**MINUTES OF THE STEERING COMMITTEE MEETING**

**VIDEOCONFERENCE, February 27, 2019**

**PRESENT AT THE MEETING**

**SC members**

1. Daniel Boyce (World Bank - Practice Manager, ECA EAST, Governance Global Practice, Steering Committee Chair)
2. Elena Nikulina (World Bank – PEMPAL Team Leader)
3. Thomas Stauffer (SECO – Donor)
4. Daria Kirillova on behalf of Anna Valkova (Ministry of Finance of the Russian Federation – Donor)
5. Anna Belenchuk (Ministry of Finance of the Russian Federation - BCOP Chair)
6. Kanat Asangulov (Ministry of Finance of Kyrgyz Republic - BCOP Deputy Chair)
7. Angela Voronin (Ministry of Finance of Moldova – TCOP Chair)
8. Edit Nemeth (Ministry of Finance of Hungary – IACOP Deputy Chair)

**Observers**

1. Jonas Frank (SECO – Donor)
2. Mladenka Karacic (Ministry of Finance of Croatia - BCOP Deputy Chair)
3. Arman Vatyan (World Bank – IACOP Resource Team Coordinator)
4. Naida Carsimamovic (World Bank – BCOP Resource Team Member)
5. Yelena Slizhevskaya (World Bank – TCOP Resource Team Member)
6. Ksenia Galantsova (World Bank – PEMPAL Secretariat)
7. Ekaterina Zaleeva (World Bank – PEMPAL Secretariat)
8. Kristina Zaytuna, (World Bank – PEMPAL Secretariat)

**AGENDA ITEMS**

* + - 1. **Opening of the meeting**
      2. **Progress of implementation of the Action Plan 2017-2022** (including timeline and process of the mid-term review; planning the annual Cross-COP Executive meeting; and planning the whole network plenary meeting)*.*
      3. **Review of the FY18 Annual Report**
      4. **Progress of implementation of the FY19 COP action plans –** update by the COP Chairs.
      5. **PEMPAL finances** (update on the budget outlook for the current FY and beyond)
      6. **Confirmation of SC Chair for the next annual term**
      7. **Closing of the meeting**

**MINUTES OF THE DISCUSSION**

**1. Opening of the meeting**

Mr. Boyce welcomed the members to the PEMPAL Steering Committee meeting and introduced Mr. Thomas Stauffer from SECO. Mr. Stauffer greeted the participants and introduced himself, noting that he is happy to be joining SECO’s Macroeconomic Support Unit and to take over the work previously conducted by Ms. Irene Frei for PEMPAL program. All other participants also introduced themselves.

**2. Progress of implementation of the Action Plan 2017-2022**

Mr. Boyce reminded that, as usual, update on implementation progress of the PEMPAL Strategy 2017-2022 Activity Plan has been circulated to the SC members ahead of this meeting.

Ms. Nikulina explained that there were not many changes since the last SC meeting. It was noted that the Activity Plan is as of February 2019, not November 2018 as stated in the document. Two supplementary documents were circulated for this meeting that are relevant for this agenda item: Updated Operational Guidelines and Draft Terms of References for Analysis of Financing Mechanisms Used by Other Networks. Updated Operational Guidelines were discussed and approved in the last SC meeting and are circulated just for information for this meeting.

The “Draft Terms of References for Analysis of Financing Mechanisms Used by Other Networks” summarizes the suggested approach to conduct this analysis and lists the identified networks to be approached based on agreements reached after discussion of the topic in July in Budapest. It was agreed that this analysis should not be limited to PFM networks and could include some other networks like e.g. the Alliance for Financial Inclusion (AFI) and IMF Technical Assistance Centers. SECO colleagues further suggested to keep the exercise to a high-level analysis of the longer list of networks based on easily available information as a first step, to be followed by a deeper analysis of a shorter list of the most suitable comparators. This proposal was found to be very reasonable and was accepted.

Ms. Nikulina explained that according to the Strategy 2017-2022 Action Plan, the mid-term review (MTR) is expected to be conducted in FY20. Assuming no change in the deadline to finalize the review, and taking into account that the MTR process requires significant preparation, the SC would need to make a final decision on the MTR timeline and process at its next meeting. She added that as part of the last MTR completed in 2015, SC established a special MTR working group and reviewed the MTR Terms of Reference.

