



OPERATIONAL GUIDELINES OF THE PEMPAL NETWORK

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¹ This version includes changes in ARTICLE II, Section 2, par. 3

ARTICLE I – MISSION AND OBJECTIVES

Section 1. Mission

PEMPAL (Public Expenditure Management Peer Assisted Learning) is a programme operating under the Multi-Donor Trust Fund administered by the World Bank. It was launched in 2006 to establish a network of practitioners in public financial management of countries in Europe and Central Asia region (or ECA countries, as defined by the World Bank), hereinafter referred to as PEMPAL Member Countries. PEMPAL aims to contribute to PEMPAL member countries more efficiently and effectively using public monies resulting from applying new public financial management practices. Peer learning, facilitated through learning events, study visits and resource materials, and in accordance with member driven action plans, is undertaken within three Communities of Practice (COP) called Budget COP (BCOP), Treasury (TCOP) and Internal Audit (IACOP), in three official languages, English, Russian and Bosnian, and presented through the PEMPAL web page (www.pempal.org).

Section 2. Objectives

These Operational Guidelines (further referred to as Guidelines) regulate the organization, activities and financial aspects of the PEMPAL network, and set out the functions and responsibilities of its constituent bodies.

Section 3. Membership

As of December 2012, the following countries are members of the PEMPAL network: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, the Czech Republic (IACOP only), Croatia, Georgia, Hungary (IACOP only), Kazakhstan, Kosovo, Kyrgyz Republic, Macedonia, Moldova, Montenegro, Romania, Russian Federation, Serbia, Tajikistan, Turkey, Ukraine and Uzbekistan.

Eligibility for country membership is considered by the Steering Committee through written application, which will be considered within a month of submission.

Members from “High Income Countries” (as per the World Bank definition) are expected to actively contribute (financial or in-kind²) for participation in PEMPAL activities.

ARTICLE II – ORGANIZATION

Section 1. Organization

The bodies of and parties to PEMPAL are:

- Community of Practice
- Steering Committee
- World Bank Task Team Leader
- Secretariat
- Resource Team
- Alumni.

Section 2. Community of Practice

Community of Practice (COP) is a learning partnership among practitioners, who find it useful to learn from and with each other about experiences and solutions in public financial management. They engage in joint activities and discussions, help each other, and share information. They also join forces in developing a shared repertoire of resources: experiences, stories, tools and ways of addressing challenges in public financial management reform that they face individually and collectively.

Members of the COP are public finance officials in the PEMPAL member countries, who have been nominated by public administration institutions that provide services to the governments in these countries’ existing functional areas of budget, treasury and internal audit, as interpreted by the Executive Committee of the respective COP.

² **In-kind contribution** – A contribution of equipment, supplies, or other tangible resource, as distinguished from a monetary grant. Some organizations may also donate the use of space or staff time as an in-kind contribution.

Executive Committee (EC) is a governing body of a COP. Membership is determined through nomination by the current members of the EC through consideration of the level of active involvement of a member of the COP. Sub-regional representation is encouraged, and total membership is limited to up to nine country representatives (including the Chair of a COP), with no more than one representative per country having a voting right. Back up arrangements are encouraged to increase diversity and representation in the EC.

The EC contributes a vision for the PEMPAL network; provides overall guidance and leads the collaborative development of the COP strategy, action plan and budget; fosters informal and formal communication among members; encourages knowledge creation, sharing and learning; and, promotes accountability and participation.

The members of the EC having a voting right according to paragraph 3 of this Section shall elect the *Chair of a COP* from among their number in a confidential vote. An independent party, e.g. member of the Secretariat, shall oversee the election. In the first round each member of the EC having a voting right may nominate one person. In the second round all candidates who have received the highest number of nominations or, if only one candidate reached the highest number of nominations, all candidates with the first and second highest number of nominations, are voted on through a ballot (also may be electronically).

In the case of a parity of the highest number of votes in the second round, the independent party overseeing the election shall decide the election by drawing a lot.

The Chair shall be elected for one year, and may be re-elected. (S)he shall appoint up to two members of the EC having a voting right as her/his deputy/ies.

