strengthen the content and processes for their most important documents. The activity focused on efficient writing of strategic macrofiscal documents, especially for the intermediate and final authors of ERP reports, which EU pre-accession countries need to submit each year to the European Commission. Exercises were based on examples drawn from the participants' own writing and editing, and focused on establishing clarity; outlining and organizing text; highlighting key messages; guiding the reader through sentences and paragraphs; editing own and others' work; targeting audience; avoiding bureaucratic language; editorial style and consistency; and formatting for the reader.

Contribution to EU pre-accession agenda

Assessments of past surveillance reports submitted to the European Commission stressed the importance of strengthening the story line between different chapters, and better addressing inconsistencies that come about, for example, when integrating inputs of different stakeholders into the main document. Such integration often results in an unbalanced mix of too much detail on less important aspects and too little emphasis on more important aspects. The activity addressed a range of strategies to address such weaknesses.

Beneficiary feedback

»Thank you for accepting me to this workshop. It was very useful for me, and I think in my institution I will contribute with the information and skills that I gained.«



Training of Trainers

SPB activities 2.06a and 2.06b

Description of activities

In February 2014 and 2015, we delivered our training-of-trainers to prepare experts of SPB beneficiaries to eventually become trainers themselves. The learning event provided experts from beneficiary institutions an opportunity to help facilitate discussions and give guest lectures. The activity enhanced participants' skills to effectively share knowledge and discuss experience with colleagues within their own institutions as well as in other beneficiary institutions. To enhance the training knowledge and skills of experts, the activity aimed to generate a general awareness of the specific cultural, economic and institutional needs that are applicable for SEE countries. Participants were introduced to the relevant pedagogic and technical concepts and tools that help to effectively communicate with the audience. We encourage selected experts from SPB beneficiary institutions to consider becoming trainers and share their knowledge and experience within its wider training agenda.

The training gave participating finance officials a frame of reference for understanding how learning works, and aimed to inspire them to design and deliver training and learning activities. The activity followed an experiential approach where participants engage in context-driven, real-life activities and collectively reflect on their performance and come away with »lessons learned«. Participants found about different theories of learning, which helped them identify and understand their disposition toward learning. The course also provided practical guidance on how to give a powerful and dynamic lecture. Participants had the opportunity to enhance their skills for developing the confidence and capability to give an engaging lecture, and were encouraged to share their experience, recognize and encompass different perspectives, and work in teams.

Contribution to EU pre-accession agenda

We designed the learning and network activity to ensure maximum interaction between finance officials who were involved in the design, implementation, and coordination of medium-term macroeconomic and fiscal policies. Participants were encouraged to share their experience, recognize and encompass different perspectives, and work in teams by testing participatory and creative methods. They learned to improve training and facilitation skills through reflecting on their work as practitioner, on the design of different learning and facilitation practices, and on evaluating learning in the area of strategic planning and budgeting.

Strengthening line ministries' training capacities in public financial management promotes beneficiary countries' capacity to engage officials in learning, and hence to foster reform. The activity helped identify finance officials who could be involved in future sharing of technical knowledge on strategic planning and budgeting with their colleagues at finance ministries, line ministries, and at international forums, such as CEF learning events.

Beneficiary feedback

»I learned how to prepare for a presentation, how to give a powerful presentation, how to get the attention of the audience, how to involve others, about different learning formats, and that it is important to get feedback at the end of the lecture.«

»The group gained good chemistry thanks to the facilitators; it made it easier to share and gain ideas. Also, time management, grouping according to the level of knowledge, and methods facilitated participation and knowledge sharing. This made me contribute my best to achieving the objectives of the event.«

Strategic Planning and Budgeting and Economic Governance in South East Europe

SPB activities 2.01b and 2.16b

Description of high-level policy dialogues

In September 2013, we delivered the first of two SPB high-level policy dialogues. The event brought together ministers, governors and other high-level officials from across SEE, as well as international experts, for example, from the IMF-FAD and OECD-Sigma. The dialogue focused on macroeconomic and fiscal frameworks, fiscal impact of structural reforms, and policy coordination and planning processes. The dialogue, held as a highly participatory open round-table discussion, resulted in a number of thoughts and suggestions on how to further develop capacities and expertise for the design, implementation and coordination of economic and fiscal policies in SEE.

In September 2015, we organized the second high-level dialogue as the final event of the SPB project. The dialogue hosted high-level representatives of ministries of finance and selected line ministries. The dialogue was also attended by senior IMF and EC representatives who were invited to give concluding remarks. They reflected on the reforms necessary to strengthen medium-term macroeconomic and fiscal frameworks, and the integration of the fiscal impact of structural reforms in those frameworks, as well as policy coordination and planning processes. The policy dialogue brought out challenges and good practices in SEE in ensuring fiscal sustainability, creating fiscal space, preparing realistic macroeconomic forecasts, introducing program performance orientations in the budget, and applying fiscal rules. High-level representatives reflected on the need to strengthen sectoral fiscal programming through better policy coordination and assessments of the fiscal implications of structural reforms.

Contribution to EU pre-accession agenda

Capacity development actions, like the EU-financed Strategic Planning and Budgeting, addressing capacity needs of EU (potential) candidates, are a reflection of policies to strengthen capacities in this area. Their goal is also to support aspiring EU member countries' alignment with EU *acquis communautaire*. Clearly, such efforts show best results when backed up by political commitment for reform and supported at the highest national level. The policy dialogues provided an opportunity to strengthen the coordination of government actors across countries and sectors. High-level representatives discussed the challenges related to economic governance faced by SEE countries; in particular those posed by their EU pre-accession agenda, and outlined priority areas for further learning and networking activities.

Beneficiary feedback

»It is not enough to use the nice cars of advanced EU countries for our poor roads. The focus should not only be on the cars but on our roads.«

»Thank you for a very interesting event and nice moments. Hope to see you next year.«

»Thank you for the invitation and perfect organization.«



MULTI-STAKEHOLDER COOPERATION



Engaging Leading Experts

To engage international experts for the delivery of the SPB activities, we have used our extensive network of experts; involved new experts in areas less addressed so far; and cooperated with partner institutions, in particular the IMF-FAD, and the JVI (see below for a list of experts involved in the delivery of SPB activities). A significant number of the experts involved in the project provide their inputs in-kind, or at reduced rates.

