



MINUTES

PEM PAL Steering Committee meeting September 4 and 6, 2012; Paris, France

1. Present

Members: Salome Steib (Chair, SECO), Diana Grosu Axenti (IA COP Chair, Moldova), Albana Gjinopulli (IA COP Vice Chair, Albania), Cristina Scutelnic (IA COP Vice Chair, Moldova), Angela Voronin (T COP Chair, Moldova), Elena Zyunina and Anna Belenchuk (Ministry of Finance of the Russian Federation), Joop Vrolijk (OECD/SIGMA), Regina Bernhard (GIZ), Elena Nikulina (PEM PAL Task Team Leader, The World Bank), Marius Koen (The World Bank);

Permanent Observers to the Steering Committee (SC): Deanna Smith (PEM PAL PFM Advisor), Senka Maver (PEM PAL Secretariat);

Observers: Maya Gusarova (The World Bank Country Office, Russia), Arman Vatyan (The World Bank Country Office, Armenia), Ion Chicu (The World Bank T COP Advisor).

2. Welcome and outline of the Steering Committee meeting agenda (Salome Steib)

The Chair of the SC welcomed new COPs Executive Committee Chairs and Deputy Chairs: Angela Voronin as Chair for T COP; Diana Grosu Axenti as Chair, and Albana Gjinopulli and Cristina Scutelnic as Deputy Chairs for IA COP; and Gelardina Prodani as Chair and Konstantin Krityan as Deputy Chair for B COP (both were elected on September 6).

3. Financing PEM PAL activities

3.1. Update on funding (Elena Nikulina)

3.1.1. *Background*

At end-August 2012, the total projected resources available for FY13-14 (July 2012 to June 2014) under the PEM PAL program budget administered by the WB amounted to USD 3,4 million, of which USD 2,4 million for FY13 alone. Of USD 3,4 million, USD 1,0 million has been received from the SECO in August 2012, and USD 1,9 million has been pledged by the Russian MoF (and will be received in two installments, first before October 2012 and the second before July 2013), and USD 0,5 million represents the unspent balance from FY12.

3.1.2. *Discussion*

PEM PAL financial position is comfortable. Activities planned for FY13 are completely covered, therefore the Secretariat at end-August 2012 notified the COPs to go ahead with planning their FY13 activities. High unspent balance from FY12, a result of savings made by all COPs, is commendable. Because the Cross-COP activities, which were agreed to be funded from the program budget, turned out to be more expensive than planned, and exhausted the allocation for the Cross-COP activity, a suggestion was made to charge one portion of the expenses for the Paris Cross COP meeting (USD 11 K per COP) to COP specific budgets in light of one additional day (September 6) dedicated to the individual COPs meetings, and to provide additional contingency amount of EUR 20 K for the next face-to-face SC meeting. The SC made a strong plea that comfortable financial position does not mean that more activities should be planned, especially as all the money has not yet been approved, but that the allocated resources to each COP need to be spent according to the approved work plans and in accordance with the Rules of Operation. Furthermore, the costs per each participant to events which have been calculated by the Secretariat should be kept in mind when considering the numbers of participants to specific events. The Secretariat will make a respective email to each COP Executive Committee.

Additional resources for FY14-16 are expected from SECO (USD 3,892 K, with the disbursement schedule to be confirmed) and encouraging news also came from the Russian MoF, which is considering providing additional funds this calendar year to cover future financial gaps of the PEM PAL program.

3.1.3. *Conclusions*

- (i) The SC approved additional contingency amount of EUR 20 K for the next face-to-face SC meeting planned for the spring 2013, given that the Cross-COP budget line has been exhausted;
- (ii) The COPs specific budgets for FY13 will be charged, and the available balance for the COPs FY13 activities will be reduced, for one portion of the expenses for the Paris Cross COP meeting (USD 11 K per COP) to cover for one additional day (September 6) dedicated to the individual COPs meetings;
- (iii) The SC noted the intention of the MoF of the Russian Federation to contribute additional financing to PEM PAL. This intended financing, subject to approval of the Russian MoF, would close the remaining financing gap for PEM PAL's second phase until 2017. A gap estimate should be given to the Russian MoF by the World Bank;
- (iv) The standard table presented to the SC for consideration and showing the status of available funding for the PEM PAL program will in the future provide (a) information on COP specific allocations of spending related to resource teams (USD 440 K), and (b) more detailed information on contingencies;
- (v) The new comfortable financial situation should be communicated to the COPs including the strong plea of the SC of its respective prudent spending according to the work plans and the Rules of Operation.

