



# **PEMPAL STRATEGY 2012-17**



**Public Expenditure Management Peer Assisted Learning Network**

**September 2012**



## Abbreviations and Acronyms

AIST	International Association of Treasury Services
BCOP	Budget Community of Practice
CEF	Center for Excellence in Finance
CIPFA	Chartered Institute of Public Finance and Accountancy
COP	Community of Practice
DFID	Department for International Development – UK Government
ECA	Europe and Central Asia
FMIS	Financial Management Information System
GFS	IMF Government Finance Statistics
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
IACOP	Internal Audit Community of Practice
IBP	International Budget Partnership
IDA	International Development Association
IFAC	International Federation of Accountants
IIA	Institute of Internal Auditors
IPSAS	International Public Sector Accounting Standards
IMF	International Monetary Fund
KPIs	Key Performance Indicators
OECD	Organization for Economic Co-operation and Development
PEFA	Public Expenditure and Financial Accountability Framework
PEMPAL	Public Expenditure Management Peer Assisted Learning Network
PEM	Public Expenditure Management
PFM	Public Financial Management
SECO	State Secretariat for Economic Affairs - Swiss Government
SIGMA	Support for Improvement in Governance and Management in Central and Eastern European Countries
TCOP	Treasury Community of Practice
TSA	Treasury Single Account
UK	United Kingdom
USD	United States Dollar



## PEMPAL Strategy 2012-17

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## Foreword

In the five years since the Public Expenditure Management Peer Assisted Learning network (PEMPAL) began, it has grown to encompass the active participation of public finance professionals from 22 of the 30 Europe and Central Asia countries.

Further recent growth has also been experienced as the benefits of the network are becoming more widely known. Thus this strategy aims to ensure that PEMPAL continues to meet the needs of its members and provides an effective approach to share progress and benchmark reforms to facilitate the improvement of public financial management systems and management of public funds in member countries.

PEMPAL's future directions are also consistent with those of its key stakeholders and supporters which include World Bank, Swiss State Secretariat for Economic Affairs (SECO), the Ministry of Finance of the Russian Federation, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, and the Organization for Economic Co-operation and Development/Support for Improvement in Governance and Management in Central and Eastern European Countries (OECD/SIGMA). PEMPAL continues to contribute to sharing, learning and professional exchange amongst finance professionals in the region. At the same time, the collaborations and partners both internally in the network and externally with international organizations and professional associations will continue to add value to PEMPAL's work.

We congratulate PEMPAL for its achievements over the last 5 years and we look forward to working with finance practitioners across the ECA region to progress their personal and PFM goals in the future.

Angela Voronin  
TCOP Chair  
Ministry of Finance  
Moldova

Gelardina Prodani  
BCOP Chair  
Ministry of Finance  
Albania

Diana Grosu-Axenti  
IA COP Chair  
Ministry of Finance  
Moldova

Salome Steib  
Chair, PEMPAL Steering Committee  
State Secretariat for Economic Affairs – SECO  
Switzerland

Elena Nikulina  
Team Leader, PEMPAL  
World Bank





## Executive Summary

The Public Expenditure Management Peer Assisted Learning network (PEMPAL) has over 400 participants from 22 Europe and Central Asia countries. It effectively provides professional development and peer learning opportunities where members can benchmark their public financial management (PFM) systems through active participation in meetings, workshops and study tours and through access to technical products and experts. The network is organized in three Communities of Practice (COPs) of budget, treasury and internal audit. Technical content for these events is facilitated through donor supported resource teams (from World Bank and OECD/SIGMA) and the latest international standards and approaches are examined and experiences in reform implementation shared.

**This strategy affirms to donors and member governments the achievements that PEMPAL has brought to members over the last five years.** The value of PEMPAL is evident in the results of a recent independent evaluation which found that PEMPAL has expanded its membership in terms of countries and individual members; accessed more financial resources and deepened its functionality through improving the functioning of the Executive Committees and the Steering Committee; and has built network institutional infrastructure. The evaluation also found that countries are much more in charge of the COP agendas and that individuals and countries are learning from each other, in ways that result in direct demonstrable impact on some PFM systems. The evaluation concluded, however, that if PEMPAL is to be sustainable in its own right, it would need more dependable sources of financing and an expansion of full-time support resources. It was also noted that the current modality of support to the network is not adequate for the network's growing needs and not sufficiently forward thinking. Further, it warned that an increase in network reach in some cases may come at the expense of quality and that membership quality and sustainability will need to be monitored closely, including establishing a workable definition of membership. Deliberate engagement of the political level was also recommended to strengthen the network.

Drawing on these evaluation recommendations, this strategy hopes to contribute to PEMPAL member Governments from the Europe and Central Asia more efficiently and effectively using public monies resulting from applying new PFM practices. It will do this through building and maintaining a sustainable, professional public financial management platform through which individual members are networked to strengthen their capacities and to enable them to share learnings and benchmarking between countries. To achieve this outcome, 15 key actions under 4 output objectives will be delivered:

1. **PFM priorities of member governments are addressed** by the PFM network platform.
2. **Quality resources and network services**, supporting relevant PFM practices, are provided to members.
3. **A financially-viable network of public financial management professionals, committed to improving PFM practices** in the Europe and Central Asia region, is built and maintained
4. **Awareness of high government and political levels is raised** regarding the benefits and value of engaging through PEMPAL.

The first objective is aimed at ensuring the network has technical depth and relevance, the second and third objectives are aimed at ensuring the network has quality resources, services and membership, and the fourth objective, is aimed at ensuring the network has ongoing support and commitment through raising the awareness of its benefits at the high government and political levels. Together these will ensure the ongoing effectiveness and sustainability of the network.

**Objective 1 ensures the PFM priorities of member governments are addressed by the PFM network platform.** Member led action plans will be developed and implemented in accordance with agreed budget management guidelines and these plans will be aligned to COP specific strategic plans and the PEMPAL Strategy 2012-17 Results Framework (refer Attachment 1). Examination of the results of a World





Bank study currently underway that examines the PFM related assessments across the region will also assist the strategic planning process at the COP level.

**Objective 2, which ensures quality knowledge resources and network services are available to members,** includes the development and identification of knowledge products that will assist members in their daily work such as a virtual library of PFM related documents, country laws and guidelines. **Access to PFM experts** from within and outside the Ministry of Finance will also be provided **and Resource Teams** supporting technical content development will be adequately resourced to support information needs. **Differentiated services** will also be developed to cater for the needs of countries at differing levels of reform progress and the roles and responsibilities of all key network support actors will be clearly articulated to ensure the network's effective functioning. The **Secretariat will also be adequately resourced** to ensure it can meet the significant recent and forecast growth in the network including being tasked with monitoring and pursuing technology solutions to facilitate members working together in a geographically diverse, multi-lingual environment. Access to training institutes will also be facilitated through study tours to showcase PFM courses available and approaches used.

**Objective 3 aims to ensure a financially-viable network of PFM professionals committed to improving PFM practices in the ECA region is built and maintained.** This includes **monitoring membership** to ensure target groups participate in PEMPAL and to **pursue opportunities for co-financing and in-kind contributions**, where feasible. These contributions will be monitored by the Secretariat to track network sustainability over time. A communication and marketing plan will also ensure that information and benefits facilitated by PEMPAL are shared to potential donors and professional associations.

Although the target membership of PEMPAL of middle management and technical levels will be maintained, **Objective 4 involves raising awareness of high government and political levels to facilitate ongoing commitment to participation of members and to facilitate a stronger connection between countries' policy priorities and the work agenda of COPs.** A revised approach to marketing to senior management levels will also be established. Investigation of the feasibility of establishing a more formal network of national PFM institutions will also be canvassed to determine the interest of political levels to meet periodically to discuss specific policy and institutional issues.

**Effective monitoring and evaluation will continue to form the basis of demonstrating the results of PEMPAL** to ensure the program is continually adding value to both its members, member governments and providing a return on donor investments. Key performance indicators within the agreed Results Framework (refer Attachment 1) will be monitored, post meeting surveys conducted, and success stories collected. Periodic independent evaluations will also be conducted in line with the 2008 and 2012 evaluations.

**A number of key actors are important to support the implementation of this strategy.** The strategy could not be effective without the financial and in-kind support of PEMPAL's current donors, the effective governance of its Steering Committee and Executive Committees, and the ongoing support and work of the PEMPAL Secretariat and the COP Resource Teams. Committed members are essential and member governments will also continue to make significant contributions to the network through providing in-kind assistance through hosting events and supporting attendance for which PEMPAL is most grateful.

**To implement this strategy over the next five years, 10.54 million USD is required (refer Attachment 2) of which 7.5 million USD has been secured.** The Swiss State Secretariat for Economic Affairs (SECO) has provided 5.5 million USD to the strategy and the Ministry of Finance of the Russian Federation 2.0 million USD. Further the World Bank and OECD/SIGMA have committed to continue to provide substantial in-



kind support. Other donors are welcome to support this invaluable initiative that assists government practitioners find practical solutions to PFM reform issues across the ECA region.

