



PEM PAL
Public Expenditure Management – Peer Assisted
Learning Network

**RULES OF OPERATION OF THE PEM PAL
NETWORK**

Center of Excellence in Finance
March 2009

RULES OF OPERATION

I. OBJECTIVES

Article 1

PEM PAL, the Public Expenditure Management Peer-Assisted Learning network, represents a multilateral effort to develop capacity and share reform experiences among countries in Central Asia and Central and Eastern Europe. PEM PAL responds to a concern that many governments are not spending their resources as effectively and transparently as they might and that institutional controls on public expenditures have room for improvement.

PEM PAL is thus designed to support the enhancement of domestic capacity in public expenditure and financial management.

PEM PAL aims to improve the efficiency, effectiveness, and transparency of public expenditures in Central and Eastern Europe and Central Asia countries. Its program supports activities that bring the practitioners in public finance together in Communities of Practice (CoP) to enhance communication and peer learning through benchmark performance regarding implementation of reforms in public finance.

PEM PAL has the purpose:

1. To promote professional and technical understanding and co-operation among members in the ECA Region, through the exchange of ideas and experience on budget, treasury and audit;
2. To promote capacity building by carrying out workshops, study tours, and plenary conferences;
3. To facilitate the counselling of experts through the promotion of clinics and web-based forums for the exchange of documents;
4. To promote the theoretical and practical study of the problems and matters relating to area of the members interest;
5. To encourage development and application of benchmarking tools and performance indicators for the periodic evaluation of the program;
6. To undertake and support exchange visits, research, counselling of experts, clinics between participants, web-based exchange of documents (such as budget guidelines), and joint activities;
7. To make every effort to achieve greater understanding of problems and matters relating to public expenditure and financial management.

II. GENERAL PROVISIONS

Article 2

The *Rules of Operation* regulate the organisation and work of the PEM PAL network and the exercise of the rights and duties of its members. The Rules incorporated in this document are intended to cover the standard procedures as well as areas of authority and responsibilities of these bodies, considering practices that PEM PAL has adopted so far.

The Communities of Practice (CoP) within PEM PAL perform their tasks in accordance with these Rules and more detailed Rules adopted by the individual CoP.

Article 3

The official languages of PEM PAL shall be: English, Russian, and Bosnian.

Article 4

PEM PAL is represented by the SC (SC).

Article 5

The work of PEM PAL is presented at the PEM PAL web page (www.pempal.org). This way the interested public can get access to published reports, minutes and other documents that are put on the web page.

Meaning of terms used in these Rules

Article 6

The terms used in these Rules shall have the following meaning:

1. **“PEM PAL Initiative”** (Public Expenditure Management - Peer Assisted Learning) means the collaborative, peer improvement effort undertaken by professionals in countries in the ECA region and a sponsor/donor group. PEM PAL work is organized in several CoPs.
2. **“ECA Region”** means any country within the Central and Eastern Europe and Central Asia Region as defined by the World Bank.
3. **“Community of Practice” (CoP)** refers to the process of social learning that occurs and shared socio-cultural practices that emerge and evolve when people who have common goals interact as they strive towards those goals. PEM PAL has the following CoPs (as per February 2009): Budget, Internal Audit, and Treasury, all established under the PEM PAL Initiative.

4. **“Executive Committee” (EC)** means the governing body of each Community of Practice.
5. **“Chair”** is the member of Executive Committee of Community of Practice who received the highest vote at the Community of Practice elections.
6. **“Community Coordinator” (CC)** is a PFM expert or group of experts who provide a professional expertise to the Executive Committee and members of a PEM PAL Community of Practice.
7. **“Member of the CoP”** means public finance official in the ECA region who participates in CoPs activities.
8. **“Secretariat”** means Center of Excellence in Finance in Slovenia, having its location at Cankarjeva 18, 1000 Ljubljana, Slovenia.
9. **“Sponsor”** means any public organization which contributes resources to PEM PAL activities. Examples include the World Bank, U.S. Treasury, DFID, GTZ, InWEnt, SECO, etc.
10. **“Steering Committee” (SC)** is composed of one representative of each sponsor, representative of the Secretariat and two members of each CoP. SC approves action plans and budgets of each CoP. CC participate in the deliberation of the SC.
11. **“Task Team Leader” (TTL)** is a representative of the World Bank responsible for oversight of the World Bank administered funds, and supervising Secretariat work.

