**MINUTES OF THE STEERING COMMITTEE MEETING -**

**Vienna, Austria, Friday, July 17, 2015**

**PRESENT AT THE MEETING**

Geraldina Prodani (Albania – BCOP Deputy Chair)

Vugar Abdullayev (Azerbaijan – TCOP Chair)

Nino Eliashvili (Georgia – IACOP Deputy Chair)

Nino Tchelishvili (Georgia – TCOP Deputy Chair)

Edit Nemeth (Hungary – IACOP Deputy Chair)

Anna Belenchuk (Russian Federation - BCOP Deputy Chair)

Anna Valkova (Russian Federation – Donor, Steering Committee Chair)

Irene Frei (SECO – Donor)

Deanna Aubrey (World Bank – PEMPAL Strategic Advisor)

Ion Chicu (World Bank – PEMPAL Operations Advisor, TCOP Facilitator)

Adrian Fozzard (World Bank – Practice Manager)

Diana Grosu-Axenti (World Bank – IACOP Resource team)

Maya Gusarova (World Bank – BCOP Facilitator)

Marius Koen (World Bank – Resource team)

Elena Nikulina (World Bank – PEMPAL Team Leader)

Arman Vatyan (World Bank – IACOP Facilitator)

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. Exchange of views on the outcomes of the mid-term review meeting -** all SC members**.**

*SC to endorse the follow up activities proposed at the Executive meeting.*

**3. Presentation of IACOP Strategic Plan**, by Mrs. Edit Nemeth (IACOP Chair).

4. **Discussion on the new Secretariat model.** Ms. Elena Nikulina to present the options.

**5. PEMPAL finances.** Overview of PEMPAL budget and COP budgets, by Ms. Elena Nikulina (PEMPAL TTL, World Bank)

6. **Closing of the meeting**.

*Tentative agreement on the next meeting*

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**1. Opening of the meeting**

Ms Anna Valkova, Steering Committee Chair, welcomed participants to the meeting and provided an overview of the agenda. She suggested to add an additional agenda item, regarding the next steps on a proposed addendum to the PEMPAL Strategy.

**2. Exchange of views on the outcomes on the MTR meeting.**

All participants agreed that the meeting was very effective and everyone was fully satisfied with the results. Ms Valkova emphasized the need now to focus on the period after the strategy (ie post 2017), and encouraged the COPs to initiate their own discussions in preparation. She noted that the work undertaken in the meeting provided good background for the next cross-COP Executive meeting next year which should address the development of the next strategy. Ms Valkova also supported the group’s decision in light of resourcing constraints, to drop the recommendation suggested by the Russian Federation Ministry of Finance, of trying to understand the drivers of PFM reform in each member country.

Ms Elena Nikulina highlighted the timeline required to develop the next strategy with work needing to begin soon to formulate an agreed vision within a year. Ms Irene Frei proposed to confirm the timeline for development of the next strategy: who, when and what should be done.

General discussion was held on what the next steps should be, and what outputs would be required to finalize the results of the MTR, and it was agreed that the decision of the COP Executive Committees, regarding an addendum be added to the PEMPAL Strategy outlining the results of the meeting, and the amended suggestions for improvement be supported. It was also agreed an additional, brief document was required to promote the results of PEMPAL.

**Conclusions**

* The MTR report should be revised to incorporate the results of the Executive meeting by end-August.
* Addendum to the strategy to be prepared, and circulated for virtual comment and approval together with an amended Table 1 of the MTR report attached by end August.
* An additional document should also be prepared focusing on results, as part of promotional activities for PEMPAL to assist in gaining future financing. Expected timing of readiness of the document – by the next year Executive meeting.
* A timeline for developing the next strategy should be prepared, including outputs required and responsibilities. No timing was agreed but it is suggested it be done for the next Steering Committee meeting in late October/early November.

**3.** **Presentation of the IACOP Strategic Plan (Edit Nemeth, IACOP Chair).**

Ms Edit Nemeth presented the new mission of IACOP **(Annex 1)** of establishing a modern and effective Internal Audit (IA) system that meets international standards and best practices and is a key for good governance and accountability in the public sector. She noted that this mission had not changed from the previous plan except for the addition of good governance and accountability given its importance in IA work. She presented the Strategic Plan which uses a balanced scorecard approach with objectives across internal processes, financial, customer and learning and growth categories. Ms Nemeth outlined IACOP’s objectives which are fully aligned to the PEMPAL Strategy 2012-17. Values of unity in diversity would also be promoted.