## 1. Background

1. **Role of PEMPAL.** The Public Expenditure Management Peer Assisted Learning network (PEMPAL) was established five years ago in 2006. It currently has active participation from 22 of the 30 World Bank classified Europe and Central Asia countries<sup>1</sup> and provides learning events, workshops, study tours and resource materials in accordance with member driven action plans in the thematic areas of budget, treasury and internal audit. The members of the network describe PEMPAL as providing opportunities where “officials can benchmark their PEM systems against one another and pursue opportunities for peer learning.....to enhance knowledge transfer.”<sup>2</sup> Peer learning is undertaken within and between three Communities of Practice (COP) currently referred to as Budget COP (BCOP), Treasury COP(TCOP), and Internal Audit COP (IACOP).
2. **PEMPAL Impact and Outcome.** PEMPAL aims to contribute to PEMPAL member governments more efficiently and effectively using public monies through applying new PFM practices. PEMPAL has the desired outcome of building and maintaining a sustainable and professional public financial management platform through which individual members are networked to strengthen their capacities and enable them to share learnings and benchmarking between countries.

**“Knowing my colleagues from other countries also makes it easier for me to contact them. A good example of the latter concerns the process of extension of the Albanian treasury to other institutions: In August I contacted Kosovar ministry of finance to ask them about their experience from the field, since I knew that they successfully cooperate with institutions already for five years.**

**Kazakhstan experience, which we got to know through PEMPAL, will also be a part of our solution.**

**Anila Cili, General Director of Treasury, Ministry of Finance, Albania, Chair of TCOP**

<sup>1</sup> Countries represented include Albania, Azerbaijan, Armenia, Belarus, Bosnia and Herzegovina, Bulgaria Croatia, Georgia, Hungary, Kazakhstan, Kosovo, Kyrgyz Republic, Macedonia, Moldova, Montenegro, Romania, Russian Federation, Serbia, Tajikistan, Turkey, Ukraine and Uzbekistan.

<sup>2</sup> Source ‘Final Report Evaluation of the PEMPAL Initiative’, 23 March 2009, Alta Fölscher, Mokoro Ltd.





3. **Governance Arrangements.** Three Executive Committees and a Steering Committee guide and steer PEMPAL.<sup>3</sup> The Executive Committees provide strategic direction to each COP and facilitate the development of action plans on behalf of the members to achieve strategic priorities in public finance reforms. The Steering Committee provides strategic oversight and includes representatives from SECO Switzerland (Chair), World Bank, GIZ (Germany), OECD/SIGMA, Russian Federation MoF, and the Chair and Deputy Chair of each COP (who are elected from COP members). These latter positions are changed periodically and rotated around the members of the COP Executive Committees. Permanent observers to the Steering Committee include the Center of Excellence in Finance (Secretariat), the Public Financial Management (PFM) Adviser, and resource team members.

The guiding principles that PEMPAL operate by are:

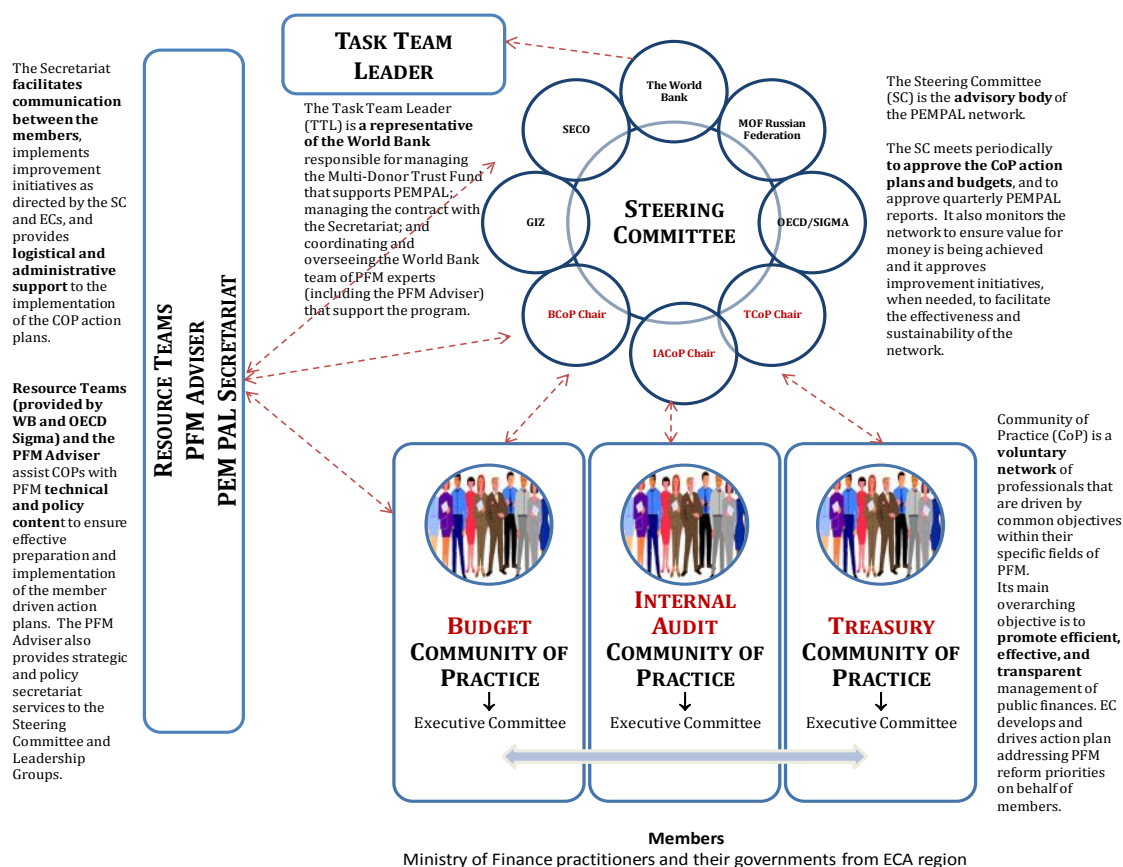
- Peer Learning and Sharing
- Professionalism
- Partnership
- Network contribution (volunteerism)
- Celebrate successes

4. **Technical Support.** PEMPAL is supported by three functions: a) A PFM Adviser (formerly titled the Community Facilitator) is engaged full time to provide policy secretariat services to the Steering Committee, strategic development and coordination, and Resource Team support to BCOP and cross-COP events, including assisting with meeting reporting where required. b) Three resource teams (comprising largely World Bank and OECD/SIGMA support) currently provide the COPs with assistance with policy and content development, including contributing to agenda development, assisting with thematic questionnaires and sourcing professional reference material and international and regional PFM expert speakers. c) A Secretariat – currently established in the Center of Excellence in Finance in Slovenia – provides logistical and administrative support including developing procedures, preparing financial and program reporting, marketing, website maintenance, translation management and implementation of improvement initiatives as directed by the Steering and Executive Committees. Professional facilitators are also periodically engaged to ensure the latest in creative and group learning techniques are used.

<sup>3</sup> These Executive Committees (or Leadership Groups) currently comprise 23 people: six members in BCOP; nine members in TCOP; and eight members in IACOP. Currently there are 15 members on the Steering Committee.



## 5. PEMPAL Organizational Chart.



6. **Membership and Approach.** For the last Cross-COP plenary meeting over 150 PEMPAL members registered although contact details of over 400 people are maintained.<sup>4</sup> The target groups for membership are government officials from the Ministries of Finance or other related central ministries or agencies that are responsible for government budget planning, preparation, execution, monitoring and coordination/harmonization of the internal audit function. There are two key clients to the network. Firstly, its *members who gain professional development* from interacting with their peers on common public finance management issues and secondly the *member Governments* from which they come.<sup>5</sup> Members have established the following in order of

<sup>4</sup> Standard rules of procedure and current membership policy only allows funding for two participants per member country to attend each meeting, except under certain conditions. The 2012 evaluation report recommended that a working definition of individual membership be established given the trade-off between network reach to more individual members and quality participation by core members (Fölscher, 2012, p.iii). IACOP have implemented a membership strategy and TCOP and BCOP are currently canvassing options.

<sup>5</sup> Over the last five years, themes that have been discussed include: information technology solutions in Treasury systems; integrated budget classification and Chart of Accounts; cash management; international accounting standards and reporting; capital budgeting; development of an internal audit manual template; training and certification of internal auditors and the development of the role and function of internal audit.



importance: peer learning, improved PFM outcomes, building networking arrangements and the impact on the quality of spending.<sup>6</sup>

7. Several national languages are spoken across the ECA region. *Three official languages of PEMPAL have been established - English, Russian and Serbo-Croatian* – and verbal and written translations are arranged for all key meetings and documents, supported by a team of expert translators who are directly engaged by the network's Secretariat. A glossary of budget, treasury and internal audit terminology has also been translated and checked by bilingual finance professionals to facilitate shared understanding of PFM reform related concepts (refer to [www.pempal.org/glossary](http://www.pempal.org/glossary)).

8. PEMPAL generates valuable country level information on PFM reforms through the development and implementation of *thematic surveys*<sup>7</sup> on key public reform issues



and the sharing of policies, laws and procedures. The thematic surveys in particular are an important tool to benchmark reform progress and to identify synergies and address common problems. Providing forums within which *translations of key*

*international texts* such as accounting standards are shared, is also found to be valuable. These knowledge resources are stored within a virtual library and wiki sites which are used as part of the network's knowledge management plan. Study tours and bilateral visits between member countries are also supported. "While members find high value in learning about their peers, they also find very high value in exposure to the systems of more developed countries, through inputs at events or through study tours."<sup>8</sup> During events the latest facilitation techniques are also applied, including daily debriefs to allow time for reflection and capturing of key messages, issues and reform solutions. "PEMPAL...offers space for reflection on a country's

<sup>6</sup> These objectives and outputs were the result of interviews with members during the 2008 baseline evaluation for the network. (Source 'Final Report Evaluation of the PEMPAL Initiative', 23 March 2009, Alta Fölscher, Mokoro Ltd, p.ii).

