



**MINUTES OF BCOP EXECUTIVE COMMITTEE MEETING –
Vienne, Austria, Wednesday, July 15, 2015**

PRESENT AT THE MEETING:

1. Geraldina Prodani (Albania - BCOP Deputy Chair)
2. Mikhail Prokhorik (Belarus - BCOP Executive Committee member)
3. Mladenka Karacic (Croatia - BCOP Executive Committee member)
4. Kanat Asangulov (Kyrgyz Republic - BCOP Executive Committee member)
5. Anna Belenchuk (Russian Federation - BCOP Deputy Chair)
7. Deanna Aubrey (World Bank - Resource person)
6. Maya Gusarova (World Bank - Resource person)
8. Ksenia Galantsova (World Bank – PEMPAL Secretariat)

Interpreters:

Olga Grinkova, Alexander Rezanov (ENG/RUS translation)
Adina Salkanovic, Tijana Medic (ENG/BCS translation)

AGENDA ITEMS:

1. Welcome (BCOP Deputy Chair, Geraldina Prodani)
2. Progress of Working Groups
 - i. Wage bill working group - Maya Gusarova
 - ii. Budget literacy working group (study visits preparations progress) - Anna Belenchuk
 - iii. Program budgeting working group (Timing and location of first meeting? Possibility of OECD to brief at meeting on its work being undertaken in its SBO network on performance budgeting; Possibility of World Bank to brief on its results of in-depth study on country cases) - Anna Belenchuk
3. Proposed work in August/September on preparations for plenary meeting on fiscal rules and medium term budgeting - feedback from Executive Committee on specific issues of interest - Deanna Aubrey/All
4. Update on BCOP budget (Maya Gusarova)
 - i. Update on budget implementation of FY15 plan as provided by Secretariat before their departure
5. Update on mid-term review of PEMPAL Strategy (Deanna Aubrey)
 - i. Confirmation of presenter and briefing on overall approach for next two days
6. Other business? Next meeting - via VC October 15th 15.00 CET??

Documents to be available at the meeting:

- BCOP Budget Report for FY15

1. Welcome

Geraldina Prodani, BCOP Deputy Chair welcomed participants to the Executive Committee meeting and presented the points of the Agenda. Connection by Skype was made with Konstantin Krityan, BCOP Chair from the Ministry of Finance of Armenia, who was not able to attend due to temporary health reasons. Mr Krityan advised that he plans to attend subsequent BCOP events, where he will be looking forward to resuming his duties as a Chair. BCOP members and the resource team expressed their best wishes and wished him a speedy recovery and return to PEMPAL.

2. Progress of Working Groups

1. Wage bill working group (Maya Gusarova)

Ms Gusarova advised that according to the decision of the BCOP Executive Committee, FY16 is



the last year of the group's operation, unless the working group members are able to come with some collective outputs that would be useful knowledge products for member countries. Thus, it is planned to hold two final learning events via VC and a study visit. Initially Serbia was proposed for this study visit but their reforms are moving slowly so the resource team proposed Slovenia as a potential destination. Ms Gusarova advised that Slovenia is more advanced in its pay reform- it is an OECD country, and by 2008 it had significantly reformed its public sector pay, improving on transparency and equity, and currently it is in the process of improving pay flexibility and introducing performance elements. There are two ministries involved in civil service pay policy - Ministry of Finance and the Ministry of Public Administration. Ms Gusarova asked if BCOP Executive Committee members participating in the working group could confirm whether this proposed location for the study visit would be of interest to their countries.

Ms Prodani asked if there were any additional information materials on Slovenia's reforms and Ms Gusarova indicated that there were several OECD reviews including how they made their scheme more transparent while minimizing allowances before 2008. Currently they are also strengthening HR management and trying to introduce flexibilities, after significant cuts were made in response to the financial crisis. The other potential destination could be Turkey, but there might be logistical difficulties with organization of that study visit. Mr Asangulov indicated that Slovenia would be a good option. He advised that Kyrgyz Republic has had pay increases for teachers, and the size of the wage bill as a percentage of GDP is relatively high. Further, structural criteria for IMF loans, requires a rationale for salary increases in the future to be provided (which groups, by how much and for what reason). These reforms need to be proposed by mid-December so it would be beneficial to learn from the approach of other countries, which have undertaken policies to reduce their wage bill. He noted that several countries had implemented performance elements to their wage systems, but there had been little evidence yet of the benefits of these reforms, so the experience of Slovenia in this area would also be interesting.

Ms Karacic advised the Committee that Croatia would be happy to prepare a presentation on centralized payroll at the State and Local levels. It was proposed that a future VC learning event could thus feature Croatia as a country case study.