3.2. COPs activities: action plans, plenary meeting, Type B study visit (Senka Maver)

3.2.1. *Background*

In response to the request of the SC, the Secretariat prepared a document that provides an overview of financial indicators related to direct expenses of PEM PAL activities in the period from 2010 to I-VI 2012, and the COPs expenses in the first six months of this year compared with the budget envelopes approved by the SC; discusses the benchmarks for the FY 2014, both with respect to COPs budgets and Cross-COP Plenary, as well as suggests an amendment of the guidelines for participation at the Type B study visits.

3.2.1.1. Financial indicators show the following trends:

- (i) In the first six months of this year, the total PEM PAL event expenses increased with intensified activity and participation. Total event expenses in this period amounted to EUR 0,64 million (USD 0,8 million) for 281 PEM PAL participants. This compares with EUR 0,89 million (USD 1,3 million) and 418 PEM PAL participants for twelve months of 2011.
- (ii) Average total event expenses have recorded a steady increase due to increased participation, from USD 67 K in 2010, to USD 106 K (EUR 74 K) in 2011, and USD 114 K (EUR 90 K) in I-VI 2012, for average participation of 26, 42 and 54 persons, respectively. The SC has taken action in revising the Rules of Operation accordingly to give clear guidelines for event participation.
- (iii) In total event expenses the relative shares of both travel and translation costs have been decreasing, and the relative share of accommodation cost increasing.
- (iv) Per participant costs: slight decrease in net terms (EUR 1.447 or USD 2.061 in 2011; EUR 1.408 or USD 1.782 in I-VI 2012) and slight increase in gross (EUR) terms (EUR 2.130 or USD 3.030 in 2011; EUR 2.275 or USD 2.882 in I-VI 2012).
- (v) Exchange rate USD/EUR had impact as well, whereby it is important to bear in mind that the expenses are anchored to EUR.
- (vi) In 2010, IA COP and in the first six months of 2012 the T COP have recorded lower expenses per participant compared to other two COPs.

3.2.1.2. Update on the COPs budgets in the period from January 2012 to June 2012

All COPs expenses have been within the budgets approved by the SC in February 2012. Overall, the actual expenses relating to individual COPs activities totaled USD 0,66 million, down from estimated USD 0,99 million at the time of their approval.

The under-runs are the result of considerable in-kind contributions of the hosts (T COP events in Georgia and Moscow, IA COP events in Sofia and Budapest), lower than expected expenses for transport and

accommodation in all events, as well as comfortable budgeting approach allowing room for unexpected hikes in expenses. Besides, as the budgets are planned in USD, and the actual expenses are anchored to EUR, the EUR depreciation against the USD, which started in March, contributed to lower USD actual amounts.

3.2.1.3. Setting the benchmarks for FY 2014: Cross-COP Plenary and COPs budgets

Given the average cost of events (EUR 90 K; USD 114 K), average gross cost per participant (EUR 2.275; USD 2.882), trends in event participation and provisions about participation in proposed amendments to PEM PAL Rules of Operation, and in light of Steering Committee's decision to hold the Cross COP Plenary in FY14 (late fall of 2013 or early 2014), the Secretariat proposed that the benchmarks for individual COPs budgets for FY 2014 be set at USD 510 K, and include (i) COPs contribution to the overall Cross COP Plenary expenses of USD 150 K relating to participation of COP members at the Plenary event; and (ii) expenses related to other COPs members (up to 5) invited to COP plenary (e.g., 60 participants, of which up to 5 from other COPs).

3.2.1.4. Participation at Type B study visits

At its May 15 meeting, the SC discussed how the cost efficiency and equal representation at the Type B study visits could be ensured. In light of this, the PEM PAL Secretariat proposed to limit the participation by country in the Type B study visit to one in a 24 month period.

3.2.2. Discussion

Discussion revolved around the benchmarks and COPs budgets for FY14, Cross-COP Plenary and the Type B Study Visit.