<sup>7</sup> These surveys are currently prepared by the Resource Teams and distributed electronically to members before an event. Results are processed by the World Bank using an on-line survey tool called 'Survey Monkey' and a report presented back to members at the start of an event. These are intended as broad guides to reform status and are not checked for accuracy but have proved valuable to members for networking and benchmarking.

<sup>8</sup>Page xii Source: Fölscher, Alta, 2012, '2nd Evaluation of the PEMPAL network – Final Report, January 2012' Commissioned by the World Bank on behalf of the PEMPAL Steering Committee, Mokoro Ltd



systems, space that is not available in the day-to-day pressure of getting the job done.”<sup>9</sup>

## II PEMPAL Activities 2008-11

9. **PEMPAL Growth and Value.** The value of PEMPAL is evident in the results of a recent independent evaluation which found that the PEMPAL network has expanded its membership in terms of countries and individual members; accessed more financial resources and deepened its functionality through improving the functioning of the Executive Committees and the Steering Committee; and has built network institutional infrastructure. The evaluation also found that countries are much more in charge of the agendas of the individual COPs and that individuals and countries are learning from each other, in ways that result in direct demonstrable impact on the PFM systems of some participating countries. **Table 1** shows the changes in the network between 2008 and 2011 and is drawn from key indicators taken from the 2012 evaluation report.

“Our system of training and certification for internal auditors has been modified according to PEMPAL ideas from 2006. We redesigned the entire system and updated the content of training. The system is now classified among the examples of leading practice by the international Institute of Internal Auditors (IIA).”

Tomislav Micetic  
Former Chair of IA COP

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<sup>9</sup> ibid, p.xi



**Table 1: Changes in PEMPAL from 2008 to 2011**

Key Evaluation Results	2008	2011
<b>BCOP</b>		
No. of ECA country members	15 (2007)	21
No. of active network individual contacts	42 (2007)	77
% of which believe can influence network priority setting and have sense of belonging <sup>10</sup>	84	75
No of events (per year)	1 (2007)	3
% of network contacts that rate a) resources of quality or high quality b) inputs at events satisfactory or highly satisfactory	a)59 b)72	a)83 b)83
No. of participating countries reporting using COP experiences to design, recommend or implement PFM improvements <sup>11</sup>	3	6
% of members assessing the Executive Committee's performance as high or very high <sup>12</sup>	8	100
<b>TCOP</b>		
No. of ECA country members	14 (2006)	20
No. of active network individual contacts	28 (2006)	80
% of which believe can influence network priority setting and have sense of belonging	89	100
No of events (per year)	1 (2007)	3
% of network contacts that rate a) resources of quality or high quality b) inputs at events satisfactory or highly satisfactory <sup>13</sup>	a)75 b)79	a)61 b)72
No. of participating countries reporting using COP experiences to design, recommend or implement PFM improvements	4	6
% of members assessing the Executive Committee's performance as high or very high <sup>14</sup>	67	67
<b>IACOP</b>		
No. of ECA country members	19 (2007)	20
No. of active network individual contacts	38 (2007)	72
% of which believe can influence network priority setting and have sense of belonging	89	97
No of events (per year)	3 (2007)	5
% of network contacts that rate a) resources of quality or high quality b) inputs at events satisfactory or highly satisfactory	a)72 b)77	a)91 b)91
No. of participating countries reporting using COP experiences to design, recommend or implement PFM improvements	7	7
% of members assessing the Executive Committee's performance as high or very high <sup>15</sup>	73	88
% of members assessing Steering Committee leadership performance as high/ very high	53	82
% of members that assess Secretariat support as satisfactory and highly satisfactory <sup>16</sup>	80	70
Change in financial and donor support	USD 716,800 (6 financial donors)	USD 1,655 000 (2 cash, 2 in-kind donors)

Source: Compiled from Fölsher, Alta, 2012, '2nd Evaluation of the PEMPAL network – Final Report, January 2012' Commissioned by the World Bank on behalf of the PEMPAL Steering Committee

<sup>10</sup> This reflects BCOP being inactive for a time within this period but the community has been reinvigorated since 2010 with the allocation of additional technical resources and an increased number of Executive Committee members.

<sup>11</sup> Not all participants in PEMPAL are at a level to influence PFM reforms although it has been shown that the increase in their professional competency from PEMPAL leads to improved PFM systems in the long term.

<sup>12</sup> The remainder rated the Executive Committee average. No below average ratings were given.

<sup>13</sup> TCOP are currently investigating knowledge products to develop for the community and have recently been actively involved in the collation and contribution to treasury related laws and procedures to the PEMPAL virtual library.

<sup>14</sup> The remainder rated the Executive Committee average. No below average ratings were given.

<sup>15</sup> The remainder rated the Executive Committee average. No below average ratings were given.

<sup>16</sup> Reflects increasing demand on Secretariat services from significant growth in network. Strategy includes allocation of more resources that are full-time in nature to meet this demand.





10. **Evaluation Results.** The evaluation found that significant value is generated at the level of individual learning that contributes to better PFM systems in the long term.<sup>17</sup> However, it has been acknowledged that it is difficult to directly attribute improved PFM systems to the network and the focus should be more on the purpose level. The evaluation recommended that the network should *develop an objective framework that incorporates the value of building the professional competency of individuals*

Knowing that others want to learn from you is a recognition that you are doing a good job and that you are on the right track, which gives me professional and personal satisfaction and confidence.

Ljerka Crnković,  
Coordinator, Ministry of  
Finance, Croatia

involved in PFM in the region and that a *joint, negotiated, internalized and operationalized vision of PEMPAL for all stakeholders* needs to be established.<sup>18</sup> Senior officials and deputy ministers interviewed were positive about the value of PEMPAL for their country and their region, particularly the opportunity to learn from other countries and avoid making similar mistakes. The topics covered by PEMPAL were also seen as highly relevant to countries' reform paths.<sup>19</sup> The evaluation recommended building on this support and *extending PEMPAL coverage to ministry-wide engagement*.<sup>20</sup> A need was identified to further strengthen the existing communities by consolidating and improving the quality of COP participation and any network expansion should be upwards not sideward.<sup>21</sup> This highlights the need for capacities to be continually built within the COPs themselves to

drive, develop and implement their own action plans to manage the threat of diminishing member commitment, network value, and donor support over time. The 2012 evaluation report also found that PEMPAL made considerable progress in resourcing a constant technical support function; however this function is still under-resourced compared to the demand on it; and it requires *a larger core of support personnel who are concerned full-time with PEMPAL's progress, quality of learning in the network, and impact on countries and institutions in the region*.<sup>22</sup> Further, the current modality of contracting part time staff via a third party agent no longer serves

<sup>17</sup> Source 'Fölsher, Alta, 2012, '2nd Evaluation of the PEMPAL network – Final Report, January 2012' Commissioned by the World Bank on behalf of the PEMPAL Steering Committee, Mokoro Ltd p. ii

<sup>18</sup> Ibid, pp.71-72

<sup>19</sup> Ibid, pp. x-xi

<sup>20</sup> Ibid, p.xi, p. 50.

<sup>21</sup> Ibid, pp72-73. This recommendation has been included in Objective 4 of the strategy.

<sup>22</sup> Source: Ibid, ppvii-viii, p54.





the interest of PEMPAL as it (i) does not cope with the demand on it at current network levels of activity and (ii) is not sufficiently forward thinking.<sup>23</sup>

11. All three COPs have started, in different ways, to map reform processes in PEMPAL countries and identify best practices through for example manuals, study tours, and exchanging laws, policies and procedures. The 2012 evaluation report recommended that such activities continue and deepen with an *increasing focus on producing 'knowledge products'* for the use of members and their Governments. The Report also noted that PEMPAL is enriched by the diversity of its membership. Although this diversity creates difficulties across language barriers and cultural differences, these should be addressed *through COP-appropriate mechanisms rather than by fragmenting the network* into homogeneous country groups for example.<sup>24</sup>

12. **Strategy Development Context:** The Executive Committees of the three COPs regularly meet to guide the activities and direction of the network. This strategy represents their proposed actions in response to the recent independent evaluation, along with those suggested by key donors and supporters. It has been acknowledged that there needs to be more top down input to member driven COP action plans to more closely align them with the PFM reform needs and priorities of member countries. Initiatives to achieve this form part of the strategy and include a proposed plenary meeting in 2013-14 to consider the results of a World Bank PFM study<sup>25</sup> (expected to be completed in 2013) and a strategic planning process will be initiated in 2013 at the COP level to further strengthen and reinforce the direction of PEMPAL. With the network's recent expansion to up to 22 ECA countries, from 17 a year ago, more sub-working groups are being established, knowledge products planned, and membership strategies investigated. Increased ministerial engagement and input to the PEMPAL program is also envisaged. These plans are consistent with recommendations from the recent evaluation.<sup>26</sup>

### III. PEMPAL Strategy

13. **Aim of Strategy:** Within the above context, the aim of the PEMPAL Strategy 2012-17 is to affirm the network's achievements over the last five years and provide a direction for the next five years.

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<sup>23</sup> *ibid*, p.73. The evaluator notes that similar networks (eg OECD Working Party of Budget Officials, the CABRI network of African budget officials, the African Tax Administration Forum and the various INTOSAI networks) all operate with a technically capacitated and permanent Secretariat that drives network formation and content, under the guidance of member country based governance structures. The evaluation thus recommends that the Secretariat function modality should be designed with such a long-term future in mind.

