**MINUTES OF THE STEERING COMMITTEE MEETING**

**Bern, Switzerland, Friday July 15, 2016**

**PRESENT AT THE MEETING**

**SC members**

1. Irene Frei (SECO – Donor, Steering Committee Chair)
2. Daria Kirillova on behalf of Anna Valkova (Ministry of Finance of the Russian Federation – Donor)
3. Mikhail Prokhorik (Ministry of Finance of Belarus- BCOP Deputy Chair)
4. Zaifun Yernazarova (Ministry of Finance of Kazakhstan – TCOP Deputy Chair)
5. Nino Tchelishvili (Ministry of Finance of Georgia – TCOP Deputy Chair)
6. Edit Nemeth (Ministry of Finance of Hungary – IACOP Chair)
7. Cristina Scutelnic (Ministry of Finance of Moldova – IACOP Deputy Chair member)
8. Elena Nikulina (World Bank – PEMPAL Team Leader)
9. Marius Koen (World Bank)

**Observers**

1. Jonas Frank (SECO – Donor)
2. Ion Chicu (World Bank – PEMPAL Operations Advisor, TCOP Resource Team)
3. Arman Vatyan (World Bank – IACOP Resource Team)
4. Diana Grosu-Axentu (World Bank – IACOP Resource Team)
5. Maya Gusarova (World Bank – BCOP Resource Team Coordinator)
6. Deanna Aubrey (World Bank – PEMPAL Strategic Advisor, BCOP Resource Team)
7. Naida Čaršimamović Vukotić (World Bank – BCOP Resource Team)
8. Ksenia Galantsova, Ekaterina Zaleeva, Kristina Zaituna (World Bank – PEMPAL Secretariat)

**AGENDA ITEMS:**

1. Opening of the meeting
2. Discussion on results of the Executive meeting and remaining steps to finalize preparation of the new PEMPAL Strategy
3. Update on preparation for distribution of the annual Thank You letters and the Annual Report
4. Update on the COP action plans for FY17 by COP Chairs
5. PEMPAL finances
6. Closing of meeting

**1. Opening of the meeting**

Ms. Frei opened the meeting and welcomed all participants noting it was a bigger group in light of the recent face-to-face meeting of the Executive held consecutively with the Steering Committee meeting. She also welcomed additional COP representation, Mr Prokhorik, BCOP Deputy Chair and Ms Yernazarova and Ms Tchelishvili, TCOP Deputy Chairs and Ms Scutelnic, IACOP Deputy Chair. She asked for any additions to the agenda for which there were none, and also noted that the main agenda item was the discussion on the conclusions of the recent meeting of the Executive regarding development of the PEMPAL Strategy 2017-22.

**2. Discussion on results of the Executive meeting and remaining steps to finalize preparation of the new PEMPAL Strategy**

The recent cross-COP Executive meeting held over the last few days was discussed (**Annex 1**). Everyone was happy with the outcome, with the meeting achieving good results with clear directions for the way forward. It was agreed that the next steps would be for Ms Aubrey to incorporate the meeting results into the next version of the results framework and strategy document, and circulate to the respective sub-groups of the Strategy Development Working Group for comment. It was agreed that a meeting of these groups would be held in the second half of August to review the next draft. Consultations on the document would continue with the COP Executive Committees assigned responsibility for providing consolidated comments on behalf of COPs. It was agreed that these consultations should be concluded by the second half of September to allow submission of the final draft strategy to the SC for review in its October meeting.

The Meeting concluded that there will be a funding gap for the next strategy and that it is important that the strategy clearly shows how the funding gap will be addressed, both in terms of member contributions and donor contributions. SECO stressed the importance of raising member contributions in particular, as this reflects commitment to PEMPAL; this is all the more demanded as the Initiative now runs for several phases and member contributions can be expected. For SECO in particular it will be essential that its financial commitment for the 2017-2022 Strategy is based on clearly spelled out member contributions; these can be phased in over time, allowing a gradually declining donor share in the overall PEMPAL budget.

Ms Nikulina noted that additional information had been received during the recent Executive meeting on what were feasible member contributions, although these may not have significant impact on funding parameters so the base case scenario could be assumed going forward (estimated costs of the Strategy implementation over the 5 year period of USD 11,968), noting that approaches to additional donors would start shortly (after the end of the CY given the internal WB moratorium on fund raising). From the Executive meeting’s discussions, a small task force would be formed who would be responsible for fund raising. Ms Nikulina also noted that the current strategy was only partially funded when it was released, with an approximate 40 percent gap, which was subsequently filled with additional donor funds during the implementation. Estimated savings from implementation of the current strategy could also serve as a buffer and enable COPs to continue in some form during a part of the first year of the new strategy, although the size of this reserve will not be known until closer to January, but it should provide some flexibility.

