**MINUTES OF THE STEERING COMMITTEE MEETING**

**Videoconference, Tuesday, November 3, 2015**

**PRESENT AT THE MEETING**

**SC members**

1. Anna Valkova (Ministry of Finance of the Russian Federation – Donor, Steering Committee Chair)
2. Daria Kirillova (Ministry of Finance of the Russian Federation – Donor)
3. Geraldina Prodani (Ministry of Finance of Albania – BCOP Deputy Chair)
4. Elena Zyunina on behalf of Anna Belenchuk (Ministry of Finance of the Russian Federation - BCOP Deputy Chair)
5. Vugar Abdullayev (Ministry of Finance of Azerbaijan – TCOP Chair)
6. Edit Nemeth (Ministry of Finance of Hungary – IACOP Chair)
7. Irene Frei (SECO – Donor)
8. Elena Nikulina (World Bank – PEMPAL Team Leader)
9. Marius Koen (World Bank)

**Observers**

1. Deanna Aubrey (World Bank – PEMPAL Strategic Advisor)
2. Ion Chicu (World Bank – PEMPAL Operations Advisor, TCOP Resource Team)
3. Maya Gusarova (World Bank – BCOP Resource Team Coordinator)
4. Ksenia Galantsova, Ekaterina Zaleeva, Kristina Zaituna (World Bank – PEMPAL Secretariat)

**AGENDA ITEMS:**

1. **Opening of the meeting -** Ms. Anna Valkova, SC Chair, Department for International Financial Affairs, Ministry of Finance of the Russian Federation
2. **Discussion on approach to developing new PEMPAL Strategy and initiation of preparation of the next year Executive meeting –** initial proposal will be presented by Elena Nikulina and Deanna Aubrey, World Bank (to be distributed before the meeting)**.**

*SC to decide on the overall approach and timeline*

1. **Update on the implementation of the COP action plans and expected adjustments (if any) – COP Chairs**

*SC to take note of the progress*

1. **PEMPAL finances**

Overview of PEMPAL budget and COP budgets, by Elena Nikulina (PEMPAL TTL, World Bank) and Ekaterina Zaleeva (PEMPAL Secretariat)

*SC to take note of the budget status and confirm COP budget ceilings for FY17*

1. **Overview of experience of initial months of operation of the new secretariat model**

World Bank team

*Participants to exchange views and take note of early lessons learnt*

1. **Closing of the meeting**

*Tentative agreement on the next meeting*

**1. Opening of the meeting**

Ms. Anna Valkova opened the meeting. Together with Ms. Elena Nikulina, Ms. Elena Zyunina and Ms. Maya Gusarova, she expressed condolences on the passing of Mr. Konstantin Krityan, BCOP Chair. Ms Gusarova advised the Committee that flowers had been arranged from PEMPAL and a letter prepared and sent to the Ministry of Finance of Armenia expressing appreciation for the leadership and valuable contribution that Mr Krityan had provided to BCOP and PEMPAL and the sadness that PEMPAL felt from this great loss. Ms Elena Zyunina also advised that the Russian Federation had telephoned the Ministry to also express their condolences.

Due to the unforeseen circumstances, Ms. Anna Valkova had to leave the meeting and delegated facilitation of the meeting to Ms. Elena Nikulina, who took over chairing the meeting on her behalf.

**2. Discussion on approach to developing new PEMPAL Strategy and initiation of preparation of the next year Executive meeting**

Ms Nikulina reminded the Committee that it was agreed in its last meeting that formulation of the new PEMPAL Strategy should be initiated in 2015 thus an “Indicative timeline for PEMPAL Strategy 2017-22” **(Annex 1)** had been prepared noting possible key dates and milestones to initiate the process. Ms Deanna Aubrey presented a brief summary of this document, for the benefit of the Committee.

Ms Aubrey advised that the start of the process would be the formation of a working group that would meet three times over the next nine months to prepare and review materials related to developing the next strategy. (Ms. Elena Nikulina noted later in the discussions that the meetings of this working group were planned to be held virtually via VC or webex). This working group would comprise volunteers from the COP Executive Committees and donors. As part of the process, formal input would also be sought from donors and Executive Committees through either a survey or structured interviews. Ms Aubrey also advised that part of the strategy development process would be looking into sustainability options and updating the current strategy with the results of the Mid-term Review process. The results of this strategy development work would then be reviewed in a face-to-face meeting around July 2016 of the Steering Committee and COP Executive Committees. Ms Aubrey concluded her briefing by asking for volunteers for the working group who will be responsible for strategy development.