<sup>24</sup> *ibid*, p. 73

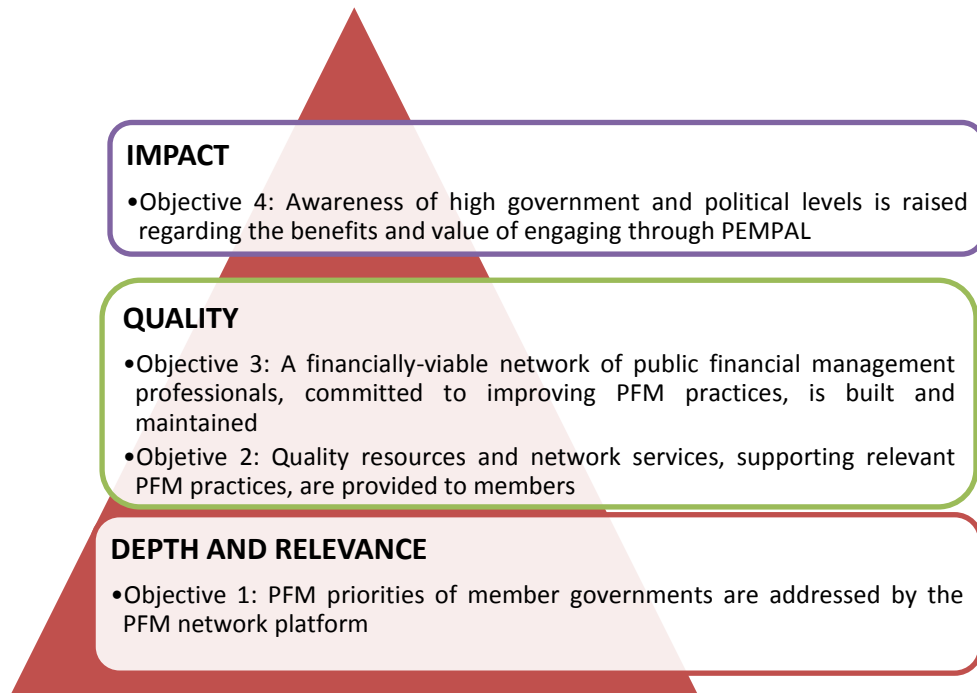
<sup>25</sup> A study is currently underway that examines existing PFM related assessments undertaken in the ECA region. The study aims to examine key thematic areas to initiate discussion with ECA countries on possible future areas that the World Bank and PEMPAL could focus that could assist countries in their reform programs.

<sup>26</sup> Refer Fölsher, Alta, 2012, '2nd Evaluation of the PEMPAL network – Final Report, January 2012' Commissioned by the World Bank on behalf of the PEMPAL Steering Committee, Mokoro Ltd.



**Goal:** PEMPAL member Governments from Europe and Central Asia more efficiently and effectively use public monies resulting from applying new PFM practices

**Outcome:** A sustainable, professional public financial management platform through which individual members are networked to strengthen their capacities and to enable them to share learnings and benchmarking between countries



14. To contribute to the strategy's goal and achieve its desired outcome, four key output objectives have been identified that are crucial to ensure the ongoing effectiveness and sustainability of the network. The first objective of addressing PFM priorities of member governments by the PFM network platform is supported by the other objectives of providing quality resources and network services, building and maintaining a sustainable network, and raising awareness of the higher government and political levels. The objectives are diagrammatically represented above and will cost **10.54 million USD** to implement over the next 5 years and include 15 key actions (see **Attachments 1 and 2**).



***Objective 1: PFM priorities of member governments are addressed by the network platform***

15. In total this objective will cost **6.18 million USD over 5 years** and includes three key actions of developing two year, rolling COP Action Plans; implementing these in accordance with budget management guidelines and ensuring they meet PFM priorities identified by members; and identifying synergies and working projects between COPs. These are outlined below.

**16. Action 1: Develop two year, rolling COP Action Plans that are aligned with COP specific strategic plans and the PEMPAL Strategy 2012-17 Results Framework.**

Member driven Action Plans are prepared by each COP, on a rolling two year basis. However, the 2012 evaluation report noted that strategic decisions need to be informed by a stronger shared vision on the nature, goals and working ways of PEMPAL including greater clarity about network objectives, networking approaches, time horizons for returns on investment and medium to longer term goals.<sup>27</sup>



The meeting of COP Executive

Committees in 2011 hosted by SECO in Bern, Switzerland, was the start of establishing a shared understanding of the goal and outcome of PEMPAL together with the increases in cross-COP collaborations that resulted from that meeting. The meeting of COP Executive Committees in late 2012 jointly hosted by OECD/SIGMA and World Bank in Paris, France further consolidated these efforts through the development of a revised Results Framework (refer Attachment 1). COP specific strategic plans will now be developed and aligned to this Results Framework and the results of the World Bank PFM study will also be considered at the proposed biennial meeting<sup>28</sup> in 2013-14. This will ensure the Action Plans are developed within an agreed strategic framework.

<sup>27</sup> Ibid. pp.vii-viii.

<sup>28</sup> About every two years, all three COPs come together to discuss reform issues of common interest to budget, treasury and internal audit communities. These are referred to as cross-COP plenaries which are distinct from 'plenary meetings' which refer to meetings of all members of a specific COP.



**17. Action 2: Implement COP Action Plans, in accordance with budget management guidelines, that address PFM priorities.** This is the major part of the strategy and involves meetings, events, study tours that address priority PFM reform areas that have been identified by members. Efforts are made by the Secretariat and COP Executive Committees to ensure best value for money is achieved when organizing such events with final costs driven by the host country living costs and the travel distances required. Each COP Executive Committee is assigned an annual budget and is provided guidelines to manage its implementation. Action plans address PFM priorities such as for example, program budgeting; financial management and control; use of information technologies in Treasury operations; and internal audit risk assessment and quality assurance. Reductions in budget have been factored in from year 3 as member contributions increase. Proposed cross-COP plenaries in 2013-14 and 2016-17 are not reflected in these plans and are separately presented under Actions 1 and 9.

- **Budget COP Priorities.** BCOP members have identified the following PFM reform priorities and network improvement initiatives over the coming two years which will be delivered in the form of plenary meetings, study tours and sub-working groups:
  - Program budgeting;
  - Per unit health and education financing;
  - Medium term planning;
  - Knowledge Resource Initiatives: collation of ECA country budget related laws, policies and procedures; and
  - Network Improvement Initiative: encourage cross COP interchanges on themes related to IT reforms, budget classification and others where appropriate.
    - Facilitation of increased member contact through further development of wiki as the main technology platform.
- **Treasury COP Priorities.** TCOP members have identified the following PFM reform priorities and network improvement initiatives:
  - Use of Information Technologies in Treasury Operations;
  - Accounting and Financial Reporting for the public sector;
  - Financial Management and Control Issues;
  - Knowledge Resource Initiatives: Contribute treasury related country documents to PEMPAL virtual library; and
  - Network improvement Initiatives: encourage cross COP interchanges through active involvement of BCOP and IACOP members in TCOP meetings where appropriate.



- **Internal Audit COP Priorities.** IACOP members have identified the following PFM reform priorities and network improvement initiatives:
  - Risk assessment;
  - Quality Assurance;
  - Knowledge Resource Initiatives: Finalization of internal audit manual template and internal audit training and certification modules for use by member countries and further collation of relevant internal audit related laws etc for virtual library ; and
  - Network Improvement Initiatives: Active participation of IACOP representatives in BCOP meetings to identify synergies. Attendance at TCOP meetings, where relevant.

**18. Action 3: Identify synergies and working projects between COPs.** This initiative will allow members from the specific thematic areas to attend events being held by other COPs to promote more practical and comprehensive PFM solutions (e.g. BCOP members to attend relevant TCOP events, IACOP members to attend relevant BCOP and TCOP events). It will also improve identification of cross-COP synergies and communication, and move the network closer to a ministry-wide network as envisaged by the evaluation. To enable sponsored attendance of representatives from other COPs and to encourage cross-COP cooperation, an additional 5 sponsored places per COP ie, total 15 are required each year.

### *Objective 2: Quality resources and network services, supporting relevant PFM practices, are provided to members*

19. In total this objective will cost **3.64 million USD over 5 years** and includes six key actions to ensure quality resources and services are available to members.

**20. Action 4: Ensure the Secretariat addresses members' needs in an efficient and effective way.** Effective secretariat services are essential to ensure the logistics and administrative requirements of the network are met. Thus, the strategy includes increased resourcing for this function, to cater for the significant recent and forecast growth in the network. The 2012 evaluation noted that PEMPAL's forward sustainability will be enhanced by further resourcing and strengthening COP technical support mechanisms including more dedicated human resources (ie a larger core of support personnel who are concerned full-time about PEMPAL's progress, quality of learning in the network and the impact on countries and institutions in the region).<sup>29</sup>

<sup>29</sup> Source: Refer Fölsher, Alta, 2012, '2nd Evaluation of the PEMPAL network – Final Report, January 2012' Commissioned by the World Bank on behalf of the PEMPAL Steering Committee, Mokoro Ltd, ppvii-viii, p54.





Currently the Secretariat function is provided by 4 part time staff but the strategy includes resourcing additional staff engaged full time to cater for network growth from the second year of the strategy.<sup>30</sup> To cater for the continuing growth of the network and its significant composition of Russian speakers, it is proposed that native Russian speakers are also engaged as part of the Secretariat team, either through direct employment or through annual secondment and rotation of Russian speaking members. This will facilitate meeting the needs of the Russian speaking member countries, which currently comprise approximately 70 percent of current total membership.<sup>31</sup> This new modality of delivering Secretariat services will be periodically assessed and benchmarked against similar networks to ensure the approach is appropriate to cater for the growing needs of the network.