III. ORGANISATION AND FUNCTIONING OF THE PEM PAL NETWORK

Organization Article 7

The bodies of PEM PAL are:

1. Steering Committee
2. Task Team Leader
3. Secretariat

Besides, voluntary network of professionals is created in a form of Community of Practice (CoP). Under the PEM PAL Initiative the Budget CoP, the Internal Audit CoP and the Treasury CoP have been established. A CoP that covers other professional areas

can be established on the initiative of members and the approval of the SC. Individual CoP is governed by the EC and its Chair.

Steering Committee

Functions

Article 8

The Steering Committee (SC) is the advisory body of the PEM PAL network. The SC meets periodically to approve the CoP action plans and budgets, annual reports, and financial report of CoP, evaluates progress and success of the PEM PAL activities, and discusses recommendations for future developments.

Composition

Article 9

SC shall consist of Heads of sponsors or their duly authorized representatives, a representative of the Secretariat, and two members of the EC of CoPs.

SC shall be chaired by the Chair. He or she shall be elected for one year and may be re-elected for another year. The chairperson opens and closes all meetings of the SC; conducts debates; offers the floor to speakers and sets time-limits for them; resolves matters and puts them to vote, informs of results, signs documents and carries out any other duties assigned to him or her.

Meetings

Article 10

The SC shall normally meet in regular sessions at least quarterly.

Upon the request by the SC Chair, the Secretariat shall give all members at least 1 month advance notice of the regular meeting.

The notice shall include the proposed agenda drawn up by the Secretariat upon request by the Chair and after consultation with the SC, and shall be put to the SC for adoption.

Voting

Article 11

The decisions of the SC shall be adopted by consensus. If however, consensus is not possible, the SC shall take decisions by simple majority vote of those members present.

Powers and responsibilities

Article 12

The SC shall have the following responsibilities:

1. To oversee the fulfilment of PEM PAL objectives and its mission;
2. To adopt the decisions necessary for the functioning of PEM PAL, in accordance with its policy and strategy;
3. To approve:
 - a. The overall budget for the fiscal year;
 - b. The annual action plans and budgets of PEM PAL's COPs, which shall include all sources and types of funding.;
 - c. All material changes in action plans and allocations during the fiscal year;
 - d. The accounts of PEM PAL; and
 - e. Budget reallocations of more than fifteen per cent.
4. To create CoPs and other groups and determine their functions;
5. To draft directions for the preparation and presentation of financial reports by the Secretariat;
6. To analyze the activities implemented in the current year and take appropriate measures to ensure that objectives and plans should be achieved;
7. To discuss and comment reports on PEM PAL activities together with recommendations for future work;
8. To select location for the next regular meeting of the SC;
9. To draft its own Rules and regulations;
10. To fulfil any other duties entrusted to them by PEM PAL members.

Task Team Leader

Article 13

The Task Team Leader (TTL) is a representative of the World Bank responsible for approving activities within PEM PAL World Bank administered budget and assuring overall budget implementation.

TTL also makes the final decision on any World Bank administered spending and related issues that may arise, in consultation with the CEF.

TTL must approve any reallocations in written form between line items in a CoP budget that is greater than 15 per cent of planned total, as well as any budget reallocation between CoPs' budgets up to 15 percent.

TTL monitors and controls the work of the Secretariat, and reports to the SC on program execution and budget execution at least twice a year.

Secretariat

Functions

Article 14

The Secretariat ensures the continuous functioning of PEM PAL network and its activities as suggested by PEM PAL SC and members of the Executive Committees of PEM PAL CoPs. It facilitates communication between the members, and maintains and promotes contact with the members of PEM PAL network.

The Secretariat maintains records on membership and participation in events.

The Secretariat coordinates work of CCs.

The Secretariat maintains the PEM PAL website in all official languages of PEM PAL (English, Russian, and Bosnian). It also organizes and coordinates video conference events¹ and teleconference activities between members of CoPs and/or representatives of the development partners or experts.

The Secretariat is located at the Center of Excellence in Finance, Cankarjeva 18, 1000 Ljubljana, Slovenia (CEF). The Secretariat is headed by the Director of the CEF.

The CEF shall nominate the PEM PAL coordinator among its staff who will be the main contact person for members of the PEM PAL, the SC and others interested in PEM PAL activities.

Powers and responsibilities

Article 15

The Secretariat shall have the following responsibilities:

1. To provide continuous administrative support to PEM PAL network;
2. To take any appropriate initiative aimed at promoting and supporting realization of PEM PAL objectives and goals;
3. To ensure spending by COPs is fully compliant with the grant agreement, SC approvals and guidance, and TTL approvals of specific requests;
4. To assist the SC in the fulfilment of duties assigned to it and to prepare the sessions of the SC;
5. To assist in preparation of the budgets of the PEM PAL CoP;

¹ Video conference events are organized via the World Bank network, charges for which are to be covered separately.