She also outlined the strategic priorities for FY 16-17 which included the finalization of work by two working groups on the relationship with financial inspection and external audit (RIFIX) and quality assurance. Two new working groups would also be established, related to financial management control; and the audit cycle. These topics were chosen as priorities by member countries in the plenary meeting at Bucharest where members were asked to choose the three highest priorities for IA reform. Ms Nemeth also presented the publications of IACOP’s knowledge resources which included seven products in total. These knowledge products provided high value to the 23 member countries of IACOP and the community has also produced over 100 knowledge products in total including communiques and other resources. She advised that IACOP will continue to use event formats such as plenary meetings although working groups, study visits and peer advisory missions were proving useful formats. The use of video-conferencing was also a useful and cost effective approach to meetings. Ms Nemeth noted that the peer advisory missions, whereby a panel of member countries use the quality assurance methodology developed by PEMPAL, to assess a country’s performance and advise them of areas of improvement, could be a revenue generating activity in the long term. Reverse study visits were also being used whereby a member country invites other member countries and experts to examine their reforms and provide recommendations.

Ms Nemeth raised the issue of copyright and Mr Arman Vatyan (IACOP resource team, World Bank) emphasized that a knowledge product currently under preparation was the first in the world (involving assessing IA at the country level), and there was a risk that private companies would take the credit and sell the product. Ms Valkova suggested to check if the Trust Fund agreement provides any guidance on intellectual property rights of the products produced by the network. From discussions that were held on this issue, it was suggested that the legal department of the World Bank be consulted. However Ms Nikulina noted that PEMPAL documents are not World Bank documents so Bank procedures do not apply but a disclaimer could be placed on all knowledge products stating that permission of the authors was needed to reproduce or distribute the product. Ms Deanna Aubrey suggested that the IMF form used for such a purpose could be used as a guide to develop something similar for PEMPAL. Mr Adrian Fozzard indicated that if PEMPAL thought there may be an advantage of using Bank processes, the Bank could investigate the feasibility of this.

Concerns were also raised that if the network is producing products, these are essentially global public goods, so it would be difficult to sell them. It was noted that CABRI was currently investigating selling their products so their approach and that of other networks such as OECD could be explored in the future. It was also noted that it was a positive development that PEMPAL products were in demand, and IACOP provided an example of one product being requested by Brazil to be translated into Portuguese. Mr Marius Koen advised that such requests should be captured and reported in the Annual Report. Ms Valkova also advised that PEMPAL knowledge products should be widely distributed through IMF, OECD for example and that PEMPAL could display them in a promotional booth at annual meetings.

Ms Nino Tchelishvili asked Ms Nemeth how the themes have evolved in the working groups and how does the COP know when the work has been completed or should be revisited in the future. Ms Nemeth responded that each theme usually takes 2-3 years to complete, and involves learning by doing whereby the IACOP member countries develop their own methodology through debate and discussion (with the input of experts where needed, although it was emphasized that the products were being developed and owned by member countries). The draft methodology is then applied to member countries and is further refined through this experience. Once the methodology has been sufficiently tested, applied and modified it is captured in a knowledge product and the work is deemed to be completed.

Ms Gelardina Prodani asked Ms Nemeth about the process of developing the plan, given BCOP are about to begin such an initiative. Ms Nemeth advised that the Executive Committee allocated a few days to discuss and debate the strategic objectives, to ensure ownership of the plan by the Committee.

Ms Nikulina noted that COP action plans are prepared at different times and strategic information should be presented at same time when the budgets are requested. It was noted that the format of all plans differ and that it would be beneficial if the formats were standardized for all plans. Ms Aubrey noted that BCOP’s plan was developed using the format applied by TCOP and it would also draw on the format used by IACOP in its strategic plan.

**Conclusions**

* PEMPAL products should not be considered for sale at this stage. They should also be widely distributed including at annual meetings at a PEMPAL booth promoting the network.
* A disclaimer should be placed on all relevant PEMPAL products, stating that permission is required for reproducing or distributing the document. The IMF form used for IMF products would be provided to IACOP, as a guide.
* Such requests for the use or distribution of PEMPAL documents should be captured and reported in the Annual Report.
* Formats of strategic and action plans could be standardized and the timing for their preparation be adjusted so that information is available to the Steering Committee when considering budget allocations.

4**. Discussion on the new Secretariat model.**

Ms Nikulina presented 3 options for the Secretariat **(Annex 2)** assignment and their relevant estimated costs:

* Option 1 – find a new contractor, arrange a tender.
* Option 2 – split the package into several services.
* Option 3 – internal WB services, make a permanent arrangement for 2 years.

Ms Nikulina noted that the previous provider was still delivering IT services given it was outsourced by the CEF with no technical guidelines available and it was not possible to do the transfer within the timeframes involved. Ms Nikulina noted that the website was based on an outdated platform and if the World Bank is to host the platform, it would require a redesign.