**21. Action 5: Develop and share knowledge resources and products.**

Committed membership will be facilitated by ensuring the network provides valuable knowledge resources (e.g. library, PFM research) that can assist members in their day to day work.<sup>32</sup> The Secretariat, Resource Teams and COPs have already been working closely together to produce a virtual library of documents for use by members and the Secretariat will continue to manage this asset. Further, the Resource Teams and the PFM Adviser will assist COP Executive Committees to identify and develop such resources and products for the benefit of members.

**22. Action 6a: Facilitate access to PFM experts.**

PFM experts will be identified from within and outside Ministries of Finance where required in accordance with the priority PFM themes identified by COPs. Eg FMIS professionals, non-MOF ministries and additional representatives above two members per country rule if active participation to support event agendas is required. This is consistent with the 2012 evaluation findings whereby it was noted that the PFM system operates as an integrated whole with other PFM sub-sectors benefiting equally from the opportunity

It's like a chain of interactions. More developed countries share the problems they were coming across when establishing their systems. If we don't take into consideration what kind of problems may arise, we can make the same mistakes again.

Zamira Omorova, Head  
of Public Sector Internal  
Audit Methodology  
Department, Ministry of

<sup>30</sup> To allow time for the proposed expanded Secretariat function to be tendered in accordance with procurement requirements.

<sup>31</sup> A rough estimate of the language composition of members is 70 per cent Russian, 20 per cent Serbo-Croat and 10 per cent English. This estimate is based on first language preference. Some Russian and Serbo-Croat members can also speak English so this estimate may vary, if second language preferences are considered.

<sup>32</sup> A knowledge management plan is under development which outlines how the network creates, stores and disseminates its resources. A key part of this plan includes a virtual library where all materials are stored according to country and PFM theme. The 2012 evaluation also recommended an increased focus on the development of knowledge products.





to learn from other countries in the region and to develop networks.<sup>33</sup> An additional 10 people will be sponsored to attend events each year in total.

- 23. Action 6b: Provide the Executive Committees with sufficient and effective support (COP technical Resource Teams).** Technical Resource Teams will continue to be funded over the next five years. Content development is largely undertaken by these teams on direction from the Executive Committees. However, there is evidence that the COPs are taking on some of these functions themselves so a gradual decline in funding of these teams is expected over time.<sup>34</sup> OECD/SIGMA has also agreed to extend technical in-kind assistance to TCOP and BCOP which will supplement the existing World Bank resource teams and will assist in catering for the growth in the network.
- 24. Action 7: Differentiated services will be provided as part of the strategy to cater for countries at different levels of reform progress.** This will ensure that members from more advanced countries will not lose interest and that the additional needs of countries just starting out on specific reform paths are met. The Resource Teams and PFM Adviser will assist COP Executive Committees to develop such differentiated products and services for members.
- 25. Action 8: Roles and responsibilities of key network actors as specified in the Rules of Operation are understood and followed.** Clearer assignment of roles and responsibilities between the Steering Committee, Executive Committees, Secretariat, Resource Teams, and PFM Adviser will be implemented. This was a recommendation of the evaluation and is important to ensure the effective functioning of the network.
- 26. Action 9: Facilitate access to PFM training institutes** through a) showcasing institutes at COP plenaries (eg Slovenia, Armenia, Kazakhstan, Russian Federation, Poland, Lithuania, UK) and b) support study tours for those countries interested in establishing such institutes. A high priority need has been identified to access training and capacity building opportunities for government finance officials in existing regional PFM training institutes.<sup>35</sup> Funds will be made available to visit established PFM institutes (e.g. CIPFA in the UK; Center of Excellence in Finance in Slovenia; Financial Research Institute of the State University of the Ministry of Finance of the Russian Federation; Centre for Training, Retraining and Professional Development of Financial System in Kazakhstan) and two cross-COP plenary meetings are planned during the strategy

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<sup>33</sup> *ibid.* p.xi.

<sup>34</sup> This has largely occurred in IACOP. BCOP Executive Committee has indicated that it will always need significant input from its Resource Team given the demands of the budget process.

<sup>35</sup> Several PEMPAL countries are also investigating options to establish such an institute to enable local language international certified modules of accounting and internal audit courses to be provided, in addition to national modules targeted at the policy and legislative frameworks established within the member country.



period to enable existing institutes to be showcased. The first will be held in 2013-14 and the second in 2016-17 and 10 study tours are planned over the 5 year period. These study tours will be on offer to interested countries to visit PFM institutes to gain advice and guidance on the policy, legislative and procedural frameworks under which such an institute is established. Further, promotional materials on budget, treasury and internal audit related courses being offered by these institutes will be regularly circulated to PEMPAL members. This option is consistent with the recent 2012 evaluation which acknowledged the value of the network in building the professional competency of individuals involved in PFM in the region.<sup>36</sup>

**27. Action 10: Facilitate members working together in a geographically dispersed environment by adopting suitable technology solutions.**

Adobe Connect and wiki are key technology platforms that are used regularly to facilitate communication and to work on reforms. For example, during 2010-11, IACOP developed a template for an Internal Audit manual on wiki which was refined through examining examples from other countries (e.g. Hungary and Bulgaria) and through in-kind assistance from OECD/SIGMA. The work undertaken within wiki



will be periodically summarized on the website to ensure stakeholders are aware of the significant work being undertaken within these platforms. However, these platforms sometimes face difficulties and new technology solutions will be monitored and trialed as part of the proposed knowledge management plan.

***Objective 3: A financially-viable network of public financial management professionals, committed to improving PFM practices in the ECA region, is built and maintained***

28. In total this objective will cost **0.35 million USD over 5 years** and includes three key actions of monitoring and sustaining quality membership; seeking co-financing and in-kind contributions; and implementing targeted marketing of PEMPAL. The evaluation noted that an increase in network reach in some cases may have come at the expense

<sup>36</sup> Source: Fölsher, Alta, 2012, '2nd Evaluation of the PEMPAL network – Final Report, January 2012' Commissioned by the World Bank on behalf of the PEMPAL Steering Committee, Mokoro Ltd, page 72



of quality. The evaluation also noted that there was no workable definition of membership which has subsequently been addressed by improved guidance in the Rules of Operation on membership eligibility. To further improve membership quality and sustainability the following will be undertaken.

29. **Action 11: COPs to monitor and sustain quality membership** including analysis of existing membership and provision of advice to COP Executive Committees. This will ensure the appropriate target members are participating in the network to maximize the benefits of peer learning and to ensure value for money is achieved from donor investments.
30. **Action 12: Seek co-financing and in-kind contributions** from members where possible. This will contribute to the financial sustainability of the network over time. The Secretariat will also monitor the type and amount of co-financing and in-kind contributions and report to the Steering Committee on a quarterly and annual basis.
31. **Action 13: Implement targeted marketing of PEMPAL** to promote program to potential donors and professional associations. A communication and marketing plan will be developed to ensure that information and benefits facilitated by PEMPAL are shared. This includes enhanced reporting from the events to widely disseminate lessons learnt. These reports will be posted on the website and also modified for different audiences.<sup>37</sup>

***Objective 4: Awareness of high government and political levels is raised regarding the benefits and value of engaging through PEMPAL***

32. In total this objective will cost **0.38 million USD over 5 years** and includes two key actions of investigating the feasibility of a ministry to ministry network; and implementing targeted marketing to the senior management level (including Minister and Deputy Minister levels). The evaluation found that the network would be strengthened by more deliberate engagement of the political level. Thus initiatives are proposed to ensure the ministerial level is effectively informed about the achievements of PEMPAL to ensure ongoing support and opportunities to input to PEMPAL priorities where feasible. Although the target membership of PEMPAL of

<sup>37</sup> A report summarizing the key discussions, presentations and resource materials related to each PEMPAL event is prepared. Sometimes this is presented in the form of a Communiqué by members. This is an effective tool for capturing the main issues and for disseminating information among the peers who were not able to attend. Further, it serves as a mechanism to establish, later down the road, whether the discussions had an impact and to ensure any identified follow up issues were addressed. Blog articles eg IMF PFM blog are also prepared for major events to promote the activities of the network to a wider audience.



middle management and technical levels will be maintained, targeting political support will ensure a stronger connection between countries' policy priorities and the work agendas of the COPs. The following initiatives are therefore proposed.

- 33. Action 14: Investigate the feasibility of transforming PEMPAL into a more formal network of national PFM institutions.**<sup>38</sup> Increased engagement with Ministers is planned to more closely align member action plans to country PFM priorities and the results of the World Bank PFM study will be used as leverage for consultation. Most Ministers of Finance across the ECA region currently attend the annual meetings in Washington. To implement this action, it is proposed that interest in forming such a network will be canvassed during these meetings and a presentation given on the World Bank's PFM study results, PEMPAL's results and work program, and feedback sought on the areas of future focus.

"From PEMPAL meetings, the experience of Moldova on medium term budgeting was used by Belarus Ministry of Finance when preparing medium term financial programs for 2011-2013 and 2012-2014."