As regards the FY14 budgets and benchmarks, speakers supported the proposal to allocate indicatively USD 510 K to each COP for FY14, of which USD 150 K will be taken away to fund Cross-COP Plenary, but advised the Secretariat to inform the COPs leadership groups that the indicative amounts could not be approved at this moment, because the funding has not yet been confirmed, and to prepare indicative action plans by end-November 2012 to be discussed at the December SC meeting.

As to the Cross-COP Plenary, possible venues and timing of the next Cross COP Plenary have been discussed, and Moscow, Bucharest and Istanbul have been suggested.

On the Type B Study Visit, there was a view that the SC should not limit participation, especially considering the social aspect of the PEM PAL program, and also that countries should be encouraged to go through the COPs action plans to organize the (Type A) study visits, and not to resort to the Type B window instead. It was also mentioned that the Type B window is not well known to most of PEM PAL participants.

3.2.3. Conclusions

- (i) The SC considered the trends in event related expenses for the COPs activities in the period from 2010 until I-VI 2012, including the COPs budgets in I-VI 2012, and commended the COPs for prudent spending, and asked the Secretariat to advise the COPs to continue with this good practice also in the future;
- (ii) The Secretariat shall explore options for venue/timing of the next Cross-COP Plenary to be held in the fall 2013 or spring 2014, for 200 – 220 people, and come back to the December SC meeting with 3-4 options;
- (iii) The SC approved the indicative individual COP budget envelope for FY 14, which is to amount to USD 510 K and include USD 150 K earmarked as COP contribution to overall expenses of a Cross COP Plenary to be held in late 2013 or early 2014; the final approval of FY 14 budget envelopes in subject to sufficient program funding in the World Bank administered MDTF;
- (iv) The Secretariat should advise the COPs to prepare their indicative budgets for FY 14 by end November for consideration at the December SC meeting;
- (v) The Type B study visit window will be revisited in case there will be more competition for this kind of activities;
- (vi) Only single country participation at the Type B study visits should be limited, and not also participation of a mixture of countries. To this end, the following sentence should be included in the PEM PAL Guidelines for study visits: *“Participation of a single country in the Type B study visit is limited to one in a 24 month period.”*

4. PEM PAL Progress Report for the period from January 2012 to August 2012 (Senka Maver)

4.1. Background

(i) PEM PAL activities continue to intensify.

In the first six months of 2012, six individual COP meetings (of which five regular and one small group meeting) and two Steering Committee meetings (of which one through video conferencing) were held in six countries. Collectively, these events were attended by 281 participants from PEM PAL countries. Overall, also 81 resource people, speakers and donor representatives participated at these events. This compares with 6 regular, 3 small and one big plenary event held in six countries and attended by 418 PEM PAL participants and 105 resource people and speakers in twelve months of 2011.

(ii) COPs have been put into the driving seat to manage their budgets and to plan their future activities.

COPs action plans and budgets were updated for January – June 2012, and developed for July 2012 – June 2014. They were adjusted to available funding. Budgeting principles for the July 2012 – June 2014 period were devised.

(iii) The leadership groups of all three COPs saw changes in their composition.

(iv) There were many knowledge sharing and marketing activities.

In the first six months of 2012, discussions revolved around the PEM PAL External Evaluation, PEM PAL Strategy for 2012 – 2017, 2011 Annual Report and Success Stories, Virtual library, Glossary of terms. In August, a Frequently Asked Questions (FAQ) section was opened on the PEM PAL website, and helpful Good Practice IA Manual Template was posted there.

(v) Participants' overall satisfaction with PEM PAL remains high (Source: post-event surveys).

Participants find the topics discussed in PEM PAL events relevant and helpful. Compared with 2011, they feel more comfortable with the knowledge level at the PEM PAL events, and a higher percent of participants describe their participation at the events as active. Less people, however, believe that the expertise of the participants is at about the same level this year compared to last. Participants valued small group discussions. They feel, however, that the presentations should be shorter, more focused and practice oriented, and that more time should be allocated to country presentations. Also, there should be more active discussion time.

4.2. Discussion

The Secretariat report for January – August 2012 has been commended for rich information and good annexes. It was noted that the current TOR for the Secretariat work includes a provision on the quarterly reporting, but for the future this can be changed to semi-annual reporting requirement for the Secretariat. It was also noted that the Annual Report should again be published in a nicely designed brochure. Publishing of the Good practice IA Manual template and PEM PAL Glossary of Terms has also been discussed, and of using donors' logo in such publications, for which the view was that additional quality assurance would be needed. It was also mentioned that an international university based in Kyrgyzstan expressed interest for publishing the Glossary of Terms in several other languages.