A general discussion was held on the benefit and costs of each option. Ms Frei noted that if the SC would opt for a tender, i.e. option 1 or 2, it would be preferable that PEMPAL only liaise with one agency, and that agency be the one who manages the other sub-contractors.

Given the time it would take to issue a tender (i.e. 6-8 months), it was noted that by the time the contractor started there would only be one year for delivery of the service given funding had not been confirmed after the strategy period from June 2017. Thus, within these constraints, it would be difficult to attract a provider given it would take considerable time for them to build capacity. Mr Koen indicated it would be irresponsible to expect a business to take on a contract for only one year, and that it would charge an extra levy for such a short term, and this would not be effective use of donor funds.

Ms Frei explained that in her view an external Secretariat provided a certain kind of independence for the network and therefore requested the views of the member countries whether there were any concerns about the World Bank taking over the function as an interim measure. Ms Nemeth raised concerns with the quality of service noting CEF took with them considerable corporate knowledge when it decided to not renew the contract with PEMPAL. Ms Nikulina responded noting that it took considerable time to train CEF and the resource team still had significant oversight duties for some of the more strategic outputs such as annual reports and newsletters. She noted that the delivery model could be revisited as part of the strategic framework for the next strategy. She also noted that there has been a transition period to hand over the service, which is almost finished and she and Mr Ion Chicu also spent several days onboarding the new team recently in Moscow. However, IT and the website will require more time to be fully transferred for reasons noted earlier.

Mr Vugar Abdullayev noted that it was too early to judge the quality of the interim team provided by the World Bank although the logistics of this event appeared to run smoothly. He noted that it took CEF 1.5 years to be fully on board, so Option 3 would appear the most feasible, given timing constraints of issuing a tender. Ms Anna Belenchuk noted it would be difficult to find a vendor for the rest of the strategy given it was such a short time period, and thus it would be better to minimize administrative costs associated with such tender processes.

Ms Valkova noted advantages of Option 3 to the Ministry of Finance of the Russian Federation, as it would be good to promote within the Russian Federation that the World Bank is providing Secretariat services and this would be a significant in-kind contribution. Ms Nikulina noted that the costs of the interim team would come from the trust fund but additional advice and support to ensure the quality of services would be given from the rest of the Bank team. She also advised that it might be not feasible for the Bank to take on the function for more than two years, so more thinking on possible providers should be done in the context of the next strategy. Mr Fozzard noted that there was good reason to have an independent Secretariat but it would be difficult to find a vendor in the time period remaining and it may be necessary to prepare the market, and investigate if a Ministry of Finance of a member country would be willing to undertake the function. He noted that recent World Bank work on capacities of Ministries of Finance in ECA could be used to see if this could inform criteria for choosing a new Secretariat.

**Conclusions**

* Ms Valkova wrapped up the discussions noting it was agreed that Option 3 was the only feasible option within the existing constraints, and asked the World Bank to take on the Secretariat role for a transition period to June 2017. Confirmation was requested by the World Bank HR and from higher management whether this request can be formally accommodated.
* As part of the preparations for the next strategy, COPs should reflect on what sort of Secretariat model they would like, and options available in the market should be explored.

**5. PEMPAL finances**

Ms Nikulina, presented the actual financial results for FY 15 of the PEMPAL budget under World Bank administration, FY 2013-2017 **(Annex 3)** which now shows no financing gap. She noted that the budget for Vienna event was expected to be overspent as the prices were higher then was planned initially. Also the document included commitment costs for FY 16 and indicative estimates for FY17 (not yet approved by the Steering Committee).

In addition Ms Nikulina presented the actual FY15 spending on the COP’s budgets **(Annex 4)**. Ms Maya Gusarova confirmed BCOP savings for Armenia and Poland events, noting also that cost sharing with OECD was achieved for the SBO meeting in Warsaw with sharing of some flight and translation costs, and holding a back to back meeting of the budget literacy working group in the same location. Ms Nikulina reminded everyone that all COP budgets for FY16 would be 330,000 USD except for BCOP whose request to carryover 75,000 USD from FY15 was approved by the Steering Committee earlier in the year (given delay in establishing BCOP working groups) thus its budget was 405,000 USD. Ms Valkova commended that savings were achieved and noted that there was still room for continued improvement in budget planning.

**6. Closing the meeting**

The meeting was closed by the Chair and all participants were thanked for their active contribution. Participants were also introduced to the new Secretariat team members.

**Conclusions**

* The next meeting will be held in the week of 27 October, and confirmation sought on the preferred date a month before.

**Annexes**

**Annex 1: IACOP Strategic Plan FY 2016-2017**

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**Annex 2: Options for secretariat model for PEMPAL**

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**Annexes 3: PEMPAL budget under World Bank administration, FY 2013-2017**

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**Annex 4: Final update on COP’s budgets**