The IMF-FAD made a particularly noteworthy in-kind contribution of expertise, involving leading experts based at its head-quarters, as well as its Regional PFM Advisor for South East Europe whose work was initially funded by the Japanese Government, and later on by the European Union as part of the IMF project on *Strengthening Economic Governance and Public Financial Management*, which supports fiscal reforms in six SEE countries. Particularly important contributions were made by Dirk-Jan

Kraan who held this position before he became a CEF Advisor; his successor at this position Duncan Last, as well as Mojmir Mrak, Professor of International Finance, University of Ljubljana and CEF Associate Fellow.

We facilitated the design and implementation of the activities, in particular the work on course agenda, learning objectives, and methodology. Beverly Trayner, a social learning theorist and consultant, helped us ensure that the methodological design of the SPB activities were in line with the latest learning and networking theories, and gave advice on how to strengthen the aspects of collaborative learning, for example, to sustain the impact of the SPB project through future networking activities. Communication expert Simona Rakuša provided support in ensuring optimal communication and visibility of the SPB activities, for example, by supporting the SPB Newsfeed, and by advising us in preparing the SPB Newspaper and Final Report.



Expert (in alphabetical order)	Position (at the time of last involvement in a SPB activity)	► Activity Code (see Pages 10–11)
Taşkin BABAO LAN*	Planning Expert, Ministry of Development of Turkey	► 2.05
Sebastian BARNES	Economic Counsellor to the Chief Economist, OECD; Member of the Irish Fiscal Advisory Council	► 2.01a
Maja BEDNAŠ	Macroeconomic Expert, Institute of Macroeconomic Analysis and Development, Slovenia	► 2.10
Peter van den BERG	Budget Director, Ministry of Finance, the Netherlands	► 2.02
Karl BERGSTRAND	Special Advisor, Ministry of Finance, Sweden	► 2.02, 2.17
Frits BOS	Bureau for Economic Policy Analysis, the Netherlands	► 2.12
Corina den BROEDER	Budget Inspectorate, Ministry of Finance, the Netherlands	► 2.11
Bernard BRUNET	Head of Unit A3, DG NEAR, European Commission	► 2.16a
Luis CATAO	Senior Economist, Joint Vienna Institute	► 2.09
Vesna DERENČIN	Senior Advisor, Department for Budget System Development, Ministry of Finance, Slovenia	► 2.08, 2.13
Eriona ELEZI QOKU*	Financial Planning and Budgeting expert	► 2.14
Brian FINN	Senior Policy Adviser, OECD Sigma	► 2.01b
Dritan FINO*	Advisor to Cabinet of Minister, Ministry of Finance, Albania	► 2.16a
Norbert FUNKE	Director, Joint Vienna Institute	► 2.07
Adam GERSL	Senior Economist, Joint Vienna Institute	► 2.07
Wijnand van GOUDOEVER	Inspectorate of Finance, Ministry of Finance, the Netherlands	► 2.04
Bert HOF	Senior Researcher, Competition and Regulation Department, SEO Economic Research, the Netherlands	► 2.05
Aleksandra IVANOVSKA*	Head of Budget Coordination Unit, Ministry of Transport and Communications, former Yugoslav Republic of Macedonia	► 2.14
Maksym IVANYNA	Economist, Joint Vienna Institute	► 2.09
Andreja JERINA	National Coordinator EU Macroeconomic Strategies, Ministry of Foreign Affairs, Slovenia	► 2.14, 2.17
Joanne KELLY	Professor of Public Administration, Australia/New Zealand School of Government	► 2.03, 2.11
Nora KOKAJ*	Macroeconomist, Ministry of Finance, Kosovo	► 2.16a
Dirk-Jan KRAAN	CEF Advisor (former Public Financial Management Advisor for South East Europe, International Monetary Fund)	► 2.01a, 2.02, 2.03, 2.04, 2.05, 2.10, 2.11, 2.12, 2.14
Duncan LAST	IMF Public Financial Management Advisor, South East Europe	► 2.16a, 2.16b, 2.17, 2.18
André LUNDVALL	Ministry of Finance, Sweden	► 2.02, 2.10
Qemajl MARMULLAKAJ*	Director of Strategic Planning Office, Office of the Prime Minister, Kosovo	► 2.16a
Paul MCCLURE	Senior Communications Officer, World Bank Group; CEF Associate Fellow	► 2.15
Simon MORDUE	Director of Strategy and Turkey, DG NEAR, European Commission	► 2.16b
Mojmir MRAK	Professor, University of Ljubljana, Faculty of Economics; CEF Associate Fellow	► 2.01b, 2.05, 2.14, 2.16a, 2.16b
Frans van NISPEN TOT PANNERDEN	Associate Professor of Public Administration, Erasmus University, Rotterdam	► 2.03
Jos NOUWT	Ministry of Health, Welfare and Sport, the Netherlands	► 2.04