4.3. Conclusions

- (i) An expert will be commissioned to do the quality assurance for the Glossary of Terms;
- (ii) The SC acknowledged the financial statement of the Center of Excellence in Finance as presented in the 2011 Annual Report to be in line with the Article 39 of the Rules of Operation.

5. Amendments of the Rules of Operation: PEM PAL organization: members/COP leadership groups/donors (Deanna Aubrey)

5.1. Background

The past experience with the attendance at the PEM PAL events showed that more specific guidelines are needed, including on the members and country eligibility. Also, there was a need for more specific provisions relating to the election of the COPs chair. Changes of the Articles 6 (Meaning of terms used in the Rules), 19 (Membership eligibility guidelines), 20 (Executive Committee), 21 (Chair of the Executive

Committee), 29 (Funding by the sponsors) and 40 (Final provisions) were therefore proposed for consideration of the SC.

5.2. Discussion

Article 6: Definition of the Executive Committee, initiative/network, member of the COP and PEM PAL, and donor/sponsor were discussed, so were the composition of and voting rights in the SC. The view was that the term "Community Coordinator" should be excluded and replaced with the "Resource team".

Article 19: Country representation at the COPs plenary meetings was discussed, and the view was that it should be limited to 2 per country, or, depending on the country participation in the Executive Committee, to 3-4. COPs Executive Committees are in charge of defining the lists of participants.

Article 20: Principle of one representative per country in the Executive Committee has been discussed, and that country presentation should be more balanced region wise, and that the number of Executive Committee members should be capped.

Article 21: More clarity was required how the election of the chair is conducted, including who can be nominated as well as who can vote during this process. Also, the nature of the role of the Chair and the Deputy Chair of the Executive Committee was discussed, and her/his collective function was stressed.

Article 29: Contribution, in cash or in kind, in excess of USD 100 K in any financial year, should under the amended Rules of Operation provide a seat in the SC, and the right to display a logo on the PEM PAL products. In this context, the GIZ representative told the SC that the GIZ is planning to sponsor IA COP event in Georgia in April 2013, and probably other events, and that the GIZ is very much interested to support PEM PAL in the spirit of effective donor coordination.

5.3. Conclusions

- (i) Article 6: Definition of a COP will be revisited;
- (ii) Article 19: The COP Executive Committee decision on whom to invite to COPs plenary events should be clearly documented and sent to the SC for information. As a general rule, participation of 2 per country applies, which can be increased to 3 provided the country has a representative in the Executive Committee. A special SC permission is required to increase the participation to 4 per country in cases where a country has two representatives in the Executive Committee. The SC permission to use the 4 per country limit has been granted to IA COP Executive Committee for the next 12 months, until September 2013.
- (iii) Article 20: Executive Committee membership should be limited to one country representative, whereby back up arrangements will be encouraged to increase diversity and representation in the Executive Committee.
- (iv) Article 20: Awareness of regional representation in the Executive Committees should be raised.
- (v) Article 20: The participation in the Executive Committee should be capped to 9 members, including the chair.
- (vi) Article 21: Consensus was achieved about the process to be followed for the election of the Chair. The description of the role of the Chair and the Deputy Chair of the Executive Committee (rights and duties) should be rewritten to become more normative.
- (vii) Some more careful work is needed with respect to some definitions and to assure consistency of the RoO. Therefore, the changes of the Rules of Operation will again be discussed at the December SC meeting. The Chair of the SC will collect further comments, make suggestions for revision and the OECD legal person will check the wording in order that the revisions to the Rules of Operation can be approved at the next SC meeting of December 13, 2012.

6. PEM PAL Results Framework: Reporting back on the morning session on the Results Framework Indicators

6.1. Background

During the SC session, in the morning of September 4, members of the COPs Executive Committees continued the discussion from the previous day on the Results Framework. Four main topics were at the center of that discussion, and the COPs Executive Committees and the SC discussed them jointly after the SC wrapped up on that day.