Maksim Yermalovich  
Deputy Minister of  
Finance Ministry of  
Finance,  
Belarus

- 34. Action 15: Implement a revised approach to marketing at the senior management level including to the Minister and Deputy Minister levels.** With the rise in the number of meetings experienced over recent times and forecast in the future, the previous practice of sending thank you letters after every specific COP event is not effective. A six monthly electronic and hard copy newsletter is proposed that summarizes attendance from all three COPs relevant to that Ministry and country, including a succinct summary of key outputs and achievements of PEMPAL in that time period, with links provided to more detail if required. Information will also be provided on the range of trust funds and technical assistance support options available to countries to assist them achieve their PFM reform priorities. This will include SAFE and Russian Trust Funds and assistance available through the World Bank's analytical and advisory services, trust fund and grants, and guarantee program.<sup>39</sup> PEMPAL will form part of an integrated package of services and products available to member countries to advance their reform priorities. Such marketing will ensure PEMPAL is seen as an integrated network of PFM professionals rather than distinct separate communities of budget, treasury and internal audit. Action 15 will not only reduce

<sup>38</sup>This initiative would run in parallel to PEMPAL and offer an annual forum where Ministers and Deputy Ministers from the ECA region meet to discuss policy, institutional and administrative reform issues associated with PFM.





administrative costs to the program but also ensure Ministers are being contacted in a strategic way.

35. **Strategy Monitoring and Evaluation.** Monitoring and evaluation are very important to PEMPAL to ensure the program is continually adding value to its member, member governments and donor stakeholders. Key performance indicators within the Strategy Results Framework (refer **Attachment 1**) will be monitored and reported as part of the Quarterly and Annual Performance reports prepared by the Secretariat, in consultation with the Resource Teams. Periodic independent evaluations will also be conducted in line with the evaluations undertaken during 2008 and 2011 and the network will be also be benchmarked against similar networks.

#### IV. Supporting Implementation of the Strategy

36. **Strategy Support.** The strategy could not be effective without the continued financial and in-kind support of PEMPAL's donors and the effective governance of its Steering Committee and Executive Committees. Further, the action plans could not be implemented without the ongoing support and work of the PEMPAL Secretariat and the COP Resource Teams. Significant contributions to the network are also made by member countries who provide in-kind assistance through hosting events and meetings and who support the attendance and contribution of their public finance officials.<sup>40</sup>



37. **Budget and Financing.** The 2012 evaluation raised the lack of funding certainty as a serious concern and noted that "PEMPAL's forward sustainability will be enhanced by further resourcing and strengthening of the technical support mechanisms to the COPs"<sup>41</sup> requiring donors to decide on the nature of their engagement with the

<sup>40</sup> One member country has become a key donor, with the Russian Federation contributing USD 2 million to the network and joining its steering committee in March 2009. Other historical donor contributions include USD 800 000 committed by SECO in 2009; USD 475 000 committed the World Bank between 2009 and 2010 (following on USD 300 000 in 2008) and USD 138 846 committed by InWent to the IACOP for 2009 and 2010. The network has also benefited from contributions in kind from donors, including from the World Bank, OECD/SIGMA, InWent, International Monetary Fund, GIZ (formerly GTZ), UK Department for International Development and the US Department of the Treasury. However, currently there are only two financial donors (SECO and MoF of the Russian Federation) and two in-kind donors, World Bank and OECD/SIGMA.

<sup>41</sup> *ibid*, p.54



network in the long-term.<sup>42</sup> The current network donors have considered this recommendation and PEMPAL has confirmed funding from the Russian Federation of the Ministry of Finance of 2 million USD for a two year period and from SECO of 5.5 million USD for a five year period which together covers a significant proportion of the strategy costs of 10.54 million USD. This leaves a current funding gap of 3.04 million and other interested donors are welcome to fund this valuable initiative. **Attachment 2** provides a table summarizing the key objectives, actions and costs of the strategy in detail.

**38. Success Factors.** Five factors are critical to the successful and effective implementation of the PEMPAL Strategy 2012-17: the active engagement of the COP Executive Committees; a committed membership base; ongoing donor financial and in-kind assistance in the medium term; well-functioning and capable Secretariat and Resource Teams, and a clear assignment of roles and responsibilities. This strategy is aimed at ensuring these factors are maintained and strengthened to support the growth and ongoing effectiveness of the network. The Steering Committee, COP Executive Committees, Resource Teams, PFM Adviser and PEMPAL Secretariat are essential ingredients to this success and their priorities are outlined below.

**39. Steering Committee and COP Executive Committee Priorities.** The Steering Committee's overall priority is to ensure PEMPAL meets the member identified objectives and achieves good value for money. The COP Executive Committee priorities over the coming years are:

- Contribute to the development of a strategic plan for each COP which is aligned to the PEMPAL Strategy 2012-17 Results Framework.
- Lead the collaborative development of COP action plans that represent the interests and priorities of COP members. Monitor the implementation of these plans, including assisting the Resource Teams in identifying budget/treasury or internal audit practitioners and information to accommodate member requests in support of this plan.
- Help to foster informal and formal communication among members through various means (with the assistance of professional facilitators if needed).
- Review membership and develop, implement and monitor strategies to strengthen consistency and quality of membership.
- Attend quarterly meetings via V/C, Adobe Connect or Skype. More frequent meetings may be required in the lead up to events.
- Attend one face-to-face annual meeting with other COP Executive Committee members and Steering Committee members to review strategy and identify cross-COP synergies and improvements to PEMPAL.

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<sup>42</sup>ibid, p.72





- Identify and facilitate distribution of knowledge information (eg through virtual library at [www.pempal.org/library/](http://www.pempal.org/library/)).
- Review draft documentation and provide input (eg thematic surveys; post meeting evaluation surveys; strategic documents, action plans, policies and guidelines).
- Report to members on progress and issues related to the COP and PEMPAL when required eg through presentations, wiki posts.
- Review periodic COP and PEMPAL evaluation findings and assist in developing and implementing recommendations.
- Liaise with the PEMPAL Secretariat on needs and issues associated with the knowledge management plan, the communication plan (including the website, and wiki) and other supporting administrative resources as required.
- Liaise with, and direct, the Resource Teams and the PFM Adviser (former Community Facilitator) on tasks to assist the community as required.

40. In addition to the above, the **Chair and Deputy Chair positions** have the added responsibilities of leading and managing the Executive Committee; representing the COP to ECA member countries, donors and stakeholders; and participating in quarterly VC Steering Committee meetings. Within these meetings, the Chair and Deputy Chair are expected to represent the interest and issues of their specific COP and facilitate the Steering Committee's review and approval of all COP action plans, budgets, strategies and other initiatives. As part of the Steering Committee, the Chair and Deputy Chair are also responsible for contributing to the effective governance of the network; and contributing to developing, implementing, and monitoring strategies to improve the effectiveness and sustainability of the network.

41. **Resource Team Priorities.** Its priorities over the coming years are:

- Contribute to agenda development, thematic surveys and sourcing of technical experts and materials, as directed by the COP Executive Committees.
- Identify and develop knowledge products and research.
- Assess membership and assist the COP Executive Committees to develop and implement strategies aimed at increasing membership quality and sustainability.

42. **PFM Adviser Priorities.** In addition to having the same priorities as the Resource Teams, the PFM Adviser will coordinate activities between the COPs and also be key in facilitating collaborations and partnerships with key experts and associations. The Adviser will also undertake policy and PFM related tasks and research as directed by the Steering Committee and COPs and assist with the preparations of cross COP events. The development and monitoring of the knowledge management plan and periodic benchmarking of the network are also part of this role.



**43. PEMPAL Secretariat Priorities.** Its priorities over the coming years are:

- Ongoing administrative and logistical support to the implementation of member driven COP Action Plans;
- Financial management and reporting of program jointly with World Bank Team Leader;
- Implement the communication and marketing plan (e.g. success stories, newsletters, letters to Ministers);
- Implement the knowledge management plan (how PEMPAL collects, develops and shares information e.g. technical library, glossary of PFM terms, website and wiki management, translation management including facilitating copyright and intellectual property right requirements);
- Monitor number and amount of co-financing and in-kind contributions from member countries and report regularly to the Steering Committee; engage a native Russian Speaker; and
- Monitor and manage technology solutions to improve and enhance communication.

**44. Collaboration and Partnerships.** PEMPAL will continue to maintain and develop close collaborations and partnerships within each of the COPs. These include:

- **International Federation of Accountants** – TCOP will monitor the IFAC's international codes and standards as they apply to the work of its members.
- **IFAC's International Public Sector Accounting Standards Board** - PEMPAL will monitor any developments in concepts and methodologies associated with International Public Sector Accounting Standards (IPSAS) to ensure members have access to the latest information.
- **Chartered Institute of Public Finance and Accountancy** – COP members will access the professional development opportunities provided by CIPFA and partner with them and invite them to meetings where relevant.
- **The Institute of Internal Auditors** – IACOP will monitor the IIA's website for information on better practice certification, education, research, and technical guidance.
- **The International Association of Treasury Services (AIST)** – TCOP will access the Association's research, analysis and debate in regards to trends in modernization of treasury services. The way this professional association operates will also be monitored to assist in identifying improvements to TCOP's operations.
- **International Budget Partnership** - PEMPAL will use IBP's Open Budget Index to benchmark progress in budget transparency in ECA member countries, where available.
- **World Bank** – through its ongoing management of the Multi-Donor Trust Fund that supports PEMPAL activities; through provision of the program Team Leader and support of the PFM Adviser and World Bank Resource Teams; providing access to



ECA country research and assistance resources; sponsorship of the PFM Study; and access to support and assistance from World Bank country offices when needed.