Expert (in alphabetical order)	Position (at the time of last involvement in a SPB activity)	► Activity Code (see Pages 10–11)
L'udovit ÓDOR	Council of Budget Responsibility, Slovak Republic	► 2.17
Brian OLDEN	Deputy Chief Public Financial Management Division, Fiscal Affairs Department, IMF	► 2.01a, 2.08, 2.18
Bojan PAUNOVIĆ*	Senior Advisor, Ministry of Finance of Montenegro	► 2.10
Mikhail PRANOVICH	Economist, Joint Vienna Institute	► 2.07, 2.09
Simona RAKUŠA	Independent Communication Expert, Slovenia	► 2.16b
Jana REPANŠEK	Deputy Director, Center of Excellence in Finance	► 2.01b
Stephanie RISO	Head of Unit, Fiscal Policy and Surveillance, Economic and Financial Affairs, European Commission	► 2.01a
Koert RUIKEN	Ministry of Infrastructure and the Environment, the Netherlands	► 2.12
Marta RUIZ-ARRANZ	Deputy Chief, Fiscal Policy Division, Fiscal Affairs Department, IMF	► 2.18
Andrea SCHAECHTER	Deputy Division Chief, Fiscal Policy and Surveillance Division, Fiscal Affairs Department, International Monetary Fund	► 2.01a
Gerd SCHWARTZ	Deputy Director, Fiscal Affairs Department, International Monetary Fund	► 2.01b
Elton STAFÄ*	Municipal Finance Expert, USAID Planning and Local Governance Project (former Senior Expert, Ministry of Finance, Albania)	► 2.12, 2.18
Tijana STANKOVIĆ*	Advisor to Vice Prime Minister for Economic Policy and Financial System, Prime Minister Office of Montenegro	► 2.05
Daniel M. STURM	Reader (Associate Professor) in Economics, London School of Economics	► 2.04
Janez ŠUŠTERŠIČ	Partner and consultant at Re-forma, d.o.o., and Senior Economist on the EU-project »Support to Ministry of Finance« in Kosovo	► 2.16a
Eivind TANDBERG	Municipality Director, City of Oslo, Norway	► 2.12
Georges TOURNEMIRE	DG ECFIN, European Commission	► 2.18
Cristopher TOWE	Deputy Director of Fiscal Affairs Department at IMF	► 2.16a, 2.16b
Mišo VASILEVSKI*	Head of Budget Control Unit, Ministry of Transport and Communications, former Yugoslav Republic of Macedonia	► 2.14
Stane VENCELJ	Ministry of Finance of Slovenia	► 2.18
Mojca VOLJČ	Undersecretary, Department for Budget System Development, Ministry of Finance, Slovenia	► 2.08
Nina VUJOŠEVIĆ*	Adviser to the Prime Minister of Montenegro and docent at University of Donja Gorica Montenegro	► 2.16a
Beverly WENGER-TRAYNER	Social Learning Theorist and Consultant	► 2.06a, 2.06b
Thomas WILHELMSSON	Ministry of Finance, Sweden	► 2.10
Sami YLÄOUTINEN	Director General, Economic Policy Coordination, Ministry of Finance of Finland	► 2.18
Urška ZRINSKI	Program Manager, Center of Excellence in Finance	► 2.08, 2.13

Note: *Expert originates from an SPB beneficiary country. – Highlighted experts have been involved in the delivery of activities in the reporting period (others were involved also in the preparation of activities). – Several high-level representatives of ministries of finance of beneficiary countries have been speakers on the High-Level Policy Dialogues (activities 2.01b and 2.16b). – The design and delivery of SPB learning and networking activities has been facilitated by the CEF staff who are experts on learning methodology, design, implementation and evaluation of learning initiatives.

** CEF staff involved in facilitation of the SPB learning activities: Robert Baumüller, Urška Zrinski, Luka Zupančič, Tina Žagar, Matija Čarman, Ana Frangež, Kaja Jurtela.

Engaging Beneficiaries' Experts

Helping beneficiaries to activate and strengthen their own experts' skills as trainers is crucial for reinforcing capacity development efforts. Nurturing finance officials' exchange of expertise importantly contributes to sustaining and multiplying capacity development achievements within beneficiary institutions.

We have developed our own training-of-trainers, which aims at activating potential trainers from our constituency, developing their capacities to effectively share expertise with a wider audience and promote behavioral and institutional change. To enhance training skills, we share our own experience as knowledge hub. We help beneficiaries' experts become aware of the specific cultural, economic and institutional aspects that are applicable in the region, and introduce to them the relevant pedagogic and technical concepts and tools to effectively communicate with the audience.

As part of the SPB project, we have trained 41 finance officials (see Page 22). We have encouraged some of them to become trainers within our wider learning program.

Experts from beneficiary countries have been identified, trained and involved in delivering learning activities; 12 finance officials from SPB beneficiary institutions have been actively involved in strengthening the skills of their colleagues, e.g. by facilitating discussions and sharing their expertise through (guest) lectures; another 12 were engaged in the SPB high-level policy dialogues as speakers.

For example, we invited Mišo Vasilevski (Ministry of Transport and Communications, former Yugoslav Republic of Macedonia) to share a case study on his ministry's budget submissions. *»This was a unique opportunity for me to strengthen my skills in sharing knowledge, and it was a very rewarding experience to get positive feedback from my colleagues. We are all experts in our specific fields, and work areas, but do not have many opportunities to share our knowledge and expertise internationally. I'd like to thank the CEF for having given me this opportunity, and am looking forward to others to come. I'd like to further strengthen my own capacity to share knowledge [...].«*



Coordination with the Project Steering Committee

During SPB project implementation, we hosted two face-to-face meetings of the Project Steering Committee (PSC), back-to-back with the SPB kick-off event in May 2013, and back-to-back with a meeting with nominated human resource representatives of our constituency in September 2014. PSC members were visited twice during our visit to the region in the project initiation and evaluation phase.⁴ In between, we consulted them individually and via written correspondence to ensure their support and feedback, in particular with respect to recruitment and reporting.



Cooperation with Project Partners

We have delivered the SPB project in cooperation with the EC, IMF-FAD, ReSPA, and JVI. Good inter-institutional cooperation between the CEF, ReSPA and the JVI is shown, for example, by the successful joint delivery of the learning activities (2.07 and 2.09).

We have regularly communicated with the European Commission on aspects related to project management and delivery. We have met EU delegations during visits to beneficiary countries, for instance our initial visibility tour, and have received information about the implementation of the project at various occasions. A representative of the European Commission has been a member of the Project Steering Committee. In response to the recurrent request of beneficiaries, we involved the European Commission as much as possible in the delivery of learning and networking activities (i.e. SPB activities 2.01a, 2.16a, 2.16b and 2.18).

Our cooperation with the IMF-FAD continues and deepens joint efforts in capturing the needs addressed by the SPB project. Duncan Last, IMF PFM advisor for SEE (based at the CEF), and his predecessor Dirk-Jan Kraan, helped steer the project, and have importantly contributed to the design and delivery of a substantial share of SPB activities; some SPB activities have been de facto delivered as IMF/CEF joint activities. This good cooperation continues beyond the project.

ReSPA has been represented in the SPB Project Steering Committee, and has been a good hosting institution and partner for the delivery of four SPB activities, providing its training and accommodation facilities as in-kind contribution.

⁴ SPB Project Steering Committee members at the end of the project (in alphabetical order): Robert BAUCHMÜLLER (CEF), Mirjana ČOJBAŠIĆ (MoF, Serbia), Jelena IVANKOVIĆ (MoFT, Bosnia and Herzegovina), Agim KRASNIQI (MoF, Kosovo), Duncan LAST (IMF-FAD), Konstantina MARAGKOU (DG NEAR, European Commission), Vlatko NAUMOVSKI (ReSPA), Bojan PAUNOVIĆ (MoF, Montenegro), Kutluhan TAŞKIN (MoD, Turkey), Tanja TRIPUNOVA (MoF, former Yugoslav Republic of Macedonia), and Urška ZRINSKI (CEF). In the final delivery months of the project, Andrea KOCELJ (MoF, Croatia) acted on behalf of her colleague Hana ZORICIC; Albania was represented by Gelardina PRODANI (MoF).