The Chair of a COP with support of deputy/ies contributes to the collective governance of the PEMPAL network; works at keeping members involved in the COP; and, promotes new activities, technologies and means of connecting the COP members. (S)he also attends the Steering Committee meetings or designates a deputy to attend on her/his behalf, in order to represent the interests and issues of the COP; facilitates the Steering Committee's review and approval of the COP's action plans, budgets, strategies and other initiatives; and, contributes to the development, implementation and monitoring of the initiatives aimed at improving the effectiveness and sustainability of the PEMPAL network. The Chair of a COP should be known within the COP for her/his active contribution to the network and have extensive relevant experience in the COP functional area.

Section 3. Steering Committee

The Steering Committee (SC) represents the PEMPAL network. It is comprised of two representatives of the World Bank; the Chair of each COP and second EC member determined by him/her from among the number of members having a voting right; one representative of each Donor that provides financial contribution to PEMPAL through the World Bank administered multi-donor trust fund (MDTF); one representative of each Donor that provides annual financial assistance outside the MDTF of USD 100,000 or more; and, one representative of each Donor that provides substantive annual in-kind assistance (for example providing active and effective support to all the three COPs). The Secretariat and Resource Team representatives act as permanent observers.

The SC sets the direction of the PEMPAL network; oversees the implementation of the PEMPAL's objectives and mission; adopts the decisions necessary for the PEMPAL's effective and efficient functioning; approves COPs action plans and budgets; approves country membership in the PEMPAL network; devises its own work program; provides guidance to the Resource Team; and, fulfils other tasks to ensure effective and sustainable functioning of the PEMPAL network.

The Chair of the SC is appointed by the members of the SC for one year and may be re-elected for another year. S(he) opens and closes all meetings of the SC; conducts debates; offers the floor to speakers and sets time-limits; resolves matters and puts them to vote; informs of results; signs documents; in coordination with the Secretariat, sets the agenda of the SC meetings; and, carries out other tasks entrusted to her/him by the SC.

As a rule decisions of the SC shall be adopted by the majority of its members. Adoption of the annual PEMPAL budget, admission of a new PEMPAL Member Country and approval of the annual report require three-quarters majority, including the votes of World Bank representatives – members of the SC.

Section 4. World Bank Task Team Leader

The World Bank Task Team Leader (TTL) is a representative of the World Bank responsible for approving activities within PEMPAL World Bank administered budget and assuring overall budget implementation. As such, the TTL makes the final decision on any World Bank administered spending and related issues that may arise, in consultation with the Secretariat. The TTL monitors and controls the work of the Secretariat and the Resource Team recruited by the World Bank, and reports to the SC on program and budget execution at least twice a year. The TTL decides on complaints lodged by Member Countries or members of COP against individual decisions taken by the EC or Secretariat that negatively affect the complainant's interests protected by these Guidelines. The TTL is also responsible for fundraising activities including attracting new Donors of PEMPAL.

Section 5. Secretariat

The Secretariat is an institution contracted to perform the PEMPAL Secretariat function, as defined by the contract between the World Bank and the Secretariat. As such, the Secretariat reports to the SC and the TTL.

The beneficiaries of Secretariat activities are members of the COPs, ECs, the SC and the Resource Team.

The main tasks of the Secretariat include providing logistical and administrative support to COP events and study visits as outlined in the COPs action plans; providing advice on managing the budget assigned to COPs action plans, and monitoring and reporting on budget execution, as well as sustainability of the network over time; establishing, revising and implementing policies and guidelines related to the administrative operation of the network (e.g. guidelines for event and study visit); maintaining PEMPAL program archives; administering the program web site; administering an electronic library of relevant documents and the "ASKPEMPAL" functionality to the website; facilitating communication between the members of the PEMPAL network, including facilitation of ECs and SC meetings; providing quarterly progress reports and annual program performance reports based on a wide range of performance information; implementing targeted marketing of PEMPAL and communication; supporting the work of the Resource Team and short term experts; and, other assignments as requested by the beneficiaries.

