

Europe and Central Asia Region



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e-NEWSLETTER #04

The purpose of this newsletter is to keep all members of PEM-PAL up-to-date on the latest developments. This edition is distributed by e-mail to all members of the PEM-PAL network¹.

We would like to hear your ideas on PEM-PAL initiatives and your suggestions for this newsletter. Please send your comments to urska.zrinski@cef-see.org.

Istanbul

PEM-PAL is holding a Plenary meeting of all three communities of practice (COP's) at the Renaissance Polat Hotel in Istanbul from February 24-28, 2008. It will allow participants to exchange ideas in each COP on identified priority topics and then join together in a day of general sessions organized around the theme of public finance monitoring and evaluation.

Each COP will meet on February 25 and 26th on their separate topics of professional interest. The full day plenary session will take place on February 27th to be attended by all the members of the three communities: Budget, Internal Audit and Treasury/IT.

The hosting Turkish Ministry participants will provide information on their practices in public finance management. The agenda will also include sessions on public finance monitoring and evaluation, sharing of experiences on PEFA assessments and benchmarking, a presentation on Parliament's role in public finance oversight and a session on PEM-PAL evaluation. Additional time will be reserved for leadership meetings on February 28th.

¹ The distribution list for this newsletter comprises the members of PEMPAL communities of practices, including Treasury COP, Budget COP and Internal Audit COP, as well as the registered external participants in the past PEMPAL events..

We will report on the Istanbul events in the next newsletter.

The Second Workshop of Internal Audit Community of Practice took place in Chisinau, Moldova, in June.

The Moldova Ministry of Finance and the World Bank Moldova Office joined efforts in hosting the second workshop of internal audit COP. The Chisinau workshop gathered 46 COP members from 19 countries of the ECA region.



The workshop agenda was designed by the COP leadership committee established at the Ljubljana meeting, including internal audit practitioners from Bulgaria, Croatia, Macedonia, Moldova and Ukraine. World Bank experts and international consultants supported the work on the agenda. Practitioners from

Lithuania, Netherlands and United Kingdom were invited as resource persons for the workshop. The agenda combined plenary discussions and break-out sessions on a variety of topics of primary interest for the community, including the role of internal audit in government; experiences and challenges in developing a public sector internal audit strategies for creating an effective internal audit function in existing inspection units; creating a central harmonization unit; and human resource challenges in creating a professional internal audit function in government.

A separate session was dedicated to an in-depth discussion of the Moldova strategy for the development of the internal audit function in the public sector being prepared by the Department for Financial Revision and Controls under the Ministry of Finance. Deputy Director of the FRC Department Diana Grosu-Axentii and Deputy Head of the Court of Accounts Gheorghe Cojocari were the key speakers for the session. Their presentations provoked an active plenary debate by all the workshop participants. The panel including the key Moldovan speakers and international experts responded to the questions posed in the presentations.

The workshop received significant attention in Moldova. It was opened by Moldova's First Deputy Prime Minister, and was attended by the leadership of the Ministry of Finance and the Court of Accounts. The Moldova team especially appreciated



the unique opportunity to benefit through this workshop from the multiple practical experiences of the countries that have achieved a more developed internal audit function in the public sector.

A Program Budget Workshop for the Budget COP was held in Tbilisi, Georgia in June.

The Budget community of practice (BCOP), led by Deputy Minister Nina Lupan, gathered for their second 2007 workshop in Tbilisi on the invitation of the Georgia Ministry of Finance. The workshop was devoted to in-depth discussions on the issues related to implementation of program budgeting in the member countries. A survey of program budgeting and related methods was completed and presented for benchmarking purposes. The agenda was developed by the Budget COP executive committee elected at the Vilnius event. Spirited technical discussions and extensive information sharing took place in break out groups organized by language preference. Practitioners from Slovakia, Slovenia and Lithuania served as resource people to the workshop, along with US Treasury experts. The event was covered by Georgian television. The hosting Government made a presentation on the Georgia budget process.

The BCOP executive committee also held its meeting at the end of the workshop to discuss the matters related to the COP leadership and organization. BCOP rules of operation (bylaws) were developed and will be voted on at the Istanbul meetings. BCOP Vice Chairs Grigol Gobejishvili of Georgia and Nikola Vukicevic of Montenegro led many activities during the meetings.

PEM-PAL members demonstrated interest in the PEM-PAL small grant program. 7 applications were received during the June application round, 5 of which were approved by the Steering Committee in July. Most of the approved activities have already been completed.