*Location and Timing of the next Cross-COP Leadership Meeting*

Ms. Nikulina explained that the Secretariat send an invitation to member countries to express interest to host this meeting in preparation for the SC meeting, however no written responses were received. The SC participants were invited to share the latest available information on the subject, if any. Ms. Voronin noted that Moldovan Ministry of Finance is potentially interested to host this event, but requires additional time to take a final decision, noting that elections recently took place in Moldova and it would take some more time to get final confirmation by the management. Ms. Nikulina explained that the Russian Treasury also indicated potential interest informally. Ms. Belenchuk said that Ministry of Finance of Russian Federation was not aware of potential interest of Russian Treasury to host, but that Ministry of Finance could assist the Treasury in hosting, if such decision is made. A discussion was also held about the timing of the meeting, with Moldova and IACOP expressing preference for the meeting to take place in September 2019, while BCOP expressed preference for July 2019, given extremely busy budget calendar period in September for all members of the BCOP Executive Committee. Ms. Nikulina also explained that, in line with previous practices, an Organizational Committee should also be established. She suggested to use the same approach as last year, with each COP delegating one person and a back-up and with SECO also participating, in addition to the World Bank Resource Team and Secretariat. She also noted that the Ministry of Finance of the Russian Federation in its donor role is also very welcome to participate in the Organizational Committee.

*Possible Whole-Network Plenary Meeting*

Ms. Nikulina explained that meetings are complex undertakings that require a long planning process. The main considerations for such events include cost (given that last such meeting costed around US$800,000), as well as complexities of finding venues that can hold both plenary of this size and parallel COP meetings. Mr. Stauffer noted that given such high cost of previous such meeting, the SC should carefully consider whether to hold such an expensive event and suggested that the final decision is postponed until the next SC meeting, to see whether there would be any more certainty about financing from other donors. Mr. Boyce added that an option for future consideration could be organizing a full-network meeting but at a smaller scale to contain the costs.

**Conclusions:**

* SC has taken note of the update on the 2017-2022 Activity Plan implementation progress.
* SC has instructed the team to adjust the Terms of Reference for Analysis of Financing Mechanisms Used by Other Network to also include non-PFM networks that may be comparable to PEMPAL in terms of composition and financing options. Moreover, it was decided that the analysis may provide more general information on a larger number of networks and then provide more details on selected networks that may be most relevant for PEMPAL.
* SC has instructed the team to prepare Terms of References for Mid-Term Review for SC to review.
* Secretariat will communicate with potential hosts of the next Cross-COP leadership meeting, the Ministry of Finance of Moldova and the Federal Treasury Russia, with the objective to confirm the location of the meeting by end March, noting that preferred timing is July 2019. COPs and donors are expected to delegate members to the Organizational Committee for 2019 Cross-COP Leadership Meeting as soon as the first meeting of the committee is announced.
* SC has postponed the decision on the whole network plenary meeting till its next meeting.

**3. Review of the FY18 Annual Report**

Ms. Nikulina reported that the Draft FY18 PEMPAL Report was circulated a week prior to this SC meeting. She reminded that the SC previously decided to switch the basis of reporting from calendar to fiscal year and approved some delay in preparation of this report, given that the report PEMPAL in 2012-2017, which covers half of the FY18, was recently completed. She clarified that future annual reports will be prepared in draft version in November for SC’s review, so that they are finalized around end of calendar year.

In terms of content of the Draft FY18 PEMPAL Report, Ms. Nikulina remined that most of the FY18 data was presented in the cross-COP leadership meeting in July 2018 and that this draft report included updated and somewhat expanded data that became available since July 2018. She invited the participants to inform whether they will be sending written comments on the report and when. Finally, she reminded that the SC previously decided that this report will not be printed and distributed in hard copies, but will be posted on the website and featured in the next issue of the Newsletter, given that the 5 year report (PEMPAL in 2012-2017) was recently printed and distributed along with annual Thank You letters.

Mr. Stauffer informed that SECO will send detailed comments. He thanked the Secretariat for preparing the report, noting that it is great to see high level of satisfaction of participants, both in terms of content and Secretariat services. He shared a few general observations, including a question on whether the targeted share of member countries’ contribution should be increased, given that the 11% was already achieved, while target is 7%. SECO positively notes that outreach efforts towards cooperation with other international organizations such as OCED, IBP, and GIFT have been successful. Finally, he asked whether it would be possible to present data on cost per event excluding VCs, so to provide clearer information on factors contributing to reduced costs (whether the costs reduced primarily due to increase VC usage or the costs of face-to-face meetings also decreased). Mr. Boyce said that the report mostly discusses costs savings and cost performance; to better address the issue of “sustainability”, a more forward-looking perspective with reference to financial uncertainties would be useful.