Section 6. Resource Team

The Resource Team is a group of thematic experts who provide professional expertise, coordination support, technical assistance, and strategic guidance on activities and events to the SC, EC and COP members.

Section 7. Alumni

All members of the COPs, representatives of the Donors as well as experts are encouraged to continue to stay engaged with PEMPAL even after their retirement from the position that made them eligible for PEMPAL participation. They are able to contribute by maintaining and expanding the network through promotion of the benefits of involvement; by exchange of ideas and experiences gained from their current assignments; and by assisting with fundraising in order to ensure PEMPAL sustainability.

ARTICLE III – ACTIVITIES

Section 1. Events

Events are planned and devised by the ECs, and as such are included and budgeted in the COPs action plans.

Participation of maximum two people per PEMPAL member country will be sponsored by the PEMPAL for plenary meetings, unless the country (i) has membership on the EC, (ii) is a host country, and (iii) participants were requested to make presentations, in which cases the participation is increased accordingly. This cap applies to plenary meetings only. For smaller events, the EC determines the total representation by country, based on the nature of the event. The decision of the EC on participation in PEMPAL events shall be taken in compliance with the principle of equal treatment and non-discrimination. Negative decisions require an explanation of grounds; complaints of the affected Member Country against those decisions shall be decided on by the World Bank Task Team Leader.

The Resource Team invited to participate on the event are also sponsored by PEMPAL.

The ECs are in charge of defining the lists of participants, and for sending the lists, through the Secretariat, for information to the SC.

Eligible institutions of the PEMPAL member countries may send more participants provided they cover their travel and accommodation expenses.

Section 2. Study visits

There are two types of study visits, Type A and Type B. The main distinction is based on the budget source from which the visit is paid.

PEMPAL contributes to the travel and accommodation expenses of a study visit lasting up to four working days and including a group of up to fifteen (15) participants, subject to ex-ante confirmation of the group size by the host country. PEMPAL may also cover the translation and moderation expenses.

The countries participating in the study visit are in charge of defining the lists of participants, and for sending the lists, through the Secretariat, for information to the SC.

Section 3. Resource materials

PEMPAL encourages creation of resource materials to help members of the COPs improve skills and knowledge, and facilitate change.

These resource materials include case studies, success stories, manuals, performance indicators, etc. through publications and virtual tools (e.g., virtual library and glossary of terms; frequently asked questions web portal; virtual meeting room; collective learning portals; etc.) to promote advances in public financial management reform.

ARTICLE IV – FINANCE

Section 1. Funding

The PEMPAL network is funded by its Donors through financial contributions allocated through or outside of the World Bank MDTF, and in-kind contributions (e.g., providing experts to the Resource Teams).

Donors who are entitled to serve on the SC may display their logos on the PEMPAL products.

Section 2. Financing activities

All PEMPAL activities related expenses must be actual, economic and necessary, and in line with the usual practice in the public sector. The Secretariat shall refuse any payment, which does not comply with these criteria.

To assist COP Executive Committees to effectively manage their financial budgets, Budget Management Guidelines are provided in [ANNEX 1](#).

The Secretariat may request a member of the COP to reimburse the PEMPAL for the travel and accommodation expenses in case of non-attendance of more than one quarter of sessions of the COP activity without an acceptable justification. Against the request of the Secretariat the member of the COP may lodge a complaint, on which the World Bank Task Team Leader decides.

ARTICLE V – AUDIT

The Secretariat shall have its annual financial statements audited by independent auditors in accordance with the generally accepted international auditing standards. These audited financial statements shall include PEMPAL activities, and separately present income, expenditures, assets and liabilities related to PEMPAL in a clear and transparent way (for example, by way of note or supporting schedule or statement).

The annual audited financial statements of the Secretariat shall be presented to the SC no later than six months after the end of the Secretariat's fiscal year.

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

Institutions in the PEMPAL member countries shall ensure the right of the SC and the Secretariat to carry out audits or control on any final beneficiary whose expenses are reimbursed in full or in part by the PEMPAL financial contribution. The Secretariat shall supply the auditors all documents and information required for the performance of their duties and shall assist them in the fulfilment of their tasks.