It was clarified that the timing of release of the new strategy would be the first quarter of 2017 despite actual implementation beginning only from July 2017. The reason for this early release was due to promotional purposes. The timing of release of the success story booklet (**Annex 2**) was also clarified. COP Ex Coms were given additional time till July 22d to inform the team working on the booklet if they want to introduce any additional changes into the draft circulated for the Executive meeting. The booklet is planned to be placed on the website in August, after the addition of an introductory page similar to what was included in the 2011 success story booklet prepared by the former Secretariat, the CEF, back in 2011. Timing and formats for additional promotional materials were also discussed. Ms Frei advised she would be interested to be part of the process, and she was thanked for providing examples of SECO promotional materials for guidance. Ms Nikulina advised that the World Bank would engage a professional designer to compress the available PEMPAL material and ensure it is presented in a way to capture the interest of donors. She welcomed additional examples of promotional materials from the SC and advised she would pass these to the graphic designer. Ms Nikulina also advised that a 1-2 page promotional brochure and other formats could be produced by the end of summer ready for review by the Steering Committee at its next meeting.

**Conclusions**

* The SC noted the successful results achieved from the recent cross-COP Executive meeting held in Bern, Switzerland including progress made with development of the PEMPAL Strategy 2017-22.
* The next version of the strategy document is to be prepared by Ms Aubrey by early August, which should incorporate discussions held by the Executive in its recent meeting.
* The next strategy needs to be based on increased member contributions allowing a gradually declining donor share in the overall PEMPAL budget.
* A meeting will be held of the sub-groups of the Strategy Development Working Group in the second half of August to agree the final draft to be sent (via email) to COP Executive Committees.
* COP Executive Committees are responsible for consolidating any final comments from their respective COPs by the last half of September.
* The draft strategy will be submitted to the SC for review in its October meeting and finalized in time for release in the first quarter of 2017.
* The success story booklet will be placed on the PEMPAL website in August, after incorporation of final changes proposed by COPs and inclusion of introductory material similar to CEF’s 2011 booklet.
* Any examples of promotional materials from SC members can be emailed to Ms Nikulina or Ms Aubrey who will provide them to the graphic designer who will be given responsibility to compress available PEMPAL promotional material into brochure formats. These draft materials will be submitted to the SC for review in its October meeting.

1. **Update on preparation for distribution of the annual Thank You letters and the Annual Report**

Ms Nikulina drew the SC’s attention to the new improved format of the Annual Report, which will now also serve as a key promotional instrument of PEMPAL. She noted that the English version had recently been finalized, with the language translations to be finalized over the coming week. The next steps would be to compile a distribution list, including sending the report to Ministers, Deputy Ministers and/or Heads of Treasuries depending on the country context. The documents would be printed in the World Bank Moscow office and copies sent to all World Bank country offices, donors (both financial and in-kind), with suggestions from the SC sought on additional stakeholders that should be included in the distribution list. Ms Frei noted that copies should also be sent to SECO regional offices.

In regards to the annual Thank You letters sent to member country Ministers/Deputy Ministers to accompany the report, Ms Nikulina advised the SC that a template had been prepared, and would be amended for those countries that provided additional in-kind support through membership on the COP Executive Committees, to acknowledge their valuable contribution to PEMPAL.

**Conclusions**

* The SC discussed the key promotional documents including the 2015 PEMPAL Annual Report and annual Thank You letters. The Chair agreed to review the letters and provide her electronic signature in the coming week.
* SC members were requested to identify any additional stakeholders they may want to add to the distribution list to receive a copy of the Annual Report. World Bank country offices, donors (both financial and in-kind), and SECO regional offices would be added to this list.

1. **Update on the COP action plans for FY17 by COP Chairs**

Ms Frei called on the COP Chairs or Deputy Chairs to provide an overview of the final implementation results of the FY16 COP Action Plans and expected final plans for FY17 in light of reallocations which were approved in the last meeting.

***Treasury Community of Practice***

Ms Yernazarova and Ms Tchelishvili advised that TCOP held two events in Chisinau, Moldova at the beginning of June comprising a plenary followed by a thematic meeting. The first day was focused on the host country which was very open, and keen to show its achievements, and receive feedback from the group. The thematic Working Group on Use of Information Technologies in Treasury Operations also examined closely the new FMIS system of Moldova.

The annual plenary meeting of all TCOP members, discussed the evolution of the role and functions of Treasury, which was a new topic given the changing roles with new technologies and other trends. Security risks were also examined and Mark Silins, a treasury expert, was engaged given the complexity of the topic. An ‘on the spot’ survey was also conducted among the participating countries to assess the existing organizational structures of the national treasury institutions and survey report is under preparation. A knowledge product is also being considered, given the potential impact on the role of regional treasury offices and complicated and interesting issues around institutional set ups looking forward into the future. Two event reports have been prepared, including a summary of discussions and conclusions, and can be found on the website. The Deputy Chairs advised that all participants agreed the event went well and was useful both professionally and socially.