Ms. Nikulina explained that the previous Secretariat had a different database, which prevents disaggregation of costs per event in years prior to 2015, but that data in following years can be disaggregated as suggested by Mr. Stauffer. In terms of forward-looking perspective on financial position, Elena explained that the report structure follows strategy results framework, thus focusing on actual cost data, but that a brief forward looking discussion can be added to the report. She added that in different sections of report, discussion on cooperation with other international organizations is mentioned, as well as IACOP’s success story on securing member countries’ contributions.

**Conclusions:**

* Secretariat will revise the Draft FY18 PEMPAL Report to take into account general suggestions expressed by the SC members during today’s meeting. SECO will send written comments on Draft FY18 PEMPAL Report by March 8th. COPs are invited to review the Draft Report to confirm that all contributions and expertise used by COPs is properly captured.
* SECO and Ministry of Finance or Russian Federation will send their logos to be included in the report.

**4. Progress of implementation of the FY19 COP action plans**

**IACOP**

Ms. Edit Nemeth, IACOP Deputy Chair, reminded that IACOP held two successful back-to-back events – meeting of the Internal Control Working Group (ICWG) and IACOP plenary meeting in Tbilisi, Georgia, from October 29 to November 2, 2018. IACOP plenary meeting topic was increasing the value and impact of internal audit in the public sector. Excellent discussions were held and good feedback collected during the event from the participants, so IACOP decided to prepare a short knowledge product. Currently, there is a draft already prepared by expert Richard Maggs, and the document is of high quality and it demonstrates very well the value of internal control, as well as the value of IACOP.

The ICWG also started working on their knowledge product in a very active participatory approach, in which participants started developing an evaluation matrix, an assessment tool for maturity level of internal control systems. This will be a unique tool, as it will be anchored in a special environment of a public sector context.

IACOP’s next event is planned for early April in Macedonia and it will include two working group meetings – ICWG and Internal Audit in Practice Working Group (IAIPWG). IAIPWG will focus on continuing its work on developing its knowledge product – first part of this knowledge product was about planning of engagement, while at this event the focus will be on the field work stage. The ICWH will continue its work on developing an assessment tool for maturity level of internal control systems, developing additional criteria. At this event, the hosts will present their PIFC Policy Paper which will be completed in March, thus IACOP will have a unique opportunity to review and discuss this new important policy document, which will be very useful, especially in terms of content and coordination of this process in Macedonia with other reports.

Mr. Arman Vatyan added that, in line with IACOP practices of having financial contribution as a selection criteria for hosts, Georgian hosts provided a very substantive financial and in-kind contribution to the fall event. In terms of partnerships for the upcoming event in Macedonia, the Head of PIC Working Group of EC DG Budget will join and they confirmed that they would like to join IACOP events on a regular basis, which is a great achievement for IACOP. Additionally, OECD Sigma representatives will attend the event, as they are engaged in similar knowledge product development practices, so they would like to exchange information and knowledge with IACOP. Also, on the EC side, their Internal Audit Services will join IACOP events on a regular basis. Finally, Ministry of Finance of Netherlands joins IACOP events on a regular basis and will join the event in Macedonia as well. These partnerships enable IACOP to both learn from these partners and to disseminate IACOP’s own knowledge products.

**BCOP**

Ms. Anna Belenchuk, BCOP Chair, gave an an update on BCOP FY19 activities so far and plans for the upcoming months. Since the last SC meeting in November 2018, BCOP had one event: attendance to the meeting of the OECD Senior Budget Officials’ Network for Performance and Results. She reminded that OECD is an important partner of BCOP, primarily through OECD Senior Budget Officials regional network for Central, Eastern and South-Eastern European Countries (CESEE SBO). Moreover, OECD is an important source for content work of BCOP Program and Performance Budgeting Working Group (PPBWG), including through participation in the OECD Performance Budgeting Surveys and participation and contribution to the OECD Senior Budget Officials’ Network on Performance and Results. Within this cooperation, PPBWG for the fourth time participated in the meeting of the OECD’s Senior Budget Officials’ Network on Performance and Results, held on November 26-27 in Paris. This meeting included a session on newest developments and recommendations on spending reviews in OECD countries, which was beneficial to PPBWG leadership, as this is the subtopic on which this group will focus in the next period. This year, a small delegation of PPBWG that attended the meeting delivered a presentation on preliminary results of the PEMPAL countries for the OECD’s 2018 Performance Budgeting Survey. BCOP’s presentation was well received and BCOP participants shared that they gained valuable knowledge from attendance at the event.