Relationship between the CEF and State Authorities

Our relationship with state authorities in beneficiary countries is excellent. Ministries of Finance as institutions in charge of strategic planning and budgeting processes have formed one of the two main SPB beneficiary groups. We have particularly close links with them, as they are involved in our governance. Beneficiary institutions have shown their willingness to cooperate, and have sent their participants to SPB activities. All beneficiary countries have been represented in the Project Steering Committee through a nominated representative of a core stakeholder institution (primarily ministries of finance).

We have further intensified our efforts to reach out to the second main beneficiary group, which are other institutions contributing to strategic planning and budgeting processes, especially budget-intensive line ministries, and, to some degree, central planning authorities, central banks, and macroeconomic research institutes. The SPB activities delivered in the second year of the project implementation have been particularly targeted and tailored with the aim to reach a significant number of representatives of this audience.



Links and Synergies with Other Actions

Information exchange with relevant stakeholders in the initiation phase, exchange with Project Steering Committee members, and regular consultations with SEE ministries of finance as part of our governance has ensured complementarity of SPB activities with national capacity development efforts. A number of international and bilat-

eral donors support SPB beneficiaries in their public financial management reforms. The following table provides a partial list of complementary projects since the five years ahead of project start (i.e. projects have been recently completed, are in progress, or will shortly be launched), which have been strengthening capacities of SPB beneficiaries.

Beneficiary Country	Project Title	Initiation Year	Funding
Montenegro	Macroeconomic and Fiscal Forecasting and Economic Analysis; Adoption of the European System of Accounts Methodology; Improving Public Sector Accounting and Reporting Systems; Strengthening Capacities for Public Debt Management	2009	Ministry of Finance of the Slovak Republic
Bosnia and Herzegovina	Strengthening Public Financial Management – Budgeting, Internal Control and Internal Audit	2011	IPA
Croatia	Strengthening Capacity for Implementation of Regulatory Impact Assessment	2014	Twinning light
The former Yugoslav Republic of Macedonia	Supporting the Process of Fiscal Decentralization through Strengthening the Capacities for Sound Financial Management and Internal Financial Control on Local and Central Level	2011	IPA
The former Yugoslav Republic of Macedonia	Twinning Arrangement to Build up the Capacity within the Department Dealing with Central and Local Government Budgets, and Strengthening Medium Term Policy Making Capacity	2014	IPA
The former Yugoslav Republic of Macedonia	Strengthening the Medium Term Budgeting for Effective Public Financial Management	2015	Twinning (SIDA)
Kosovo	European Cooperation for Stronger Municipalities	2011	Twinning
Kosovo	Support to the Ministry of Finance	2014	IPA
Serbia	Support to the Ministry of Finance Treasury in Capacity Building	2010	IPA
Serbia	Macroeconomic Policy and Public Financial Management	2012	USAID
Serbia	Public Finance Reform	2015	GIZ
Serbia	Support to Permanent Conference of Towns and Municipalities in the Area of Public Finance Management and Oversight	ongoing	SDC
Serbia	Local Government Finance Reform Program	2015	SECO
Turkey	Improved Strategic Management Capacity	2014	IPA
Western Balkan	Improving Public Financial Management in the Western Balkans	2010	IPA
Western Balkan	Economic Governance and Public Financial Management	2015	IMF-FAD

Link to Previous Grants

The SPB project has been an essential part of our program to promote learning, facilitate knowledge-exchange and policy dialogue, and strengthen networks of public

officials in the SEE region. The European Commission is a close partner and several EU member states contribute expertise to our activities.

Related EU (co)funded capacity development actions (we delivered or were involved in)

In 2010, we contributed to the action **Improving Public Management, Control and Accountability in Kosovo**, which was part of the EU's Technical Assistance for Kosovo, organized by the Ministry of Economy and Finance of Kosovo, and managed by the consortium Tribal HELM. This action aimed at creating a stronger governance framework in Kosovo and to support the operation of the Financial Management and Control systems and internal audit systems. We shared our experience with enhancing independent and efficient internal auditing through Training of Internal Auditors in the Public Sector. We facilitated the preparation of national modules and materials for the Training and Certification Program, and delivered an initial round of training and examinations.

In 2010, we contributed to the multi-beneficiary IPA Action **Strengthening Macro and Micro-Prudential Supervision in EU Candidates and Potential Candidates**, which was managed by the European Central Bank. Beneficiaries included authorities in charge of macro- and microprudential supervision of credit institutions, i.e. IPA countries' central banks. The action aimed at strengthening their resilience to financial crises, notably by strengthening capacities to translate international standards into national practices. The action also helped create the necessary technical prerequisites to strengthen regional cooperation of national and EU authorities. Particular attention was given to international standards developed in response to the financial crisis. We organized and hosted eight training events covering home-host cooperation, macro- and microprudential supervision, and regulation topics.

Since 2011, we have been coordinating Priority Area 10 **Institutional Capacity and Cooperation of the EU Strategy for the Danube Region** together with the City of Vienna. The EU Strategy for the Danube Region is a macroregional 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 focus of Priority Area 10 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.

In 2012-2013, we implemented, in close cooperation with the Ministry of Finance of Montenegro, the action **Fiscal Impact Assessments of Structural Reforms in South East Europe** with funding from the World Bank's SAFE Trust Fund, and co-funded by the European Union. The action focused on assessing how SEE countries incorporate structural reforms into their national budgets and medium-term fiscal documents, and on identifying gaps and policy coordination issues in this process. As part of the action, public finance experts from the SEE region prepared country case studies and discussed them with relevant stakeholders at a seminar. In conclusion of the action, we published the case studies in two editions; the e-book is disseminated among relevant stakeholders. The capacity development needs identified in this action have been addressed within the SPB action.



ASSESSMENT OF RESULTS

Social Impressions

amic and holistic
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Results Framework

The SPB learning and networking activities aimed to contribute to *strengthening beneficiary countries' governance for growth, by strengthening beneficiary institutions' capacity to design and implement medium-term macrofiscal frameworks, and facilitating beneficiary in-*

stitutions exchange of good practice and regional cooperation. The delivered activities have been designed to achieve the following results (or a subset of them; see also Pages 10–11).