As for FY17, one TCOP plenary is planned, several face-to-face meetings, and many VCs for the thematic groups. In the fall of 2016, the accounting topic will be addressed in Minsk, and a VC will be held in the lead up to the meeting to identify presentations. Interest has also been expressed by the IT group in a study visit to Estonia, and a VC will be held for the new thematic group to discuss risk management issues. The plenary is scheduled for next spring, tentatively in Kazakhstan, which will be the main focus for the country case.

In regards to potential cross-COP meetings, it was noted that currently there was no budget for any major meetings but the following issues for cross-COP cooperation could be considered: program budgeting, accrual budgeting, risk management, and internal control mechanisms. Specifically risk management is a new topic for the Working Group on the Evolution of the Role and Functions of the Treasury, and given IACOP have spent a lot of time on clarifying risks, TCOP would like to invite speakers from IACOP to participate in a VC in the fall.

***Internal Audit Community of Practice***

Ms Nemeth advised the SC that IACOP is planning meetings in October in Moscow. These will comprise one day for the Working Group on the Relationship of Internal Audit with Financial Inspection and External Audit (RIFIX) to finalize its concept note followed by one and a half days for the hosts, the Ministry of Finance of the Russian Federation. The latter will focus on either audit in practice or internal controls, depending on the host’s preference given both topics are of interest to members. Ms Nikulina noted that the Russian Treasury had acquired recently the function of internal control so TCOP would be interested in participating in the Moscow meeting.

Ms Nemeth also advised that an IACOP conference that was to be held in Budapest, Hungary had been postponed to February. She confirmed that MoF Hungary had agreed to fund one social event and dinner during the conference, and she issued an invitation for representatives of other COPs and donors to attend. Other IACOP meetings are scheduled around mid May in either Sarajevo, Bosnia and Herzegovina or Frankfurt, Germany. Other destinations were also being considered such as Belgrade, Serbia or Sofia, Bulgaria. At this stage Germany is also being considered as a location option given the potential to consult with GIZ regarding its potential involvement with IACOP, and Germany also has good transport links which could save money in terms of more cost-effective connections. Mr Koen noted that holding a meeting in Germany would strategically position IACOP closer to potential donors, but that any such fund raising interventions should be coordinated through the Task Team Leader, Ms Nikulina. It was also noted that Mr Vatyan was on the team responsible for fund raising so efforts would be coordinated through that team.

IACOP also plan to have more VCs but it has experienced technical difficulties due to trying to combine WebEx and WB office connections. Some members also do not have camera or microphones on their office PCs which has proven an impediment. Other COPs also use VCs extensively, so advice will be sought from the PEMPAL Secretariat on how to best solve these issues.

***Budget Community of Practice***

Mr Prokhorik advised the SC that the BCOP Action Plan had been reviewed by the BCOP Executive Committee and amended to reflect the 50,000 USD reallocation of savings from FY16 to FY17 as approved by the SC in its last meeting. He noted the next event was scheduled for November 2016, where a meeting of the Program and Performance Budgeting Working Group would be held in Paris, France back-to-back with the OECD SBO meeting on Performance and Results (a different SBO network to the one BCOP usually attends each year). A BCOP Executive Committee meeting would also be held back-to-back in Paris. This Working Group was also planning to hold a VC in the spring of 2017. A plenary meeting of all members was also planned for Kyrgyz Republic in April 2017, given the recent confirmation of timing by the hosts. The topic to be discussed will be tools for fiscal accountability, sustainability and transparency.

The thematic Working Group on Budget Literacy and Transparency would also hold a VC to finalize its first knowledge product, scheduled around September. This Working Group would also hold a back-to-back meeting with the proposed Budget Literacy Conference in Moscow in May 2017. Participation in the annual OECD SBO meeting of CESEE region was also scheduled for May/June 2017 along with a back-to-back meeting of the BCOP Executive Committee. Within the FY17 plan, Ms Čaršimamović Vukotić advised the SC of the changing format of the annual plenary meetings, whereby one day has been allocated to each working group, with the remaining half day allocated to the topic of fiscal risks and accountability. There was also now an increased focus on producing knowledge products, and stepping away from study visits, to more working group meeting formats, which can accommodate more people (in accordance with logistical limits outlined in guidelines for PEMPAL events and study visits).

Mr Prokhorik noted BCOP was able to achieve significant savings from FY16 due to events being less expensive than forecast particularly the annual plenary meeting in Minsk on fiscal rules where several back-to-back meetings were held which also contributed to savings. The Wage Bill Management Working Group also achieved savings in its study visit to Slovenia in April 2016, and the Program and Performance Budgeting Working Group was able to achieve savings across its two events held in late 2015, and more recently last month in Slovenia. Mr Prokhorik also noted the good cooperation that BCOP had established with OECD, with member countries currently participating in the OECD Performance Budgeting survey. An additional amount for translation demands related to participation in this survey had also been included in the FY17 plan.