One was the issue of the outcome objective of strengthening PFM capacities, in particular, whether the PEM PAL aims to benefit only the individual members or has a more ambitious goal of having an impact also at the institutional level. Members of the COP Executive Committees reported back to the SC that there was an agreement of leaving the outcome at the individual member level, and to include the institutional level among the external factors for the output objectives (Objective 1).

Another topic the COPs Executive Committees focused on were the assumptions. They have been expanded, mainly to include external (rather than internal) factors, e.g. political will for reforms as being detrimental for the success of the RF's objectives.

The third topic discussed in the morning RF session was the access to PFM institutions (Output Objective 2), where the recommendation was to place website links to the PEM PAL website about the training institutes in the region.

Finally, also the question of funding of individual members to attend the training in the regional PFM institutes was briefly touched upon.

6.2. *Conclusion*

PFM Advisor and the RF expert (Frank Little) specially invited to the Cross COP meeting to provide guidance on the formulation of the PEM PAL Results framework will continue to work on September 4-5 to improve the indicators, then the PFM Advisor will send the draft RF to members of the SC, for comments by 6:00 p.m. CET on September 10. The World Bank team will then take the decision on incorporation of the final comments in the RF, which after that will be considered final.

7. **Other**

7.1. Participation of the MoF of Afghanistan at the B COP meeting

The Afghan MoF expressed interest for potential involvement in the PEM PAL network, in particular with respect to the B COP. Initiative, which came from the UNDP Office in Afghanistan was discussed with the B COP resource team and the Secretariat in early August.

The SC was of the view that the participation of the Afghan officials at the B COP events (not study visits) is welcome, provided that all related cost is covered by their institutions.

7.2. Participation of representatives of Albania and Kyrgyzstan in the T COP Executive Committee

Albania and Kyrgyzstan officially requested to be represented in the T COP Executive Committee. The Albanian representative has been accepted on September 6 as a new member of the T COP Executive Committee. The Kyrgyz authorities in the meantime recalled their request for their second representative in the T COP Executive Committee. The SC restated the principle that there is no automatic right of a country for a seat in the T COP Executive Committee. This seat is decided upon by the respective Executive Committee according to merit of the selected person.

7.3. IA COP Type A Study visit to Bulgaria

At end-August 2012, the IA COP Executive Committee requested the SC members to allow increased participation of internal audit experts from Kyrgyzstan, Tajikistan, Georgia and Armenia at the study visit to Bulgaria scheduled for September 24-27, 2012.

The SC approval has been granted through a correspondence vote. The SC in this context also decided to consider changes of the Guidelines for study visits to increase the maximum participation from 10 to 15, and make a clearer distinction between the two types of the study visits. Marius Koen and members of the IA COP volunteered to prepare a draft of the revised guidelines for circulation and approval by the SC.

7.4. PEFA Sequencing reforms Guidance Note

The PEFA Secretariat is seeking comments, by October 26, 2012, to the "Guidance Note on Sequencing PFM Reforms".

The Secretariat will ask the PEM PAL Executive Committees to pay attention to this Guidance Note, and to encourage the COP membership to respond to PEFA's call for comments. The PEMPAL Secretariat should be informed / comments should be submitted to the Secretariat by October 20, 2012.

7.5. PFM Harvard Kennedy School Executive Education

The Secretariat received a request to promote the Harvard PFM 2013 PFM program focusing on qualitative stories of reform and exchange of experience, and involving practitioners and thinkers from around the globe.

The SC requested the Secretariat to explore a possibility of securing three seats for PEM PAL participants (one from each COP) in the program, free of charge, including travel and accommodation, because the PEM PAL practitioners can significantly contribute to the Harvard program.

7.6. Communication course for the PEM PAL practitioners

The Secretariat suggested organizing short workshops on communication skills, organized back-to-back with PEM PAL events or separately at the Center of Excellence in Finance, to teach the PEM PAL practitioners how to formulate clear messages and send them across to help advance the PFM reforms. The workshops would be delivered by the World Bank expert currently working at the Center.

The SC in principle supported the idea, but felt that further consideration should be given to the format and participation at the workshops, in particular with regard to PEM PAL's three official languages, and that the interest of the COPs for this course should be explored.

7.7. Next meeting: December 13, 2012 at 2:30 p.m. CET, through video conferencing.

Prepared by Senka Maver,
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