Ms. Irene Frei expressed her concerns about the timeline implementation. In terms of planning dates to have a concept note for February 2016 and final strategy for the next July seemed to be unrealistic. Ms. Deanna Aubrey clarified that the timeline allows further work to be undertaken after July 2016, subject to direction and input by the Executive in its proposed face-to-face July meeting, Further, considerable work had been undertaken in the Mid-Term Review process of the current strategy which identified parts of the current strategy that were still relevant, and those areas that needed modification or removal. Thus significant preparatory work had already been completed which could be used in the strategy development process.

Mr. Marius Koen supported the timeline target of having the final draft of the Strategy ready by the end of 2016, and he noted that significant work had already been undertaken, and that the working group should maintain a mindset that the existing strategy should be refined rather than a new strategy developed from scratch. The strategy should also reflect as much as possible the public financial reform priorities of the member countries. Ms. Gelardina Prodani also supported this suggestion and noted the importance of Executive Committee members to be part of this Strategy development working group to ensure that the new strategy is based on public financial management priorities and strategies of PEMPAL member countries. Ms. Prodani also noted importance of taking into account country level PFM strategies where they exist.

Regarding the working group composition, Ms Nikulina advised that it would be preferable to have at least one member from each COP with the possibility of a backup if one COP member would not be available for the one of the meetings. Ms. Elena Nikulina concluded that the SC endorses the timeline and within the week it is expected that COPs and donors will inform the Secretariat who will be represented on this working group.

**Conclusions**

Development of the PEMPAL Strategy 2017-22 has been initiated with the development of an indicative timeline. The timeline and approach was endorsed by the SC, noting July 2016 is the deadline for the draft strategy, with the final strategy to be prepared by the end of 2016. Volunteers for a working group to progress this work have been requested and should be provided to Ms Elena Nikulina and/or Ms Deanna Aubrey in the next week. Ms. Edit Nemeth and Ms. Irene Frei proposed Budapest and Bern respectively as a potential places for the face-to-face meeting in July 2016.

**3. Update on the implementation of the COP action plans and expected adjustments (if any) – COP Chairs**

***Internal Audit Community of Practice***

Ms. Edit Nemeth informed the meeting about the implementation of the IACOP action plan. The working group met to discuss the Relationship of Internal Audit with Financial Inspection and External Audit (RIFIX) on October 13-14, 2015, in addition to a Quality Assurance Working Group’s leadership meeting, on October 15, 2015, in Armenia, Yerevan.

The agreed objectives of the RIFIX Working Group meeting were all met which included: learning from best country practices; finalizing and endorsing the Good Practice Concept Note on RIFIX and to elaborate on its roll out; advancing development of a Good Practice Template of a Cooperation Agreement between internal audit and financial inspection/external audit; and learning from the Armenian experience of internal audit reforms. The results of the Quality Assurance Working Group’s leadership meeting were a finalized scoring system for the PEMPAL approach to external assessment of the internal audit function by the CHU; the endorsement of the Good Practice Quality Assessment Guide for Public Sector Internal Audit; and the discussion on possible application of the Guide by IACOP countries. IACOP ExCom is also in the process of planning for the next plenary meeting to be held in March 2016 (with possible location choices under consideration of either Uzbekistan or Czech Republic).

Ms. Elena Nikulina requested the IACOP to publish a summary event report on the recent IACOP meetings on the PEMPAL web site.

***Treasury Community of Practice***

Mr. Vugar Abdullayev informed the meeting about the implementation of the TCOP action plan. TCOP working group on Use of IT in Treasury Operations held a workshop on FMIS implementation issues, in Tbilisi, Georgia. There was a high interest in this theme, with about 20 percent of participants attending the event on their expense (self-payers). The hosting country MoF top management opened the meeting (Minister and two deputy ministers), which demonstrated the importance and value of PEMPAL. Participants particularly appreciated the rich content of presentations delivered by the Georgian Financial Analytical Service (FAS) that co-hosted the event together with the Ministry of Finance and the openness of the FAS team to share their experience with the group. Mr Abdullayey advised the Committee that the event report will be available on the PEMPAL web site soon. The feedback survey conducted after the event showed that all the participants were fully satisfied with the substance and the logistical aspects.

Mr. Ion Chicu confirmed that at a recent Executive Committee meeting, a new thematic group was established within the TCOP - “Evolution of the role and functions of the treasury” and it would be launched at a videoconference meeting on November 24. It is planned that 5 thematic VCs will be held by TCOP till the end of FY16. The meeting of the Cash management group is planned to be conducted in Ankara, Turkey on March 16-18, 2016. The TCOP plenary meeting on “Evolution of the role and functions of the treasury” is scheduled in June in Chisinau, Moldova.