Ms Gusarova also noted this good cooperation with invitations from OECD to participate in its November meeting of its Performance and Results network, given the new BCOP working group recently established on these issues. OECD had also asked BCOP to comment on its draft Toolkit on Budget Transparency and BCOP made several presentations at OECD’s recent SBO meeting for the CESEE region. Mr Frank commended such collaborations and noted that PEMPAL being approached to provide comment to documents and input to events by other networks was a valuable success story.

**Conclusions**

* The SC took note of the progress of implementation of the COP FY17 action plans, and final implementation status of the FY16 plans. Good cooperation of BCOP with OECD and future potential cooperation between IACOP and TCOP (in the areas of risks and internal control) were also noted.

1. **PEMPAL finances**

Ms Nikulina provided an overview of the PEMPAL budget and COP budgets for FY17, including thanking the Secretariat for providing an update on the final FY16 figures (**Annex 3** and **Annex 4**). She advised that the budget for the remainder of the current Strategy period is in good shape and there is a forecast surplus of 634,700 USD at the end of FY17. These savings could potentially be transferred to the next FY to act as a buffer to ease the transition to the next strategy period.

BCOP has requested that the two events for the Program and Performance Budgeting Working Group, listed separately in Table 2 for 50,000 USD each, should be combined together, to reflect actual net savings. The full reallocation of BCOP savings (118,000 USD) could not be absorbed so an amount of only 50,000 USD had been reallocated to FY17, as approved by the SC. For TCOP, the annual plenary meeting held in Chisinau was delivered for 110,000 USD well below the forecast budget of 176,000 USD with TCOP achieving overall savings for the year of 63,700 USD, which has been reallocated to FY17. For IACOP savings of 57,100 USD were also achieved and reallocated to FY17. Savings in the cross-COP Executive Committee meeting were also achieved, and the cost of the new Secretariat was much lower despite closing costs such as the upgrade and transfer of the website (40,000 USD) and three months of the transfer services by the previous secretariat being included. Thus the new Secretariat still cost PEMPAL significantly less than the former Secretariat (ie FY16 total secretariat costs of 268,000 USD compared to the FY15 total of 380,000 USD). Final budgets for FY17 have been reflected in the table on the last page of the distributed document (refer Conclusions below). The costs of VCs were also clarified and COPs requested to allocate 1,000 USD per VC into their plans.

Ms Frei suggested that COPs plan this budget to December 2017. Ms Nikulina advised the SC that it is expected that some of the FY17 budget will remain unspent given COP absorption capacities, and she encouraged the COPs to target savings, noting July to December 2017 will be a transition period. The forecast 634,700 USD surplus should act as a buffer given funding uncertainties for the next strategy, and in January 2017 decisions would be made on distribution of this buffer. Ms Nikulina also advised that December 31, 2017 was the end date for the current multi-donor trust fund (MDTF) which would have ran for 10 years from 2007, and a new trust fund would need to be created to finance the implementation of the next strategy. This issue needs to be revisited and there may be some constraints on holding events in October – December 2017, given required closure procedures. With changes in the World Bank trust fund policy, the unspent balance of the current trust fund would need to be returned to the donors after the trust fund closure while new contributions for the future period will need to be received into the new trust fund that will need to be established in parallel.

**Conclusions**

* The SC took note of the FY16 budget actuals and the revised FY17 forecasts noting the incorporation of the reallocations into the COP budgets, and the increased estimate of 1,000 USD for each VC.
* The SC noted the final FY17 budgets comprising BCOP 380,000 USD, IACOP 410,600 USD, and TCOP 393,700 USD, for a total of 1,184,300 USD for FY17. These budgets included the reallocations from FY16 as approved by the SC in its May meeting.
* A surplus of 634,700 USD is expected by the end of the current strategy (FY17) but COPs were encouraged to target more savings to add to the buffer given the uncertainty of funding for the next strategy period.

1. **Closing of the meeting**

Ms Frei closed the meeting, noting the good cooperation and she was thankful for the opportunity to host the meeting in SECO’s location. The next SC meeting was set for the end of October. She also thanked the group who came to SECO to provide an overview of PEMPAL peer learning approach to her colleagues and advised she received very positive feedback and interest from the presentation (**Annex 5**). She wished everyone safe travels home and a fruitful summer.

**Annexes**

**Annex 1: July Cross-COP Executive Meeting Agenda**

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**Annex 2: Success Story Booklet**

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**Annex 3 and 4: PEMPAL budget and COP budgets for FY16**

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**Annex 5: Presentation on PEMPAL Peer Learning Approach to SECO**

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