6. To prepare quarterly activity reports on all COPs;
7. To prepare financial reports and submit proposals to the SC;
8. To prepare the annual reports and submit its draft to the SC;
9. To implement the budget and maintain the accounts and records of PEM PAL;
10. To carry out decisions of the SC and CoPs and undertake any activity that may be decided upon the SC in case that activity is planned and that appropriate funds are allocated for it;
11. To organize seminars, workshops, study tours and other activities based on the SC's decision and in the framework of approved plan and allocated funds;
12. To draft a schedule of proposals to be submitted to the SC, based on requests received from members;
13. To prepare minutes of meetings and distribute them among members of CoPs and SC; and post them at PEM PAL web page when appropriate.
14. To maintain archives for the PEM PAL network in accordance with the regulations managing archives in Slovenia;
15. To perform other duties assigned to it by SC or EC.
16. To regularly prepare and distribute the Newsletters and post them at PEM PAL web page.

The Secretariat shall be helping the CoPs to develop an activity plan and budget for each event for approval by the SC. The Secretariat shall organize and coordinate CoP's workshops and other events in coordination with the Executive Committee of a CoP and respective CC.

In its work, the Secretariat is accountable to the SC and TTL, as indicated in the World Bank Development Grant Facility (DGF) agreement.

Reports and minutes

Article 16

Following each SC meeting, which shall be attended by the Secretariat in its capacity as a body of PEM PAL network, the Secretariat shall prepare and distribute the draft minutes to the attendees for comment/"no objection". SC members propose revisions or "no objection" in 5 days after receiving the minutes.

Secretariat shall also prepare quarterly progress reports on COPs' implementation of their action plans and budgets, according to a template, by discussing progress with CoP ECs and reporting back to the SC. For this purpose, CoPs are obliged to send to the Secretariat all relevant information and documents to be shared with other CoPs or the SC members.

The Secretariat shall report to PEM PAL SC in 30 days after each activity.

Every year, the Secretariat shall submit a report to the SC on the work performed, on all financial matters and the conclusions reached.

The Secretariat shall implement the activities in accordance with the approved action plans and budgets.

Term of Secretariat

Article 17

The entity who acts as Secretariat of PEM PAL is appointed by the World Bank for one year, which can be extended.

The entity/Secretariat may be subject to early expiration of a term:

1. If it requests its mandate to be terminated;
2. If the entity is unable to perform its tasks due to permanent loss of capacity to work;
3. If, in its work, it does not comply with the regulations or if its staff does not implement the decisions of the Steering Committee without due causes or acts against such;
4. If, due to incorrect work, it causes damage to PEM PAL network or if it neglects or carelessly performs its duties so that disturbances in the functioning of PEM PAL arise or could arise;
5. If it acts against the regulations on the incompatibility of holding such office.

After ceasing to hold office or in the event of its early termination, the Secretariat must perform its duties until a new Secretariat is appointed.

Community of Practice

Functions

Article 18

Community of Practice (CoP) is a voluntary network of professionals that functions as an integral part of PEM PAL Initiative. Its main objective is to promote efficient, effective, and transparent management of public finances.

The CoP shall have the following functions:

1. To facilitate regular peer exchange between members;
2. To organize seminars, study visits, workshops and dialogs on practices;
3. To undertake other capacity development activities;

4. To provide support to other international initiatives relating public financial management;
5. To make available to members key documents, publications and practices;
6. To prepare and decide on action plans and financing within the allocated budgets;
7. To prepare minutes of the events at which Secretariat is not present and makes them available to the Secretariat for the purpose of sharing knowledge with SC members and posting them on PEM PAL web page when appropriate;
8. To put all the funding and other resources into their budget and action plans;
9. Prepare and implement its rules if necessary.
10. Submit any material change in the budget and action plans to SC for approval.

Within the PEM PAL network three CoP are operating (as per February 2009):

1. Budget Community of Practice
2. Internal Audit Community of Practice
3. Treasury Community of Practice

The SC will recognize a new CoP established for the purpose of promoting the professional and technical cooperation of the member institutions on other professional areas. Requests for recognition shall be submitted in writing to the SC by the Secretariat of PEM PAL expressing the readiness to cooperate within the framework of PEM PAL network and in accordance with its Rules.