- **SECO** through its direct funding support and provision of the current Chair of the Steering Committee.
- **The Ministry of Finance of the Russian Federation** through its direct funding support and contributions to PEMPAL leadership through its active membership on the Steering Committee and COP Executive Committees.
- **OECD/SIGMA** for its direct in-kind technical assistance to IACOP and use of OECD's knowledge resources e.g. OECD Budget Practices and Procedures database and collaboration with the OECD Senior Budget Officers network. From 2012, OECD/SIGMA will also increase its technical assistance to supplement existing resource teams of TCOP and BCOP.
- **IMF** for facilitating promotion of PEMPAL activities through the IMF PFM blog and for participating in meetings where invited.
- Other international PFM related peer assisted learning networks - PEMPAL will periodically benchmark the knowledge and website materials of these networks to assist in identifying improvements to PEMPAL and possible opportunities for sharing of resources.

## ATTACHMENTS

1. PEMPAL Strategy Results Framework
2. Costings of PEMPAL Strategy 2012-17 Objectives and Actions

## Attachment 1 PEMPAL Strategy Results Framework

HIERARCHY OF OBJECTIVES	KEY PERFORMANCE INDICATORS	MEANS OF VERIFICATION	EXTERNAL FACTORS
<b>STRATEGY GOAL/IMPACT</b> – PEMPAL member Governments from Europe and Central Asia more efficiently and effectively use public monies resulting from applying new PFM practices	Cases of applicable, good practice using PEMPAL learnings (qualitative assessment)	Surveys or documentation (cases) of changes in national PFM systems that represent good practice (eg success stories)	Political will and opportunity to realize the desired changes in PFM good practices exists
	Accurate and verifiable information on the application of PFM good practices	External evaluations on changes in national PFM systems attributable in whole or part to PEMPAL activities  Pre-meeting thematic survey results	Governments make changes and improvements to PFM systems in line with global good practices  Suitable infrastructure and resources are available in the countries to support the desired changes in PFM systems  Benefits from PEMPAL are shared within the target agencies
	PEFA indicators and other PFM related assessments	Independent evaluation reports (eg PEFA reports; International Budget Project Open Budget Index assessments; World Bank, IMF, EC reports). Country government evaluation reports.	Benefits from PEMPAL are shared more broadly within the national governments  Improvements in PFM practices are easily measured by available, comprehensive and up to date assessments of PFM quality
<b>OUTCOME</b> – A sustainable, professional public financial management platform through which individual members are networked to strengthen their capacities and enable them to share learnings and benchmarking between countries	New and improved skills, knowledge and professionalism in PFM practices	External independent evaluation reports (where Ministers and Heads of Organizations are surveyed on the benefits experienced to the organization of sending their staff to PEMPAL)	Ministers/Heads of Organizations continue to support membership of the PFM platform with appropriate people and resources
	Satisfaction of individuals with opportunities for sharing and learning provided by the network	Individual member feedback gained through post meeting surveys  Independent evaluations	Individual PEMPAL members will be able to contribute to institutional capacities and influence reforms within their own institutions

HIERARCHY OF OBJECTIVES	KEY PERFORMANCE INDICATORS	MEANS OF VERIFICATION	EXTERNAL FACTORS
<b>OUTPUT OBJECTIVE 1</b>  PFM priorities of member governments are addressed by the PFM network platform	COP Action plans approved by Steering Committee by February each year.	Steering Committee minutes (discussion and approval of COP Action Plans)	The PFM priorities defined by individual members adequately cover the priorities of their governments
	Number and type of cross COP exchanges	PEMPAL Performance Indicators (attendance and satisfaction), post event survey reports	
	Confirmation that reform areas identified are aligned with respective Government priority areas	COP Executive Committee minutes (on process of prioritization). Feedback in response to PEMPAL newsletters.	
	COP Action Plan budget versus actuals	Secretariat budget progress report	
	COP Action Plans foreseen events versus actual events	Reports on individual events under the action plan Secretariat progress report / meeting reports	
<b>Action 1.</b> Develop two year rolling COP action plans aligned with COP specific strategic plans and the PEMPAL Strategy 2012-17 results framework <ul style="list-style-type: none"> <li>The COP Executive Committees collect priorities of each country and choose the thematic areas to be addressed using a transparent and fair prioritization process. These priorities sufficiently address the priorities of the member governments.</li> </ul>			World Bank ECA region PFM study <sup>43</sup> available within timeframe to assist COPs with strategic planning process
<b>Action 2.</b> Implement COP Action plans, in accordance with budget management guidelines, that address PFM priorities <ul style="list-style-type: none"> <li>COP Action plans to be monitored by Steering Committee and by the Executive Committees</li> </ul>			Ministers/Heads of Organizations continue to assign appropriate participants in line with Rule of Operation membership eligibility guidelines
<b>Action 3.</b> Identify synergies and working projects between COPs			Priority PFM reform areas have sufficient commonalities to generate interest in cross-COP exchanges

<sup>43</sup> A study is currently underway that examines existing PFM related assessments undertaken in the ECA region. The study aims to examine key thematic areas to initiate discussion with ECA countries on possible future areas that the World Bank and PEMPAL could focus that could assist countries in their reform programs.

HIERARCHY OF OBJECTIVES	KEY PERFORMANCE INDICATORS	MEANS OF VERIFICATION	EXTERNAL FACTORS
<b>OUTPUT OBJECTIVE 2</b>  Quality resources and network services, supporting relevant PFM practices, are provided to members	Number of events (plenary meetings, working group meetings, study tours)	PEMPAL Performance Indicators (as included in PEMPAL Secretariat Progress Reports)	Countries outside of ECA are interested to participate in events  Visas are issued in a timely and effective way
	Satisfaction of participants on the quality of PEMPAL products and services. Number of PFM thematic experts engaged to support events on specific topics. Value added by PFM thematic experts.	PEMPAL Performance Indicators (attendance and satisfaction as aggregated from post-event surveys)	
	Quality and frequency of use of technology solutions facilitated, monitored, implemented. Feedback from members on usefulness of technology to facilitate communication and the service offered from the Secretariat in IT platform maintenance	PEMPAL Performance Indicators (NEW)	
	Number of documents uploaded to Virtual Library (balance, new).PEM PAL website traffic analysis (No. of visits, no. of page views).PEM PAL wiki traffic analysis (No. of visits, no. of page views)	PEMPAL Performance Indicators (as included in PEMPAL Secretariat Progress Reports)	
	Number and type of PEMPAL self-produced knowledge products or services developed or made available by different COPs	Secretariat Performance Indicators (NEW)	
	Value for money indicators (total event expenses: gross vs net, per event, per participant, per day, in USD and EUR)	Aggregated in quarterly PEMPAL Secretariat Progress Reports	
	Satisfaction of members with performance of Steering Committee, COP Executive Committees, Secretariat	Periodic independent evaluation	
	Satisfaction of Executive Committees and Resource Teams with Secretariat performance	Secretariat Performance indicators (as included in World Bank/Secretariat contract and TOR)	
	Number of study visits to PFM institutes supported. Number advanced countries engaged.	Secretariat Performance Indicators (NEW)	



<b>Action 4.</b> Ensure the Secretariat addresses members' needs, in an efficient and effective way <ul style="list-style-type: none"> <li>• New Secretariat TOR developed and implemented (ie more resources, full-time, including native Russian speaker, extended scope) by 2013-14 in line with PEMPAL network requirements</li> <li>• The contract between the Secretariat and the World Bank (based on the TOR) with performance indicators is established and duly implemented, monitored. Benchmarking with other similar networks is periodically undertaken.</li> </ul>	The procurement process for new Secretariat contract is completed in a timely fashion
<b>Action 5.</b> Develop and share knowledge resources and products	
<b>Action 6a.</b> Facilitate access to PFM experts	Availability of PFM experts to support events on specific reform themes.
<b>Action 6b.</b> Provide the Executive Committees with sufficient and effective support (COP technical Resource Teams)	Assigned donor funded resource teams are not pulled away to competing tasks by their host governments or organizations
<b>Action 7.</b> Differentiate services to cater for needs of countries at different reform levels <ul style="list-style-type: none"> <li>• Involvement of countries at differing reform levels facilitated including advanced countries</li> <li>• Resources provided to cater for countries at different levels</li> </ul>	More advanced countries are interested and available
<b>Action 8.</b> Roles and responsibilities of key network actors as specified in the Rules of Operation are understood and followed	Other duties and responsibilities allow actors to take on the network responsibilities required
<b>Action 9.</b> Facilitate access to PFM Institutes through a) showcasing institutes at COP plenaries (eg Slovenia, Armenia, Kazakhstan, Russian Federation, Poland, Lithuania, UK) and b) support study tours for those countries interested in establishing such institutes <ul style="list-style-type: none"> <li>• First cross-COP plenary (that includes PFM institutes) conducted by end 2013-14</li> </ul>	PFM institutes are available and interested to participate in plenaries and host study tours
<b>Action 10.</b> Facilitate members working together in a geographically dispersed environment by adopting suitable technology solutions	Cost effective and sustainable communication technologies are available