- **The Tajik Ministry of Finance undertook visits to Slovakia and Moldova to learn the respective country experiences of MTEF implementation.** The visit to Slovakia was focused on various aspects of mid-term budget planning in the context of the existing mechanism of school education financing in Slovakia. The visit to Moldova covered a broad range of issues related to organization of an MTEF process in the Ministry of Finance and the line ministries, as well as integration of MTEF into the regular budget cycle.
- **The Uzbek Ministry of Finance visited Slovakia.** The visit was focused on familiarization with Slovak experience of budget reforms, with a particular focus on medium-term budget planning and the transition to program-based budgeting. The agenda of the visit was facilitated by a reputable Slovak think tank specializing in PFM issues.
- **The Kyrgyz and Moldova Ministries of Finance held a bilateral discussion session in Kyrgyzstan.** This meeting continued the series of bilateral exchange events launched by the two ministries with PEM-PAL support. Discussions at Issyk Kuli covered a broad range of issues, including those related to the legal framework on the budget system and budget process, local public finance and interbudgetary relations, budget calendars and MTBF process organization, budget classification and the chart of accounts, treasury system organization and functioning, commitment accounting and cash management. The meeting included a series of presentations by each of the sides, as well as round table discussions. The parties agreed to continue bilateral exchanges in the future.
- **The Moldova Department for Financial Revision and Controls visited internal audit colleagues in Romania.** The visit allowed Moldova team to get familiar with the recent experience of their neighbors in implementation of the PIFC system and establishing internal audit structures in the context of the EU accession process. The visit took place at the time when Moldova team was developing its PIFC strategy and provided direct input to the preparation of the



document. Romanian counterparts also offered valuable help with various legal and methodology documents in Romanian language.

Beneficiary reports from the recently accomplished activities funded through small grants can be found on the PEM-PAL web site.

The next round of applications for the small grants is planned to be announced by the Steering Committee in spring. All recommendations for small grants will come from COP leadership groups and will depend on funds available. The Steering Committee intends to issue the updated guiding criteria for the grant applications, revise the application forms and issue additional requirements for the beneficiary reports.

PEM-PAL Secretariat moves to the Center of Excellence in Finance in Ljubljana.

As we informed you earlier, the PEM-PAL Steering Committee approved the transfer of PEM-PAL Secretariat functions to the Slovenian Center of Excellence in Finance. Starting from January 1, 2008, CEF will take care of administrative aspects of PEM-PAL network functioning. In that capacity, CEF will maintain PEM-PAL archives, including the records on membership and contact information. It will facilitate communication between the members of the PEM-PAL network through development and maintenance of the PEM-PAL website in three languages, as well as through organization of video and teleconference activities between COP members. CEF also becomes responsible for all aspects of logistical organization of PEM-PAL seminars and workshops, starting from activity and budget planning and finishing with reporting and exit surveys. Another aspect of secretariat responsibilities transferred to CEF involves organizing and supporting small grant awards for study visits and other activities approved by the Steering Committee.

It is time for a PEM-PAL evaluation.

The Steering Committee is launching the first evaluation of the PEM-PAL program to be undertaken by an independent evaluator. This interim evaluation, with an estimated completion in mid-2008, is expected to provide data on PEM-PAL initial accomplishments over the period since its launch in Warsaw in April 2006, as well as develop benchmarks and indicators that can be used to assess the future program progress over time. In addition, the evaluation will seek to identify what has gone well and what might be done to improve the program's prospects for success. Among other aspects, the evaluation will address the donors' needs for the information they might require to judge whether their continued support for PEM-PAL is merited.

Evaluation instruments will be distributed at Istanbul to survey the participants and interviews will occur. Donors will be also surveyed, to gather their opinions of PEM-PAL and explore the conditions under which they would continue to fund the initiative. Evaluators are expected to attend the February plenary meeting of PEM-PAL and accompanying COP meetings in Istanbul.

Changes

Cheryl Grey has been reassigned to another post at the World Bank. PEM-PAL is grateful for her leadership during its formative years and we wish her well in her future duties. Mr. Luca Barbone has taken her place as the head of the Europe Central Asia Region at the World Bank, which is the area in which PEM-PAL operates. Delegates at the Istanbul meeting will have the opportunity to meet him. Richard Bartholomew from the U.S. Treasury has rotated into the PEM-PAL Steering Committee Chair. New COP members will be added to the Steering Committee in the near future and named in the next newsletter.

This e-Newsletter has been distributed to all members of the PEM-PAL network. In case you would like to be included on the mailing list of this e-Newsletter, please send a message to Urska.zrinski@cef-see.org, with your name, position, affiliation and e-mail address. If you would like to stop receiving this e-Newsletter, please send a message to the same address containing the text that you would like to be “removed from the PEM PAL mailing list”