The Action has achieved the following results
1. Awareness raised among top-level officials of institutions coordinating and contributing to medium-term macrofiscal frameworks about the need and opportunities to improve those frameworks
2. Capacities strengthened and experience and good practices shared in the preparation of medium-term macrofiscal frameworks of involved public finance officials
3. Networks created among officials involved in the preparation of medium-term macrofiscal frameworks
4. Experts from beneficiary countries identified, trained and involved in capacity development activities to improve medium-term macrofiscal frameworks
5. Policy coordination processes improved among institutions coordinating and contributing to medium-term macrofiscal frameworks

The following table provides an impression of the range of topics, in which SPB activities strengthened capacities.

Capacities strengthened through SPB learning and networking activities
Improved understanding of concepts such as, for example, strategic macrofiscal frameworks; budget formulation; structural reforms; macroeconomic forecasting; annual and medium-term budget frameworks; program classification and budgeting; capital budgeting; budget execution; strengthening fiscal institutions (e.g. fiscal councils and rules); fiscal programming of structural reforms; learning theories; and training and facilitation.
Promoted practical applications , for example, of basic statistical analysis; key model diagnostics and variable testing in EViews; panel and uni-/multivariate models for forecasting; forecast evaluation; models for stochastic debt sustainability analysis; online tools for budget execution; medium-term budgeting; fiscal institutions; structural reforms; group simulations and presentations; and facilitation approaches and learning theories.
Strengthened knowledge and skills in preparing the EFP/PEP/ERP chapters on structural reforms; integrating the fiscal impact of structural reforms into national budgets; coordinating strategic planning and budgeting processes with other relevant stakeholders; co-integrating procedures of different strategic planning and budgeting processes (both the annual budget and medium-term budget framework); assessing fiscal implications of structural reforms; explaining a medium-term budget framework (and the role of macroeconomic forecasting); becoming a reflective practitioner; using online tools in budget execution tasks; and composing cohesive, clear, concise, and strong texts.
Opportunities offered to explore key institutions involved and steps to be taken during budget preparation (especially with respect to crosscutting, inter-sectoral policies and structural reforms); international experience in making medium-term budgeting work in practice; operations and methodology needed to assess the fiscal impact of existing and new policy proposals; trends in recent PFM reforms; critical elements in the guidance of budget users' submissions; how program budgeting works; and ways to guide the reader through a document.

Successful Recruitment

Effective learning and networking depends on successful recruitment of participants with the required background and positions. Together with the Project Steering Committee, human resource representatives of our constituency and relevant senior officials of SPB beneficiary institutions, we invested considerable effort into a careful identification and recruitment of candidates. Experts engaged in the delivery of SPB activities were involved in selecting candidates based on the information provided when applying. We managed to engage more finance officials than the 300 participants initially envisaged in the Description of Action, whereas several candidates for SPB activities were not selected.

Not all beneficiary countries have made full use of their funded places, for instance because of conflicting agendas, ongoing surveillance missions, or high work intensity in target institutions. In several beneficiary countries, (early) elections prevented high-level representatives from attending the final event. If possible, we postponed the delivery of SPB activities to ensure a higher turnout. Throughout the project, we increasingly allocated funded places that were not 'used' to other beneficiary countries. We regularly encouraged less active beneficiaries to stronger engage in the project, and made efforts to allocate to them additional funded places, if requested.

Measurable Outcomes

The achievement of expected results can be verified quantitatively, for example through participants' feedback on what they have learned from attending SPB activities. Our evaluation approach is to a large extent based on the Kirkpatrick model for training evaluation, and modified to fit the dimensions of our learning model. The same methodology was used for the SPB project. Post-event exit surveys evaluate the first two levels of the Kirkpatrick model, namely (1) the participants' reaction to their learning experience, and (2) the learning effect with respect to their increased knowledge. On the typically used 1–5 scale with 5 being the highest score, an activity is considered a success, if an average overall satisfaction of 4.2 or higher is reported. According to this measure, the participants of SPB activities have expressed high satisfaction with their learning experiences, as reflected in their average overall assessment of 4.7.⁵

SPB activities met the expectations of participants, as reflected in a high average evaluation of the achievement of established learning objectives of 4.4. Participants' self-assessment of the knowledge they gained in before-after comparisons on the topics discussed provided a good average of 1.2 points.⁶ Participants gained new information from attending SPB events, as reflected in an average score of 4.4 on this question. The good results are linked to the high quality of presentations and facilitated discussions of the experts involved (see also Pages 25–28); participants' appreciation of the experts is reflected in the high average score 4.6. The CEF's learning facilitation has been rated at an excellent 4.9. An average score of 4.3 shows that there is a high chance that participants apply the gained knowledge and skills at work, which is supported by stories we collected from participants after their return to office.

⁵ In the project's Logical Framework Matrix, a success threshold has been established of 70% of participants reporting satisfaction with each training activity. On a 1–5 scale, this represents a score of 3.5, which has indeed been reached for all activities.

⁶ The SPB Logical Framework Matrix prescribed to achieve that 70% of participants report improved knowledge. Indeed, more than 70% of respondent assessed their knowledge higher after attending the event.

Stories of SPB Value-Creation

To better understand the impact of the project activities on the work of individual participants and their organizations, we collected value-creation stories. According to the Wenger-Trayner conceptual framework, a change in behavior traverses different cycles, providing an account of how learning initiatives create value for participants, their organizations, and other stakeholders. We collected data at different cycles and cross-referenced it with the stories to show the causal link between our learning initiatives and impact on beneficiary institutions.

The value created by attending a learning initiative: (Cycle 1) starts with describing the immediate values: sharing

experience, meeting others, sharing similar challenges, etc.; (Cycle 2) continues with outlining the newly created knowledge capital: inspiration, new insights, new methods and tools, new connections, etc.; (Cycle 3) explains any application of it to solve a specific challenge: change practice, start a new collaboration, apply a new method, etc. Finally, (Cycle 4) the learning experience may link to actual performance changes that are meaningful to participants and their organizations: improve personal or ministry performance in the area of budgeting, etc.; and (Cycle 5) may inform a redefinition of performance or reconsideration of strategies, goals and values: possible transformation in the way things are done.

Value creation stories



In a nutshell, the following impact on beneficiaries' work has been expressed at interviews

Albania

The SPB provided opportunities for beneficiaries to meet with colleagues from other countries and exchange ideas, policy advices and experiences.