Conclusions

- After discussion of the options, the Committee chose Slovenia as the preferred destination for the wage bill study visit and requested the resource team to confirm if Slovenia counterparts could accept the PEMPAL group. Dates were not confirmed but timing of the event was planned for late October – beginning of November, subject to approval and timing preference by the host country.
- A video conference meeting is expected to be held in January 2016, on the country case study of Croatia.

2. Budget literacy working group (study visits preparations progress) (Anna Belenchuk)

Ms Belenchuk advised the Committee that a new working group began their work at the event in Warsaw, Poland held back-to-back with the annual OECD SBO meeting. The Executive Committee considered this a very successful event that showcased the reforms of the Russian Federation, UK and Canada. She advised that Russian Federation is at the beginning of their reforms, and want to draw on the successes of other countries and were inspired by the experiences of UK and Canada. She noted that the World Bank had recently completed the study of budget literacy practices in education curriculum, noting it would take time to examine



the 180 page report, and identify potential countries for a study visit for the working group.

The next meeting is proposed to be held back-to-back with the BCOP plenary meeting in February in Belarus and she proposed that the main topic could be the Citizens' Budget, in light of the survey results outlined in the Warsaw workshop which indicated that most member countries were weak in this area. Participants mentioned that one good experience is from Kyrgyz Republic. The brochure "Citizens Budget" was presented by Mr Kanat Asangulov, BCOP Executive Committee member. This brochure was funded under the multi-donor trust fund supported by EU, DFID, SIDA, WB, and the Swiss and Swedish Governments. It was decided to translate the document into English and BCS languages. It was noted that the working group could come up with recommendations and methodological guidelines on how citizen budgets can be developed, drawing on those already prepared by the Russian Federation. Belarus also wants to develop such guidelines and Kyrgyz Republic has made good progress and can input to the agenda of this proposed meeting.

To advance preparations for this meeting, a VC meeting will be held which is scheduled for the fall (potentially in September of 2015, subject to speaker availability). This VC can be organized with Washington DC, and the World Bank team who prepared the 180 page study, can present the results of this work to the working group members.

Conclusions

- The Secretariat is to contact Mr Asangulov and get a copy of the Kyrgyz Republic "Citizen Budget" and send to translation to English and BCS.
- That the topic of Citizens Budget' is to be considered in the agenda development for the proposed face-to-face meeting of the budget literacy group in Belarus in February.
- The proposed VC in September, should include presentation of the results of the WB study on budget literacy, and also discussions on preparations of the February meeting. The resource team is to check availability of the World Bank colleagues for the VC in September.

3. Program budgeting working group (Anna Belenchuk)

Ms Belenchuk advised on behalf of Nikolay Begchin who initiated this working group that the work will begin very soon and the Concept for the group is almost completed. She advised that the Russian Federation would like to invite interested working group members to a study visit in April/May to the Russian Federation to examine in more depth their program budgeting reforms. It was decided that the new working group can be announced by Mr Begchin and the Concept would be presented at the plenary meeting in Belarus, and countries can subscribe to this group, if interested. It was also confirmed that the Bank expert who has completed a study on program budgeting (Ivor Beazley) and the OECD (through its performance management network) would also be invited to participate. Ms Gusarova passed on the Committee's thanks to Mr Begchin for this update and expressed appreciation for the offer to hold the working group's first study visit in the Russian Federation.

Conclusions

- The new working group will be launched in Belarus in February, and countries will be offered to participate. The Concept for the group will be distributed as part of this launch. The Secretariat will organize subscription to the group at the BCOP plenary in Belarus.
- A study visit will be planned for April/May 2016 to the Russian Federation. Option of inviting the World Bank and other experts will be explored.



3. Proposed work in August/September on preparations for plenary meeting on fiscal rules and medium term budgeting - feedback from Executive Committee on specific issues of interest (Deanna Aubrey/All)

Ms Aubrey advised that the resource team will conduct research and draft an agenda to the plenary meeting in August/September. She also suggested reformulating the wording of this agenda item of the plenary meeting given there is some confusion related to whether it also addressed medium or long term budgeting. After some discussion, the Committee decided that the name of the plenary meeting be clarified to “Fiscal rules for more effective and sustainable budgeting”.

Mr Mikhail Prokhorik confirmed that Belarus is working on a public financial management strategy and by end of February will be ready to present its reforms as part of the plenary agenda. Ms Prodani also advised that Albania has incorporated fiscal rules into its budget law, and have visited other countries to determine the feasibility of establishing a fiscal council. Thus they are happy to provide a presentation of their reform progress as part of the agenda. Ms Belenchuk also advised that the Russian Federation members are happy to make a presentation on their long term budgetary forecasts, and how these forecasts are prepared in the context of budget sustainability.