Composition

Article 19

CoP consists of *Members* accepted by the Executive Committee to attend the CoP's events.

Membership is not limited to sponsored participants.

Article 20

Executive Committee is a governing body of the CoP selected by its members. It consists of Members approved by the voting in accordance with the CoP's Rules.

The Executive Committee is responsible for the management of CoP. It shall delegate tasks to the Secretariat but retain full accountability for such tasks and responsibility for funds allocated to respective CoP.

Article 21

The *Chair* is the member of Executive Committee of CoP who received the highest vote at the CoP elections in accordance with respective CoP's Rules.

The Chair of the Executive Committee of the CoP or the selected representatives will present at sessions of the SC reports on the COP's activities during the period preceding the respective session.

Article 22

Community Coordinator is a PFM expert or group of experts who provide a professional expertise to the Executive Committee and Members of CoP. Donors may mobilize additional expert resources to support CoPs. CEF will also support the experts working under the guidance of the CoPs.

Meetings

Article 23

The Executive Committee shall meet at least twice a year. Meetings can take place in person or by electronic device, such as videoconference, telephone conference, or website convocation. Detailed procedures of CoP operations are defined in the CoP's Rules of Operation.

IV. SEMINARS, WORKSHOPS AND SIMILAR ACTIVITIES

Article 24

A decision to organize seminars, meetings of experts, workshops, study tours and other activities must be included in the action plans of the CoPs and approved by the SC.

The Secretariat and the host institution shall be collectively responsible for organizing the event and shall also be responsible for preparing and distributing the corresponding documents and for informing the SC of the results therefore.

Accountability for the content and implementation of the event and for the quality of its performance relies on the CoPs and respective CC.

Article 25

The organization of the event by the Secretariat shall include:

1. The Secretariat will determine and inform the respected CoPs of minimum time requirements necessary to prepare planned activity.

2. Dissemination of invitations to all participants and all relevant documents and information required for the participants to attend an event. This shall be done at least two months (60 day) prior to the event.
3. Arrangements needed for participants' visas for travel. The Secretariat shall inform the participants of the procedures for the visa obtainment for the country where the event will take place two months prior to the event and shall provide for a letter of guaranty/official invitation, and assistance as needed in cooperation with the host country/Ministry of Finance.
4. Travel and accommodation arrangements for the participants. The Secretariat shall organize travel for the participants one month prior to the event.
5. Facilities required by the organizer and presenters to conduct event.
6. Interpretation and translation services for the event, key documents, and other communications. Documents for translation should be presented to the Secretariat 1 month prior to the event.
7. Running exit surveys.
8. Reporting on events (participants, conclusions, follow up events, financial report, and exit survey results) together with the Executive Committee of each CoP to the SC.
9. Performing all other activities necessary for the management and implementation of events.

V. FINANCIAL REGULATIONS

Fiscal year

Article 26

The fiscal year of the Secretariat shall be twelve-month period commencing on the first day of January and ending on the thirty first day of December in the same year.

Budget

Article 27

The budget of PEM PAL covers one year starting January 1st.

In the annual budget allocations shall be broken down to individual budget spending as appropriate as per the World Bank Development Grant Facility (DGF) agreement.

Any transfer of budget funds between allocations above 15 per cent shall be subject to the approval by the SC. Within each allocation, funds can be transferred subject to the provisions of the financial regulations and Rules and the TTL's approval.

Budgets that are not spent must be returned to the donor unless otherwise agreed with an Annex to the contract.

Article 28

The financial resources provided to the CEF by the World Bank or other donors shall be allocated in the budget for CoP's activities, for the plenary meetings of all CoPs, and for the Secretariat.

The budget allocated to the Secretariat shall be used to fund the agreed activities as set forth in Annex 1 of the DGF agreement signed for each year of operation by the World Bank and the Secretariat.

The budget allocations for the Secretariat comprise fixed costs and variable costs in USD.

Funding Article 29

The PEM PAL network shall be funded through the financial contributions of its sponsors, which in some cases are allocated through the World Bank DGF, directly to the Secretariat, or managed by bilaterals directly, but in full coordination with the SC.

Contributions in kind, such as, CC activities or technical assistance shall be evaluated in accordance with the criteria established by the SC.

Expenditures Article 30

The expenditures are divided into the following main purposes (allocations):

1. PEM PAL CoP Action Plans
2. PEM PAL SC Activities
3. PEM PAL Secretariat

In the annual budgets, budget allocations shall be subdivided in individual budget lines where appropriate, as per DGF agreement.