Ms. Belenchuk next explained that over the period since the last SC meeting, BCOP continued with the activities related to participation of PEMPAL countries in the 2018 OECD Performance Budgeting Survey facilitated by the PPBWG. Taking part in this Survey, which is being filled out simultaneously in the same exact format by the most advanced OECD countries, contributes to one of the three BCOP priorities in this PEMPAL Strategy period – expanding internationally available data on PEMPAL countries. Specifically, taking part in this survey will allow for extensive regional and international benchmarking, as well as identification of innovations and good practices in performance and program informed budgeting.  For the first time it is now possible to track the recent progress and trends of PEMPAL countries, as BCOP also facilitated the participation of PEMPAL countries in the 2016 iteration of the same survey.

Extensive time in this period was devoted to planning of the BCOP 2019 Annual Plenary meeting. The plenary meeting is planned for the week of March 18 in Tashkent. The Concept Note and Agenda have been finalized, speakers confirmed, and invitation issued. The plenary will follow the format of the two previous plenaries and will include one day dedicated to each of the two working groups and the third day dedicated to a new topic – capital budgeting and public investment. The hosts, Ministry of Finance of Uzbekistan, will provide some contribution, albeit a lower amount compared to what was provided for the IACOP event in Tashkent.

Ms. Belenchuk next gave a brief overview of BCOP’s current financial position and plans for the remainder of this fiscal year. In the first half of FY19, BCOP has been operating in continuous savings mode, given the standing instructions of the SC that the low budget scenario for FY19 should be in force amidst continued financing uncertainties. BCOP thus achieved around US$30,000 in savings in the first half of FY2019 and plans to direct these savings to participation at the meeting of the OECD Senior Budget Officials’ Network for Central Eastern and South Eastern Europe in June/July 2019, which was not envisaged in BCOP’s low budget scenario. BCOP plans to seek SC’s approval to add this event to BCOP FY19 budget, once clearer information on final cost estimate for BCOP Uzbekistan plenary meeting are available. Depending on the final savings amount, BCOP will plan exact number of participants and potential back-to-back BCOP event.

Ms. Belenchuk concluded by informing the SC that BCOP completed the Chair elections and that it is her honor to have been reelected to continue as BCOP Chair. Her deputies remain Kanat Asangulov from Kyrgyz Republic and Mladenka Karacic from Croatia, both present at this SC meeting.

**TCOP**

Ms. Angela Voronin, TCOP Chair, reported that TCOP held three events since the last SC meeting in November, all three via videoconference: meeting of the Working Group on Use of IT in Treasury Operations on December 18, 2018; TCOP Executive Committee meeting on January 22, 2019; and meeting of the Working Group on Public Sector Accounting and Reporting on January 31, 2019.

Thirteen participants from 7 countries attended the meeting of the Working Group on Use of IT in Treasury Operations. The meeting included exchange of latest information on automation of PFM processes by Albania, Belarus, Azerbaijan, and Tajikistan. Suggestions of members on future activities of this group were also discussed.

In the TCOP Executive Committee meeting, the information on previous events was presented and preparations for the 2019 TCOP plenary meeting were discussed. Additionally, plans for other potential events to take place in the remainder of FY19 were discussed, such as the meeting of the Working Group on Use of IT in Treasury Operation.

Forty-seven participants from 9 countries attended meeting of the Working Group on Public Sector Accounting and Reporting, included BCOP members. In this meeting, a new knowledge product based on the earlier paper prepared by TCOP in 2014 was discussed. TCOP expert Mark Silins presented a proposed outline of a new knowledge product on Optimizing the Design of Chart of Accounts. Participants noted that the earlier paper was very useful and that an update would be needed to cover all segments of chart of accounts and discuss specific common challenges of implementation faced by our countries. The proposed outline was approved and next steps endorsed. A number of countries will share their Charts of Accounts with Mr. Silins. Expected timeline is to have this knowledge product drafted by the time of the 2019 TCOP plenary meeting.