Ms Gusarova indicated that the date of the plenary meeting is tentatively scheduled for late February and should be confirmed in the next month. Mr Prokhorik noted that in order to confirm the date, a formal letter should be sent to Belarus in August. Mr Prokhorik also advised that the MoF has a training centre that has accommodation, catering and transport facilities that may offer cheaper options for PEMPAL. This facility is new and only being commissioned in late August. He noted that the last PEMPAL event held in Belarus used the Crowne Plaza but there are newer hotels now available such as the Renaissance. It was agreed that the Secretariat would consult with Mr Prokhorik on logistical issues, as part of the planning for the event.

Conclusions

- In August, the Secretariat is to prepare a formal letter to Belarus, thanking them for their offer of hosting the PEMPAL BCOP plenary meeting and formally requesting a suitable date that the event could be held.
- The name of the plenary meeting is to be changed to ‘Fiscal Rules for effective and sustainable budgeting’
- Belarus, Albania and Russian Federation will be the country case studies from PEMPAL region. International country case studies were not decided but Nordic countries such as Sweden could be investigated. The World Bank and OECD will be consulted on best candidates.
- A draft concept note and agenda will be prepared by the resource team, and circulated for virtual comment in September.

4. Update on BCOP budget (Maya Gusarova)

Update on budget implementation of FY15 plan as provided by Secretariat before their departure

Ms Gusarova presented the budget actuals for BCOP for FY 2015. Savings amounted to around 199,000 USD with 75,000 USD of this amount approved by the Steering Committee for carryover to FY 2016, after Ms Belenchuk presented the rationale to the Committee earlier in the year. This carryover was only approved on the provision that it would be fully spent, so it was



important that the BCOP budget be fully implemented for FY2016 (with its new amount of 405,000 USD).

5. Update on mid-term review of PEMPAL Strategy (Deanna Aubrey)

Confirmation of presenter and briefing on overall approach for next two days

Ms Aubrey provided an overview of the agenda for July 16 and 17. Main points of the BCOP PPT were discussed with the Deputy Chairs agreeing to share its presentation. Preparation for the Group discussion (2 questions) proposed on July 16 were outlined so Executive Committee members could prepare. Ms Aubrey also announced to which discussion groups members would be a part of, and which parts of the strategy results framework they would be addressing.

Group1- ENG – Geraldina Prodani, Deanna Aubrey, Mladenka Karacic (Output Objectives 1, 2)

Group2 – RUS/ENG – Anna Belenchuk (Impact, Outcome, Output Objective 4)

Group3 – RUS – Mikhail Prokhorik, Kanat Asangulov (Output Objectives 1 and 3).

6. Other business?

Next meeting - via VC [October 15th 15.00 CET](#)

The date for the next VC was set at October 15, 15.00 CET, to be confirmed closer to the time.

Participants were interested in the proposed joint event with TCOP. Ms Gusarova advised that TCOP could host a joint meeting in Kazakhstan depending on the details of interest in the topic of budget accounting and reporting. Mladenka Karacic, Executive Committee member confirmed that TCOP has the same issues as in Croatia (accounting, budget) but that her main interest was in statistics and financial reporting in the EU context, and the required adjustment of the GFS and its moves towards Eurostat requirements. It was agreed that further discussions would be held during the event in Vienna and via VC in the future, between the TCOP and BCOP Executive Committees to decide on a relevant topic and its focus.

Participants concluded that the Strategic Plan on BCOP should be developed in light of the results of the MTR. This would be discussed in future meetings. Ms Aubrey also advised that CABRI had recently provided its new strategic plan as discussed with CABRI in the BCOP Executive Committee's study visit to South Africa earlier in the year. The Committee requested that the document be translated and distributed as it would assist them in the proposed development of the BCOP Strategic Plan over the coming year.

Ms Aubrey also advised that the OECD had finalized its recommendations for budgetary governance, an initial draft of which had been translated and distributed at the Moscow cross-COP meeting in 2014. OECD were now offering interested countries to informally subscribe to these recommendations, and they should contact OECD through the BCOP resource team, if interested.

Maya Gusarova, World Bank resource team closed the meeting and thanked everyone for their active participation. Committee members again emphasized that it was pleasure to see Konstantin via Skype at the beginning of the meeting, and wished him speedy recovery and good health so he could return as Committee Chair when able.