ARTICLE VI – FINAL PROVISIONS

Effective on June 28, 2013, these Guidelines replace the Rules of Operation dated March 1, 2009, as amended on December 9, 2010; November 30, 2011; and, March 23, 2012.

ANNEX 1

BUDGET MANAGEMENT GUIDELINES FOR ACTIVITIES OF COMMUNITIES OF PRACTICE (COPs)

1. Objectives

Each COP leadership (executive committee) is in charge of planning, execution of and reporting on its budget. The PEMPAL Secretariat provides support to each COP for budget planning and prepare for each COP a budget execution report 4 times a year. These are posted on the *wiki* websites for access by members only and are not made publically available. The COP leadership is finally responsible to monitor the actual spending and report to the Steering Committee (SC) on a regular basis on the execution of the budget.

These guidelines provide specific guidance to COP executive committees on how to manage budgets related to COP activities that are planned and included in their annual budgets. The main objectives are to ensure:

- reasonable equitable management of activity expenses amongst the COPs;
- relevant timely action of budgeted expenditure for a specific activity that exceeds the original budgeted amount significantly; and
- frequent reporting to the Steering Committee on budgeted and actual expenditure related to activities.

2. Broad Annual Budget Principles

- a. COPs have the flexibility to spend up to 15% more than its approved annual budget without prior approval by the SC. This measure would require a contingency line in the annual budget to cover such overruns.
- b. If a COP plans to overrun its annual budget by more than 15%, the formal *ex ante* approval of the SC is required as soon as the overrun becomes known.
- c. Similarly when a COP expects to under-run its annual budget by more than 15%, the fact and reasons should be discussed at the mid-year (January) SC meeting. Any foreseen unspent resources can be re-allocated to other unfunded COP activities. PEMPAL Secretariat reports to the SC and COPs on a quarterly basis on the execution of the budget. Such reporting shows both the execution of past activities (variance of actual vs. budget) and remaining budget of planned activities for the financial year. A standard template for reporting, to be used by the COPs and the Secretariat, is part of these guidelines (see attached **Table 1**).
- d. In January each year the SC discusses the budget execution of the current year and invites COPs to prepare activity plans for spending on non-allocated funds.
- e. In March each year the SC allocates non-spend funds based on received plans from ALL COPs for new activities.
- f. COPs leadership provides a succinct report on the key results/outcomes achieved and expenses incurred for each activity (including any success stories) to be posted on the PEMPAL and wiki websites within 2 weeks after the events.

3. Guidelines for Specific Activities

- a. The PEMPAL Secretariat provides a COP with the indicative budget for each planned activity.
- b. A “hard” cap of USD 180,000³ has currently been set for a single COP plenary event with the flexibility of a 20% overrun without prior approval by the SC. No “hard” limit is set for smaller COP activities/events (e.g. working group meetings) as long as they are incorporated in the approved annual budget. Similar to plenary events, flexibility exist for a 20% overrun without prior approval by the SC for smaller events in the budget range of USD 90,000 to USD 180,000. For small events below USD 90,000 overruns are allowed up to a total budget limit of \$90,000 per event. Changes in the budgets for small events below USD 90,000 may require reallocation of budget from other events [see also 3(d and f)]. COPs have to inform the SC on a quarterly basis about the justification for such reallocations at the next SC meeting.
- c. For study visits (type A and type B) a total budget limit is set to USD 60,000 per visit. To assure flexibility, 20% overrun of the total budget amount is allowed. For overruns exceeding the total budget amount by more than 20% prior approval of the SC is required. If the above events require going above the established above-mentioned limit, *ex ante* approval should be sought from the SC. Information that would

³ This cap will be reviewed each year to accommodate inflation and other changes in costs.

support such justification includes the nature of the cost, objectives, location, number of attendees, and strategic importance of the event.