TCOP events planned for the rest of FY19 include a videoconference meeting of the Working Group on Evolution of Treasury Roles and Functions on March 14, 2019. News about recent reorganizations in Turkey and Azerbaijan will be discussed. Additionally, the preparations for the annual plenary meeting will also take place in this meeting. The plenary meeting is planned for end May 2019, tentatively in Kazakhstan, on the topic of treasury role and functions. Different ideas of the agenda design were discussed and initially back-to-back working groups were also planned to take place at the same time, however, the available resources allow to have only a plenary meeting, given high costs in Kazakhstan. The location of Kazakhstan was the only available option at the moment. The hosts have indicated readiness to contribute financially, including for translation equipment, meals, and a social event. Based on available estimates, the budget for this event is expected to exceed the originally planned budget for the event but stay within the 15% deviation allowed by the program budget rules. Ms. Voronin concluded with information that there was no full certainty about the plenary location given the recent news about the change of Government of Kazakhstan.

**Conclusions:**

* The SC has taken note of COPs’ good progress on action plans for FY19 and plans for remainder of the fiscal year.

**5. PEMPAL finances**

Ms. Nikulina explained that, as usual, two documents were circulated for this agenda item to the SC members: update on status of COP budgets and PEMPAL overall program budget table, noting that the overall program budget table is in a different format than usual given that both old and new funding is shown and that initial projection for 2020 is included under the assumption that SECO’s last installment will arrive in coming months as planned. She explained that suggested COP budgets for FY20 are US$250,000 per COP, plus any savings COPs achieve in FY19. She added that funds from two prospective donors, EU and Ministry of Finance of Russian Federation are not shown in circulated material, as final agreements with those partners have not been reached yet. Ms. Nikulina informed the SC that EU has informed PEMPAL that the final decision was made in December 2018 by the EU and published in January 2019, allocating EUR 3,000,000 contribution to PEMPAL. Current status is that the EU is reviewing the draft administrative agreement sent by the World Bank team. Finally, she noted that in the previous version of the status of COP budgets there was an error in calculation of IACOP budget, which has been corrected in the version circulated for this meeting.

Mr. Stauffer thanked Ms. Nikulina for preparing and presenting the information on PEMPAL finances, noting that the news of EU contribution being approved is welcome and that SECO is looking forward to see other donors joining the new PEMPAL MDTF. He also inquired about reasons for actual costs for most PEMPAL events being lower than planned costs. Ms. Nikulina explained that COPs have been encouraged to save due to ongoing funding uncertainties, with incentive of being able to transfer their savings to the next year budgets. Ms. Carsimamovic provided a couple of examples of ways in which BCOP has achieved savings, including from being able to get low hotel rates for Portugal event and sharing some of costs of that event with co-organizers from GIFT, as well as from somewhat smaller number of participants than planned in Moscow and Portugal event. BCOP’s intention is to direct these savings to participation at the meeting of the OECD Senior Budget Officials’ Network for Central Eastern and South Eastern Europe in June/July 2019, which was not envisaged in BCOP’s low budget scenario.

**Conclusions:**

* The SC has taken note of the PEMPAL FY19 budget update.
* The SC has approved the initial COP FY20 budget allocations of US$250,000 for each COP, plus any carried over COP savings from FY19. CoP activity plans for Fy20 should be updated based on these amounts and be ready to be submitted to SC for review by the next meeting.

1. **Confirmation of SC Chair for the next annual term**

Mr. Boyce reminded that his mandate as SC Chair ends with this meeting. Mr. Frank noted that the SC extended mandates to two years previously, but that SECO suggests to go back to one-year mandates, given the anticipated additional donors’ participation.

**Conclusions:**

* Mr. Stauffer from SECO is nominated as the next SC Chair starting April 1, 2019. Voting will be conducted via email, administered by the Secretariat.

1. **Closing of the meeting**

Mr. Boyce thanked all participants for a productive discussion and closed the meeting.

**ANNEXES:**

1. **Minutes of the previous meeting**



1. **PEMPAL Strategy Action Plan report**



1. **PEMPAL TOR financing mechanism**



1. **PEMPAL Annual Report FY18**



1. **PEMPAL COPs Budget**



1. **PEMPAL Budget**