The SPB activities addressing fiscal rules and fiscal councils have been very helpful, as these thematic areas are highly prioritized in the region. Some solutions presented at the SPB learning events were subject of internal discussion on fiscal rules' regulation at the Ministry of Finance.

Bosnia and Herzegovina

Knowledge and good practice shared at the SPB activities helps Bosnian experts to strengthen capacities in the field of program budgeting.

Given the complexity of program budgeting, the SPB events on this topic gave officials from Bosnia and Herzegovina a nice opportunity to get external reflections on the internal procedures in their institutions.

Croatia

The SPB gave officials an opportunity to network with colleagues from other beneficiary countries in the region, and to share good practice that empowers future cooperation with colleagues in the region. The EU-funded SPB activities were hence much appreciated; Croatian officials do not have many other opportunities to attend trainings abroad.

The SPB helped beneficiaries to share knowledge and extend professional networks within South East Europe.

Kosovo

The SPB helps improve budget planning capacities of line ministries, and gives opportunities to learn about best budgeting practices in the region.

CEF trainings are of top quality and comprehensive. They help to improve capacities of public finance officials in Kosovo.

Former Yugoslav Republic of Macedonia

The SPB strengthens capacities at line ministries in improving budget submissions and inputs to strategic macrofiscal documents.

The SPB gives experts from line ministries and other relevant budget users a frame of reference to better understand how learning works, and to design and deliver training and learning activities.

The SPB learning events were excellent and overall the CEF program is supporting the Ministry of Finance's capacity building efforts. At the SPB events, Macedonian participants learned, for example, about EC guidelines and requirements on fiscal reporting. Participants from the Ministry of Finance benefited from regional exchange of experience and approaches.

Montenegro

Through promoting exchange of good practice and experience with colleagues and experts from South East Europe and elsewhere, the SPB strengthened capacities in the field of structural reforms and the implementation of a medium-term budgeting framework.

The comparative approach on fiscal institutions at the related SPB seminar helped us reflect on the different models and solutions while reforming our related legislations, for example, on Budget Responsibility. The regional experiences shared at the SPB activity have been disseminated among the Ministry of Finance's working group on such new legislation.

Serbia

The SPB enabled exchange of practice with colleagues from the region and better understanding of opportunities to promote domestic practice, e.g. with respect to applying computer software for macroeconomic forecasting.

The SPB learning activities increased knowledge of budget formulation, fiscal institutions and risk management. Generally, Serbian officials share knowledge and lecture materials with their colleagues at their return to office.

Turkey

The SPB strengthened knowledge of capital budget formulation and execution and their processes as essential elements for ensuring a country's social and economic development and its financial stability, and helped exchange good practice in cost-benefit analysis.

Promotion of Regional Cooperation

Examples of participants sharing knowledge and experience
Kosovo sharing experience in building fiscal institutions (<i>SPB activity 2.01a</i>)
Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, and Turkey sharing experience in medium-term budgeting (<i>SPB activity 2.02</i>)
Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, Montenegro, and Turkey sharing and applying different budget classifications (<i>SPB activity 2.03</i>)
Montenegro sharing experience in integrating structural reforms into fiscal programming (<i>SPB activity 2.05</i>)
Turkey sharing experience in integrating structural reforms into fiscal programming (<i>SPB activity 2.05</i>)
Montenegro sharing experience in introducing a medium-term budget framework (<i>SPB activity 2.10</i>)
Albania, Croatia, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, and Turkey jointly engaging in budget negotiations to enhance the role of line ministries in introducing a multi-year horizon to the budget (<i>SPB activity 2.10</i>)
Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro, Serbia, and Turkey sharing views on how to introduce program evaluations at line ministries and how to make them work (<i>SPB activity 2.11</i>)
Albania sharing views on integrating capital investments into the formal budget process (<i>SPB activity 2.12</i>)
The former Yugoslav Republic of Macedonia sharing experience in budget submissions for a transport sector reform (<i>SPB activity 2.14</i>)
Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro, and Turkey sharing experience in budget submissions, reflecting on budget circulars guiding the submission process (<i>SPB activity 2.14</i>)
Albania sharing experience in budget submissions for a transport sector reform (<i>SPB activity 2.14</i>)
Albania, Bosnia and Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, Serbia, and Turkey sharing views on how to reform budget formulation processes (<i>SPB activity 2.08</i>)
Albania, Bosnia and Herzegovina, Croatia, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro, and Turkey sharing experience and practice in delivering training (<i>SPB activity 2.06b</i>)
Bosnia and Herzegovina, Croatia, Kosovo, the former Yugoslav Republic of Macedonia, and Montenegro sharing experience in preparing strategic documents and recommendations for optimizing this process (<i>SPB activity 2.15</i>)
Kosovo and Montenegro sharing experience in Economic Reform Programmes (<i>SPB activity 2.16a</i>)
Albania sharing experience in sector budget support as an IPA instrument (<i>SPB activity 2.16</i>)
Albania sharing experience in budget execution and treasury management (<i>SPB activity 2.18</i>)
Participants from all SPB beneficiaries discussing the progress of their development of fiscal institutions (<i>SPB activity 2.18</i>)

Promotion of Networks

A Results-Oriented Monitoring mission carried out after the first year of project implementation confirmed that the SPB activities promoted the development of networks among core beneficiaries, whereas it emphasized that the success in this respect is difficult to measure. Nonetheless, it confirmed evidence that the SPB activities are contributing to creating the spirit of networking among participants.

Networking has been an essential part of the SPB activities. The project promoted informal networks among finance officials involved in strategic planning and budgeting. We designed the activities on the basis of a participatory approach, which facilitates knowledge and experience exchange among participants and the experts involved. We designed our learning space as a gathering spot for participants to stimulate learning. As a learning institution, we aim to optimize this space to reflect the understanding of learning as a creative, supportive and pleasant experience.

Across different SPB activities, participants graded the applied methods to enable participation and knowledge sharing at SPB activities with an average of 4.5. To provide additional opportunities to build personal networks,

all face-to-face SPB activities included a number of networking occasions, such as dinners, coffee breaks, and social activities, which were highly appreciated, as confirmed by an average score of 4.8. E-learning courses promoted networks through various peer-to-peer exercises and facilitated discussion, providing participants sufficient space to get to know each other.