- d. Should the reallocation of funds between planned activities imply complete cancellation of one activity in favour of another planned activity, which had already been approved by the Steering Committee, another SC approval will be needed for such cancellation in a similar manner as required in 3(c) directly above.
- e. The PEMPAL Secretariat assists COPs in budget planning through the provision of average costs for different types and location of events.
- f. While a 20% overrun is allowed for activities mentioned above [see 3(b)], the overall COP annual budget limit of 15% [see 2(a)] remains. This would require the COP to find some savings on other activities.

Table 1: Managing the annual budget: **COP activities in the period from July 2014 to June 2015 (FY15)

Управление ежегодным бюджетом: мероприятия ** за период с июля 2014 г по июнь 2015 г (2015 финансовый год)

Annual Budget: **USD 350,000**
 годовой бюджет:

Annual budget +15% (upper limit): **USD 402,500**
 Ежегодный бюджет +15% (верхний лимит):

Annual budget -15% (lower limit): **USD 297,500**
 Ежегодный бюджет -15% (нижний лимит):

PLAN // ПЛАН							EXECUTION // ИСПОЛНЕНИЕ						
#	Nature // Тип	Location & time // Место и время проведения	Description of Event (Objectives) // Описание мероприятия (Задачи) (3)	No. of attendees // Число участников	Importance // Важность	Indicative budget (suggested for SC approval) // Ориентировочный бюджет (предлагаемый к утверждению КК)	Purchase Order amount (for statistics only) // Сумма, содержащаяся в закупочной ведомости (только для статистических целей)	Committed or actual expenses // Запланированные или действительные расходы	Over- or underrun (without taking into account the 20% limit) // Перерасход или недорасход (без учета 20% лимита)	Location & time // Место и время проведения	Outputs // Результаты (3)	No. of attendees // Число участников	
a	b	c	d	e	f	g	h	i	j	k	l	m	
COP activities (covered by the COP's budget) // Мероприятия ПС (оплачиваемые из бюджета ПС)												Notes on COP's budget // Примечания к бюджету ПС	
1													
2													
3													
4													
n													
n + 1	Total (=1+...n)					USD 0		USD 0					Additional Notes: // Дополнительные примечания:

n +	2	Remaining budget for planned uncommitted activities (= total indicative budget - commitments - actual expenses) // Оставшийся бюджет на запланированные мероприятия (= общий ориентировочный бюджет - зарезервированные обязательства - фактические расходы)	<u>USD 0</u>
n +	3	Remaining budget (based on upper 15% limit) for planned uncommitted activities (= total indicative budget x 1.15 - commitments - actual expenses) // Оставшийся бюджет (исходя из верхнего 15% лимита) на запланированные мероприятия (= общий ориентировочный бюджет x 1.15 - зарезервированные обязательства - фактические расходы)	<u>USD 0</u>
n +	4	Upper limit budget net of committed and planned activities (= total indicative budget x 1.15 - commitments - actual expenses - plan) // Верхний предел бюджета за вычетом зарезервированных и запланированных мероприятий (= общий ориентировочный бюджет x 1.15 - зарезервированные обязательства - фактические расходы - план)	<u>USD</u> <u>402,500</u> <u>.00</u>

Legend: //

Обозначения:

Nature of the activity: COP Plenary (A); Small group meeting (B); Study visit (C). // **Тип мероприятия:** Пленарная встреча ПС (A); встреча в формате малых групп (B); ознакомительный визит (C).

Importance of the event: Very important (I); Important (II). // **Важность мероприятия:** крайне важное (I); важное (II).

Indicative budget: to be filled out by the COPs, in consultation with the Secretariat; these amounts become firm once approved by the Steering Committee and are normally determined prior to the beginning of a financial year. All changes have to be approved by the SC. // **Ориентировочный бюджет:** заполняется ПС, в консультациях с Секретариатом, эти суммы становятся окончательными по их утверждению координационным комитетом. Как правило, суммы определяются до начала финансового года. Все последующие изменения должны утверждаться координационным комитетом.

Actual committed, Actual expenses: to be filled out by the Secretariat. // **Фактически запланированные, фактические расходы:** заполняется секретариатом.