***Budget Community of Practice***

Ms. Elena Zyunina informed the meeting about the implementation of the BCOP action plan. The working group on budget literacy had its second meeting via VC in September (which presented the results of a World Bank study on budget literacy of governments and civil society partners around the world). Study visit to Zagreb, Croatia on budget transparency and participation is planned for December 1-4 and the next face-to-face meeting is planned to be held during the Plenary in Minsk, the Republic of Belarus on February 23, 2016. The Wage bill working group will hold a VC meeting on November 11 (on wage bill management at Croatia local government level) and a study visit will take place in Ljubljana, Slovenia in April 2016 to examine wage bill management approaches of the Slovenian Ministry of Public Administration and Ministry of Finance.

Ms Zyunina advised that BCOP was invited by OECD to attend OECD Senior Budget Officers meeting on Performance and Results and during the last Executive Committee meeting, October 30, it was agreed to delegate Mr. Nikolay Begchin to that meeting, which will be held on November 26-27 in Paris, France. Mr Nikolay Begchin will lead a new working group on program budgeting, his proposal was to have first meeting on this working group in May 2016 in Moscow, Russia. Ms. Maya Gusarova added that there may be future opportunities to work with OECD on their performance budgeting survey which would be investigated at the Paris meeting. She also advised that the next annual plenary meeting would be on the topic of fiscal rules as prioritized for discussion by BCOP members. Ms Deanna Aubrey highlighted to the Committee that BCOP had continued to focus on budget transparency as one of its issues since the 2014 cross-COP meeting on fiscal transparency held in Moscow and that significant improvements were already evident with the results of the recent Open Budget Index showing Russia and Romania as achieving high scores and Kyrgyz Republic improving significantly. This was another example of the positive contribution of PEMPAL to member country public finance reform programs.

**Conclusions**

* Progress of implementation of the COP action plans is good with some positive results evident from senior levels participation in events and positive improvements in public finance reforms.
* It was noted that the new format of COP Chairs providing more information on the results of COP activities in Steering Committee meetings (as recommended from the MTR process) is a valuable contribution to the SC agenda format.

**4. PEMPAL finances**

Ms. Elena Nikulina presented two documents to SC members: COP budgets and PEMPAL summary budget. **(Annexes 2 and 3)**. She advised that there is sufficient funding till the end of the next fiscal year, the last year of the current PEMPAL Strategy. COPs, Resource team and Secretariat budgets are shown as of October 2015. The budget table shows the budget projections for the next FY17 and the amount for COP budgets is based on the same amount which was approved for this FY16 (USD 330,000 per COP). It was proposed to be formally approved by the SC at this meeting as at the next SC meeting the detailed COP budgets for FY17 should be approved.

Mr. Marius Koen noted that the projected amount which is allocated for the next face-to-face Executive meeting is unlikely to be sufficient taking into account the two proposed locations for the event: Budapest, Hungary and Bern, Switzerland. Ms. Nikulina agreed with the observation and suggested to revisit the allocation for this event at the next SC meeting after the location options are investigated in more detail by the Secretariat.

Ms. Elena Nikulina and Ms. Irene Frei advised to stay within the same COPs annual budget limit for FY17 as allocated for FY16.

Ms Elena Nikulina confirmed that the TCOP has a slight overrun of budget for the Tbilisi event but it is still within the limit. At the same time, IACOP spending for the Yerevan event exceeded the ceiling above the amount for which prior approval of the SC is required, although the budget estimate prepared by the Secretariat at the start of event preparation was below the ceiling and SC approval was therefore not requested. The reasons why this happened were outlined: significantly higher than projected air travel costs (largely resulting from exchange rate movements and late purchase of the tickets), translation costs (given these are now higher under the new Secretariat arrangements), and higher participation. Ms Nikulina advised that the SC should approve this case de-facto but such a situations should be avoided in the future.

Ms. Irene Frei advised that the number of participants should be strictly limited if the COP budget might overrun, and any such significant overrun should be approved by the SC beforehand. For the Yerevan event, Ms. Frei advised to get the final numbers as soonas possible for a better understanding if the IACOP budget would be exceeded. Ms. Elena Nikulina suggested to the Secretariat and IACOP Resource Team, for future purposes, to better control the dates of the participants’ registration for events as a lot of unpredictable expenses were being caused from late travel arrangements. Mr. Marius Koen and Ms. Elena Nikulina indicated that the IACOP overrun is within the 15% deviation for the total COP budget allowed under PEMPAL budget guidelines, so the total budget allocation stays the same, however there is almost no room for further overruns of individual events’ budgets.

Ms. Nikulina also draw the attention of the SC to 23K USD reallocation for IACOP budget from FY16 to FY17 which was endorsed together with the SC approval of the COP Activity Plan at the July meeting, although this was not formally reflected in the meeting minutes. COPs were advised to highlight such changes to the SC during similar presentations in the future to make sure that these are properly documented.