As part of the SPB project delivery, we also explored options to start (or strengthen the existing) formal networks and ways to sustain them. As a result of discussions with all SPB stakeholders, we have drafted a proposal to strengthen the collaborative learning capacity of public finance officials at line ministries through future networking activities. SPB beneficiaries highlighted the advantages of the SPB project in bringing together public finance officials of both ministries of finances and line ministries in joint learning activities, the latter group having had fewer opportunities to benefit from such learning and networking activities so far. At the SPB closing events, the proposal to strengthen the collaborative learning capacity of public finance officials at line ministries was discussed with the beneficiaries and approved, and we have initiated fund-raising activities to ensure future action.



Final Reflection on the Challenges Addressed

The SPB project concluded with a *High-Level Policy Dialogue on Economic Governance in South East Europe* (activity 2.16b), which was attended by representatives from ministries of finance, line ministries and central planning authorities in the region. The European Commission was represented by the Director of Strategy and Turkey at DG NEAR, Mr. Simon Mordue, and the International Monetary Fund by the Deputy Director of the Fiscal Affairs Department, Mr. Christopher Towe.

High-level representatives reflected on the reforms necessary to strengthen medium-term macroeconomic and fiscal frameworks, and to better integrate the fiscal impact of structural reforms in those frameworks. They discussed the related policy coordination and planning processes in South East Europe, and concrete challenges faced by countries in the region, in particular those posed by the EU pre-accession agenda.

The policy dialogue brought out challenges and good practices in South East Europe in ensuring fiscal sustainability, creating fiscal space, preparing realistic macroeconomic forecasts, introducing program performance orientations in the budget, and applying fiscal rules. The representatives reflected on the need to strengthen sectoral fiscal programming through better policy coordination and assessments of the fiscal implications of structural reforms. (See the graph below for a graphical record of the discussion.)

The participants thanked the CEF for the successful delivery of the project, and expressed the need to continue and deepen what has been already achieved through future action, engaging the different institutions involved in strategic planning and budgeting in a joint regional effort. In addition, they outlined priority areas for further learning and networking activities, in particular to strengthen professional networks of finance officials across the region and different sectors.



STRATEGIC PLANNING AND BUDGETING (SPB)

GRAPHICAL RECORD BY LUCIJA KUŠAR

SUCCESSFUL
PROJECT
CONCLUSION

HIGH-LEVEL POLICY DIALOGUE ON ECONOMIC
GOVERNANCE IN SOUTH EAST EUROPE

SHARING EXPERIENCE



THIS PROJECT IS FINANCED BY THE EUROPEAN UNION



SHARING OF RESULTS

A hand-drawn pyramid diagram on a whiteboard, divided into six horizontal sections. Each section contains a percentage on the left and a skill level on the right. The percentages are written in colors corresponding to the sections: orange for 10%, 20%, and 30%; green for 50%; blue for 70%; and red for 90%. The skill levels are written in black ink. The pyramid is drawn with black lines, and the whiteboard is mounted on a wooden stand.

Percentage	Skill Level
10%	READING
20%	LISTENING
30%	LOOKING AT PICTURES
50%	WATCHING A MOVIE SEEING THINGS DONE
70%	PARTICIPATING IN DISCUSSION
90%	PRESENTING DOING THINGS

Visibility

A number of activities have ensured visibility of the SPB project. A project website has been integrated in our website, available at <http://www.cef-see.org/spb>. All SPB learning and networking activities have been promoted via an event page on this website.

An SPB Program Booklet was issued in three editions, informing relevant stakeholders about the project with around 1,100 copies disseminated. About 1,500 Program Schedules were distributed, for instance as part of the Program Booklets, with the schedules being updated each month. A final SPB Newspaper covering SPB indicative results and beneficiaries' feedback was issued at the end of the project in two editions, and distributed in hard-copy to about 1,000 SPB stakeholders. These promotion materials have also been made available digitaly on the above-mentioned project website.

All beneficiary countries were visited at least twice at an initial promotion and a final evaluation tour to inform relevant stakeholders about the SPB project, and to collect feedback on the project's impact on the work of individual participants and the reform efforts of their institutions. Special attention was paid to the collection of value creation stories that reflect participants' feedback on the project's impact (see Page 38).

News items on the SPB project were integrated into our monthly newsletter as 'SPB Newsfeed', available at: www.cef-see.org/news. Relevant stakeholders and interested parties of the SPB project were subscribed to the newsletter and the list was updated on an ongoing basis. A total of 39 news items were published.

In all these communication efforts, as well as in core learning resources shared during the SPB activities, visibility was given to the EU contribution by placing noticeably the flag of the European Union with the reference that '*The Project is funded by the European Union*' or more detailed boilerplates, such as the following.



This training activity will be delivered as part of the CEF managed Strategic Planning and Budgeting (SPB) project, funded by the European Union. The overall objective of the project is to contribute to strengthening of beneficiary countries' capacity to design and implement medium-term macrofiscal policy. For more information on the project, please refer to the project web page: www.cef-see.org/spb.

In addition, we collected photos at the SPB activities (including group photos), of which a selection was used for promotion purposes (e.g. in brochures, news items, the website), and incorporated in general CEF communication. The project was also communicated via CEF Catalogues, Quarterly Reports, and Annual Reports over the period of its implementation (all available at www.cef-see.org/publications).

Moreover, we captured impressions from SPB activities via the CEF's presence on social media:

- 18 CEF Photo Galleries
www.cef-see.org/photogallery
- 14 videos shared on YouTube
www.youtube.com/communicationsCEF
- Tweets via @CEF_Ljubljana, as well as private Twitter accounts of several CEF staff
- Facebook messages
<https://www.facebook.com/centerofexcellenceinfinance>
- 4 Storify pages generated
<https://storify.com/CEFSEE>
- 9 Animoto video collages produced

Lessons Learned

SPB beneficiaries and other relevant stakeholders provided feedback that has been incorporated in ongoing activities to the degree possible. We noted that the following lessons apply for most (or all) SPB beneficiaries:

- Ministries of finance – the main SPB beneficiaries – need continued support in ensuring that the budget process is credible, comprehensive, transparent, policy-based, and predictable.
- Medium-term fiscal frameworks are increasingly put in place, but need further strengthening, e.g. with respect to enforcing budget ceilings, and differentiating between fiscal information about given policies (the *baseline*) and new policies.
- Ministries of finance' success in ensuring sound public financial management essentially depends on the contributions submitted by line ministries.
- Weak contributions of line ministries are not always a result of weak capacities, but in many cases caused by insufficient coordination mechanisms or inappropriate incentive arrangements.
- Despite the large range of interests and challenges that the line ministries' finance officials share, their collaborative learning within and across sectors, with peers in the region, and with international partners and networks remains limited and largely informal.
- Joint learning and networking of finance officials of different ministries as part of SPB activities has been highly appreciated, as it has provided – often for the first time – opportunities for knowledge and experience exchange across different government actors and sectors.
- Fiscal institutions are playing an increasingly important role, so reflecting more on their performance will be needed to ensure they are working as envisaged.
- Further capacity development will be needed to strengthen fiscal reporting, and to reveal and contain fiscal risks.
- There is scope to also strengthen the capacities of parliaments and civil society's understanding of strategic planning and budgeting.
- Strengthening the assessment of the fiscal implications of structural reforms requires further attention, whereas the choice of costing methodology should be guided by country specifics, and be kept simple and pragmatic.
- Future capacity development in strategic planning and budgeting should account for sector-specific priorities, starting with the budget-intensive sectors.
- Clear definitions of sectoral policies and structural reforms will enable the assessment of their fiscal implications, which in turn will help prioritize reforms.
- Further capacity development in implementing program budgeting and establishing effective results frameworks will enhance a stronger performance orientation in the budget.
- There is considerable scope to strengthen the operational know-how and technical skills for using the cutting edge forecasting tools to ensure that macroeconomic and macrofiscal forecasting optimally support the formulation, implementation and evaluation of policy.
- Macrofiscal surveillance reporting (for instance to the European Commission) needs to be further strengthened and better integrated with domestic procedures.
- Stronger emphasis on economic governance provides a helpful frame to strengthen public financial management and policymaking in general, but requires a better understanding of the given situation to effectively prioritize and combine efforts.
- Closer coordination between authorities overseeing policy planning and those in charge of strategic budget allocation is needed.
- Stronger use of comparative assessments, such as, for example, PEFA and the IMF's Fiscal Transparency Code, will highlight opportunities for strengthened regional knowledge exchange.
- Benchmarking exercises to compare the performance of different sectors will help prioritize consolidation efforts, for example when applying spending reviews.
- Whereas countries' formulation of PFM reform strategies has gained some momentum, there is scope to ensure that their implementation is reinforced through regional knowledge sharing.
- Beneficiaries have a lot of in-house expertise in the region, which needs to be better activated for knowledge exchange within countries and across the region.
- Public finance officials' technical capacities are limited by the effectiveness of the public administrations they work in and the political support they receive; investing in their individual leadership skills is crucial to help them achieve the maximum within those limitations.

Future Action

As part of our governance, we continue consultations with human resource counterparts and technical experts of our constituency (among them all SPB beneficiaries) to capture new challenges that evolve in the area of strategic planning and budgeting. We are committed to further deepen and extend our contribution in key capacity areas through successive projects or longer-term program, taking into account the lessons learned (see Page 46). Our constituency has asked us to ensure that future capacity development projects would sustain the impact of SPB by extending the range of capacity areas to be addressed, targeting more public finance officials across different government institutions and levels, further addressing coordination challenges between them, tailoring selected activities to specific sectors, containing more features of blended learning, and stronger emphasizing the creation of networks and the promotion of communities of practice.

For 2016, we have packaged our constituency's learning priorities in the area of budget preparation and execution in seven learning initiatives. They will sustain the impact of the SPB project by strengthening fiscal transparency and the management of fiscal risks, promoting knowledge exchange on implementing spending reviews, engaging line ministries in blended learning on budget preparation, continuing joint learning on budget execution and managing public investments, and deepening the discussion on the new IPA framework (including the new instrument of sector-budget support) and the use of PEFA assessments. We will continue involving experts from SPB beneficiaries in delivering this program.

Our future action in this thematic area will continue to support our constituency's efforts to strengthen all stages of the budget cycle as they move towards European integration. We will further extend areas to be addressed, keeping in mind EU convergence requirements, by focusing on:

- strengthening macrofiscal forecasts to ensure they are more credible, distinguish baseline and new policies, and explore alternative scenarios
- ensuring that fiscal risks are more actively disclosed, analyzed, and managed
- strengthening medium-term budget frameworks
- building institutions that scrutinize fiscal forecast credibility and monitor compliance with fiscal rules
- setting up or strengthening the role of expenditure reviews that can help bring performance information to bear on budget decision-making

- ensuring that top-down budgeting processes within the executive are mirrored in sequencing of legislative discussions
- strengthening controls over expenditure commitments and increasing contingency reserves
- reinforcing capacities in accounting and reporting standards to the progressive adoption of accrual-based methods
- strengthening external and internal control systems, and capacities to ensure value for money

For the moment, our program in this thematic area will be carried out with the constrained resources that are available. For example, we will work with the IMF through its EU-funded project on *Strengthening Economic Governance and Public Financial Management*, which supports fiscal reforms in six countries of South East Europe. To bridge the gap until funding for a wider program will become available, we will work also with bilateral donors to continue responding to the beneficiaries' needs.

On request of our constituency, we have already started raising funds to deliver a more comprehensive learning package. In conclusion of the SPB project (i.e. during our evaluation tour and the final policy dialogue), SPB beneficiaries strongly conveyed the need to continue the SPB through an advanced package, and to strengthen collaborative learning of finance officials at SEE line ministries. In addition, we received letters from the ministers of several SPB beneficiary institutions requesting such action.



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CEF at a glance



Our mission

Our mission is to support capacity development for finance officials in South East Europe through learning.

Our work

We work with our constituency to support their public financial management, tax policy and administration, and central banking reform efforts. We do this through innovative, participatory, and practical learning solutions. The CEF serves as a knowledge hub for the region: we combine topical expertise and in-depth knowledge of countries in the region with a good comprehension of how reforms take place. We know how to nourish and expedite learning among individuals and institutions.

Our history

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 after 13 very successful years as a regional institution. The change of status facilitates the hiring of international staff and enhances cooperation with our partner institutions.

Our constituency

Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, former Yugoslav Republic of Macedonia, Moldova, Montenegro, Romania, Serbia, Slovenia, and Turkey.

Learn more about **what we do** at www.cef-see.org, and **how we work** at knowledgehub.cef-see.org.



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