HIERARCHY OF OBJECTIVES	KEY PERFORMANCE INDICATORS	MEANS OF VERIFICATION	EXTERNAL FACTORS
<b>OUTPUT OBJECTIVE 3</b>  A financially-viable network of public financial management professionals, committed to improving PFM practices in the Europe and Central Asia region, is built and maintained	Number of Member Countries actively attending events in PEMPAL. Individual members by COP, by event, in total. % of. returning vs. one off participants. % from target MoF and other agencies % from target a) functional areas and b) job levels within agencies. Event participation (% active, average, passive)	Event Lists of Participant reported in aggregate in quarterly PEMPAL Secretariat progress reports  COP Executive Committee and resource team prepared Event Participation Analysis Reports	Sufficient member governments have resources and are able to offer financial and/or in-kind contributions in the medium and long term.
	Donors providing financial and/or in-kind contribution. Recipient countries providing financial or in-kind contribution.	PEMPAL Performance Indicators (under Valued by practitioners and donors section)	
	Frequency of contact between individual network members	Periodic Independent evaluation eg network density, centrality and diameter assessments	
	Relevance and usefulness of opportunities and resources provided by network as measured by indicators related to knowledge applicable to daily work, event addressed issues important to my work etc	Responses to post meeting surveys as reported by participants  Periodic independent evaluation (as reported by Deputy Ministers/Heads of Organizations)	
<b>Action 11.</b> COPs to monitor and sustain quality membership			Appropriate members participate in the network in line with the Rules of Operations (on membership eligibility)
<b>Action 12.</b> Seek co-financing and in-kind contributions from members where possible			No legislative impediments exist to financial contribution
<b>Action 13.</b> Implement targeted marketing to donors and professional associations  <ul style="list-style-type: none"> <li>Marketing and Communication Plan developed by Secretariat by 2012-13 which identifies key target groups and method of communication</li> </ul>			

HIERARCHY OF OBJECTIVES	KEY PERFORMANCE INDICATORS	MEANS OF VERIFICATION	EXTERNAL FACTORS
<b>OUTPUT OBJECTIVE 4</b>  Awareness of high government and political levels is raised regarding the benefits and value of engaging through PEMPAL	Number of Ministers/Deputy Ministers and other high level officials attending or opening events	PEMPAL Performance Indicators (NEW) drawn from Event Lists of Participants	Individual members and target agencies play an active role in promoting the benefits of PEMPAL services and products
	Awareness of high level officials of PEMPAL activities	Independent evaluation results	Ministers and high level officials wish to be engaged with PFM reforms being addressed by PEMPAL
	Views of senior officials about value of engaging with PEMPAL to their country and its role in facilitating PFM change	Independent evaluation results	
<b>Action 14.</b> Investigate feasibility of transforming PEMPAL into a more formal network of national PFM institutions. Decision to be taken by the Steering Committee			PEMPAL will be allocated time at the annual Washington meetings. Ministers and Deputy Ministers will be interested in a ministry to ministry network and resources are available for feasibility study
<b>Action 15.</b> Implement revised approach to marketing at senior management level (including Minister and Deputy Minister levels)			

### Definitions

**Impact** is the higher objective to which PEMPAL, along with others, hopes to influence or contribute to. It represents the desired change in beneficiary behavior, systems or institutional performance which is hoped to be achieved if the outcome is realized and the external factors hold true. In respect of measuring the performance of PEMPAL, the impact level should **not** be monitored but is evaluated in periodic independent evaluations. The extent to which PEMPAL is shown to contribute (ie the attribution) is essentially not easily measurable.

**Outcomes** are the measurable CHANGES, BENEFITS or LEARNING (results) that are achieved as a result of PEMPAL (taking into account the effect of the external factors).

**Outputs** are the TOOLS, PRODUCTS, SERVICES or FACILITIES that PEMPAL delivers or puts in place. PEMPAL can be held accountable for producing these outputs.

**Key Performance indicators** are specific, observable, quantitative or qualitative variables that provide a reliable means of measuring - against a baseline - the achievement of the outcome and output objectives. The targets and baselines are defined in a separate monitoring plan.

**Means of Verification** are where the information on the performance of the key performance indicators can be found (ie in reports, databases, and survey results).

**External Factors** are those assumptions that are critical, or which can negatively affect the achievement of objectives if they prove to fail. PEMPAL as a project does not have direct control of these and monitors the risk. In this logframe, they are presented horizontal to (in the same row as) the objective to which they apply.

## Attachment 2 Costing of PEMPAL Strategy 2012-17 Objectives and Actions

Key Objectives and Actions	2012-13 \$ million USD	2013-14 \$ million USD	2014-15 \$ million USD	2015-16 \$ million USD	2016-17 \$ million USD	TOTAL 5 YEARS
<b>Objective 1: PFM priorities of member governments are addressed by the PFM network platform</b>						
Action 1: Develop two year rolling COP Action Plans a)	0.05	0.3	0.05	0.05	0.05	0.5
Action 2: Implement COP Action Plans that address PFM priorities b)	1.35	0.85	1.28	1.22	0.72	5.41
Action 3: Identify synergies and working projects between COPs c)	0.05	0.05	0.05	0.05	0.05	0.26
<b>SUB-TOTAL</b>	<b>1.45</b>	<b>1.20</b>	<b>1.39</b>	<b>1.32</b>	<b>0.82</b>	<b>6.18</b>
<b>Objective 2: Quality resources and network services, supporting relevant PFM practices, are provided to members</b>						
Action 4: Ensure the Secretariat addresses members' needs d)	0.09	0.2	0.2	0.19	0.2	0.88
Action 5: Develop and share knowledge resources and products	0.05	0.05	0.05	0.05	0.05	0.25
Action 6a: Facilitate access to PFM experts e)	0.04	0.04	0.04	0.04	0.04	0.18
b: Provide the Exec Comm with support (Resource Teams) f)	0.24	0.29	0.19	0.18	0.14	1.04
Action 7: Differentiate services for differing reform levels	0.03	0.03	0.03	0.03	0.03	0.15
Action 8: Roles and responsibilities of key network actors understood	0.02	0.00	0.00	0.02	0.00	0.04
Action 9: Facilitate access to PFM Institutes g)	0.06	0.31	0.06	0.06	0.56	1.05
Action 10: Review suitability of technology solutions	0.01	0.01	0.01	0.01	0.01	0.05
<b>SUB-TOTAL</b>	<b>0.54</b>	<b>0.93</b>	<b>0.58</b>	<b>0.58</b>	<b>1.03</b>	<b>3.64</b>
<b>Objective 3: A financially-viable network of public financial management professionals, committed to improving PFM practices in the Europe and Central Asia region, is built and maintained h)</b>						
Action 11: COPs to monitor and sustain quality membership	0.03	0.03	0.03	0.03	0.03	0.15
Action 12: . Seek co-financing and in-kind contributions from members	0.01	0.01	0.01	0.01	0.01	0.05
Action 13: . Implement targeted marketing to donors and professional associations	0.03	0.03	0.03	0.03	0.03	0.15
<b>SUB-TOTAL</b>	<b>0.07</b>	<b>0.07</b>	<b>0.07</b>	<b>0.07</b>	<b>0.07</b>	<b>0.35</b>
<b>Objective 4: Awareness of high government and political levels is raised regarding the benefits and value of engaging through PEMPAL</b>						
Action 14: Investigate feasibility network of national PFM institutions i)	0.04	0.09	0	0	0	0.13
Action 15: Implement revised approach to marketing at senior management level	0.05	0.05	0.05	0.05	0.05	0.25
<b>SUB-TOTAL</b>	<b>0.09</b>	<b>0.14</b>	<b>0.05</b>	<b>0.05</b>	<b>0.05</b>	<b>0.38</b>
<b>TOTAL OF STRATEGY</b>	<b>2.15</b>	<b>2.34</b>	<b>2.08</b>	<b>2.01</b>	<b>1.96</b>	<b>10.54</b>

a) Steering and Executive Committees to meet face to face twice a year to monitor outcome, output objectives including one back to back with another meeting.

Plenary meeting of all members in 2013 to consider results of PFM study and other cross-COP issues at cost of 500,000 USD. This plenary will also showcase PFM Institutes (Action 9) so costs of plenary divided 250,000 USD each between Action 1 and 9 and deducted from COP budget estimates.

b) Assumes 450,000 USD per COP action plan each year including a 5 percent reduction in year three and a 10 percent reduction in last two years to reflect member contributions. Inflation increases are assumed to be offset by increasing member contributions over strategy period.

Cost of proposed Plenary meeting in 2016-17 to showcase PFM institutes reflected separately in Action 9.

c) Additional 5 sponsored places a year per COP, total 15 required a year assuming average of 3,500 USD per participant.

d) Current Secretariat costs 200,000 USD a year based on 4 part time staff including cost of project based initiatives.

Forecast cost of 4 full time staff plus oncosts etc, 300,000 USD year (ie increase in resources of 100,000 USD a year proposed from 2013-14).

Reflects costs of logistical and administrative services only. Costs of project based initiatives included under Actions 8 (50% only), 10,12,13,15

e) Assume extra 10 experts are sponsored each year in total (at avg 3,500 USD cost).

f) These costs exclude costs of project based initiatives included separately under Actions 5,7,8,11,14 (for 14 2012-13 and 2013-14 only).

Cost of Action 8 shared equally between the Resource Teams and the Secretariat. If include these project based initiative costs, the total costs of COP

Resource Teams are estimated at 400,000 USD in years 1 and 2, dropping to 300,000 USD in years 3 and 4 and 250,000 USD in the last year with the decline reflecting reduced reliance in teams over time. Cost of PFM Adviser also included in this estimate. OECD/SIGMA advisers excluded given in-kind assistance.

g) Plenary meeting estimated to cost 500,000 USD in 2013-14,2016-17 (Half of plenary costs for 2013-14 included given plenary to also address COP strategic planning process informed by World Bank PFM study results included under Action 1.) Budget for 10 study tours at 30,000 USD each.

h) Co-financing and in-kind contributions will be pursued where feasible and will be monitored for impact on overall costs.

i) Small costs envisaged for 2012-13 for investigations on the feasibility of the initiative. If feasible, each meeting will require up to 90,000 USD. One meeting included 2013-14.