Ms Maya Gusarova and Ms Deanna Aubrey questioned the absence of individual VC costs in the budget tables, noting that BCOP had a VC in September that was missing from the table. Ms Elena Nikulina confirmed that for the VCs there is a lump-sum allocation and all VCs are reflected as notional expenses in the COP action plans. Thus they are not reflected in detail in the budget tables, regarding VC theme addressed, However, Ms Nikulina advised she is open to suggestions on how to improve this presentation in the future. One of the proposals was to add a footnote, explaining the approach to accounting VC actuals, to avoid misinterpretation of budget tables.

**Conclusions**

* PEMPAL budget is on track noting some overruns for IACOP will be monitored in the future to ensure the overall implementation of their budget does not exceed Operational Guidelines. Planning of events in the future will ensure adequate time is incorporated to ensure overrun of expenses are minimized.
* The overrun on the ceiling amount for the Yerevan event is retroactively approved by the SC.
* Budget limit for FY17 is USD330,000 per COP.
* COP budget reallocations requiring SC approval should be clearly presented to the SC and respective decisions documented in the SC meeting minutes
* Options to improve presentation of individual VC costs in the budget tables will be investigated.

**5. Overview of experience of initial months of operation of the new secretariat model –**

Ms. Elena Nikulina reminded that the current Secretariat is currently operating under a probation period and during the current month the Resource Team will discuss with the World Bank Senior Management team the options for the extension till the end of the current strategy period, as agreed during the Steering Committee’s last meeting. Subject to the approval by management, the current temporary positions of secretariat team members will be converted into regular ones and advertised, as required under the World Bank procedures, with the current team being encouraged to apply.

Ms Elena Nikulina then continued by asking Committee members to share their experiences with the new Secretariat model.

Mr. Vugar Abdullayev provided his feedback based on the period of Secretariat work since July 2015 which involved the planning and execution of one major TCOP event in Tbilisi, Georgia. From this experience, TCOP members valued the performance of the new Secretariat team and assessed it quite highly with the event being implemented successfully. At the same time, Ms. Edit Nemeth informed that the participants of the IACOP event in Yerevan, Armenia were not fully satisfied with the work of the new Secretariat team. The most complaints were about flight ticket arrangements and translation services. Ms. Elena Nikulina and Mr. Marius Koen noted that the source of the problems were coming from both sides and could not solely be blamed on the Secretariat. For example, if the presentations from the speakers are submitted late, there is no time available for quality checking the translation. Mr. Koen also noted that some of the issues which went wrong were totally out of the control of the Secretariat, and involved new, internal administrative WB arrangements. Ms. Nikulina also noted that all the issues documented for the Yerevan event are being looked into by the Secretariat team together with the World Bank program management team (TTL and Operations Advisor) to prevent their repetition in the future Ms. Maya Gusarova noted that the BCOP hasn’t had any face-to-face events since July 2015 but already had held two VCs which were conducted successfully. Also Ms. Gusarova noted the good translation and interpretation services provided by the Moscow Country Office interpretation pool, which meant she spent less time in quality checking of Russian translations.

**Conclusions**

Mostly positive feedback on the performance of the new Secretariat was received and a few areas for improvement were identified. Subject to the World Bank management approval, regular positions will be established shortly and filled in through competitive process.

1. **Other business (added agenda item)**

Ms. Nikulina advised the SC that the PEMPAL web site will be fully based on the WB servers by January 2016. Minor changes will be applied to the web page and Ms. Nikulina asked for any ideas for improvement within the next week.

Ms. Irene Frei asked about the status of the Addendum to the Strategy given it had been finalized last month. Ms. Nikulina advised that translations were pending and we were awaiting all three language versions being available before posting the Addendum on the PEMPAL website. Amendments to the MTR report were also underway, but had to await until the Addendum was finalized, to enable its completion.

**Conclusions**

* Any ideas to improve the PEMPAL website can be provided to Ms Nikulina over the coming week.
* The Addendum to the Strategy will be posted on the website in all three languages within the next week.
1. **Closing of the meeting**

SC members confirmed that there are no constraints for the timeline for the next SC meeting and it was tentatively agreed to schedule it for late January – early February with suggestions for the exact date to be circulated by the Secretariat. Ms. Elena Nikulina informed that the Chair of SC for the next year will need to be elected at the next meeting. Also the next SC will be approving COPs budgets for the next FY17. Mr. Marius Koen asked the Secretariat to remind COPs Chairs individually what they need to submit and by when and suggested to indicate the main points: date of the activity/type /budget.

Ms. Elena Nikulina thanked everyone for their participation.

**Annexes**

**Annex 1: Agenda**

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**Annex 2: Indicative timeline for PEMPAL Strategy**



**Annex 3: COP Budgets**



**Annex 4: PEMPAL Budget**