Article 31

Costs for individual events shall be divided into following items, as appropriate:

1. Transport
2. Hotel accommodation
3. Food
4. Translation/interpretation services

5. Other expenses, which must be approved by the TTL, if the grant agreement does not explicitly specify their authorization.

Article 32

Costs for the Secretariat shall be divided into fixed costs and variable costs, where fixed costs relate to staff and communication, and variable costs refer to website maintenance, travel, and translation/interpretation services.

Article 33

The expenditures incurred by PEM PAL shall be met:

1. By grants, donations or any other kind of contribution from national or international entities or individuals;
2. From the proceeds from the activities of PEM PAL;
3. By means of any other income approved by the SC or TTL.

The costs resulting from each PEM PAL meeting or other activity will be borne by PEM PAL within the budgets allocated by the SC or participating members.

Article 34

Funds are used only for the intended purposes and activities described in the Annual Action Plans and Budgets approved by the SC.

Each final beneficiary who is responsible for selected activity shall exercise the same care in the administration of the funds received for activity as it exercises in administration of its own funds, having due regard to economy and efficiency and the need to uphold the highest standards of integrity in the administration of public funds, including the prevention of fraud and corruption.

The Secretariat shall ensure that financial management system is maintained and financial reports are prepared in accordance with consistently applied accounting standards acceptable to the Secretariat's institution. Accounting system shall be established in a manner adequate to provide adequate information and reflect the operations, resources, and expenditures related to PEM PAL activities.

Eligible costs Article 35

Costs like staff, travel, boarding, and meals, translation, expert fees etc. may be considered as eligible costs, providing they meet the criteria defined in this Article and are incurred in the context of the event or activity recognized in PEM PAL Annual plan and approved by SC.

All costs covered by PEM PAL must be actual, economic and necessary for the implementation of the activity. They must be incurred during the duration of the activity and must be recorded in the accounts of Secretariat.

In general, actual travel and related costs may be assigned to the activity in case that they comply with the usual practice in the public sector. It means that the Secretariat shall justify participant's costs considering:

1. The shortest route for travel to the place of the event and back;
2. The most convenient public transport;
3. The most favourable prices when purchasing tickets (e.g., economy class flight tickets);
4. The duration of travel at the closest dates to the event.

If participants want to stay at the place of event longer, they have to cover such expenses by themselves.

Non-eligible costs
Article 36

The following ineligible costs shall not be charged to the activity:

1. Costs declared, incurred or reimbursed in respect of another PEM PAL activity;
2. Excessive or reckless expenditure;
3. Per diems for participation at events;
4. Honoraria, if not approved in action plans and budgets;
5. Any cost which does not meet the conditions presented above;

The Secretariat shall refuse any payment which does not comply with the provisions established by these Rules.

Events organized outside Slovenia
Article 37

At events organized outside Slovenia, at which Secretariat does not participate, CC takes care of delivery and quality of services, insures that expenses are within approved budget, that all invoices are correct and collected, and sends a report with all original invoices to Secretariat. Report shall be sent to Secretariat 2 weeks after event is finished.

Reporting on expenditures
Article 38

After all the invoices which incurred for the events were submitted to the Secretariat, the Secretariat shall prepare a financial report for each event separately to the TTL.

TTL shall review and confirm the financial report in two weeks after the submission and report back to the Secretariat.

VI. AUDIT

Article 39

The Secretariat shall have its annual financial statements audited by independent auditors in accordance with the generally adopted international auditing standards. Each audit shall cover PEM PAL activities and present incomes and expenditures related to it in a clear and transparent way, as per the grant agreement.

Annual report supported by the Auditors report shall be presented to the SC no later than six months after the end of such fiscal year.

The Secretariat shall ensure that all accounting records and documents evidencing expenditures related to the activities funded by PEM PAL budget are retained until at least five years from the end of the budget year. This shall be put at the SC's or any donor's disposal at any time when requested during an audit of PEM PAL funds.

Members shall ensure the right of the SC and the Secretariat to carry out audits is extended to right to carry out any such audit or control on any final beneficiary whose costs are reimbursed in full or in part by PEM PAL financial contribution. The Secretariat shall supply to the auditors all documents and information required for the performance of their duties and shall assist them in the fulfilment of their tasks.

VII. FINAL PROVISIONS

Article 40

The *Rules of Operation* of PEM PAL network shall come into effect on March 1, 2009.

Adopted by SC on March 1, 2009.