



# **PEM PAL Secretariat Annual Report 2010**

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## **PEM PAL Secretariat - Annual Report for 2010**

### **1. Background**

In line with the Rules of Operation of the PEM PAL network, the Center of Excellence in Finance (CEF), acting as a PEM PAL Secretariat, provides the Steering Committee the annual report on the progress of activities and financing during the twelve-month period commencing on January 1, 2010 and ending on December 31, 2010.

This report has three main objectives:

- To highlight the challenges and results of the PEM PAL in the period from 2006 to 2010;
- To present PEM PAL activities and financing during 2010;
- To provide some suggestions for further work.

### **2. The PEM PAL network: Making a difference**

#### **2.1. Context**

In response to huge capacity development needs and severe institutional and human resource constraints, the World Bank and DFID launched the PEM PAL initiative in 2006 to develop a network of practitioners and institutions involved in public financial management reforms. The network now consists of three Communities of Practice (COPs), for budget (B COP), internal audit (IA COP) and treasury (T COP). They are led by leadership groups (Executive Committees, EC), committed to coordinate and promote activities and change. The COPs' activities include plenary events, workshops, study visits attended by the COP members as well as face-to-face and video conference meetings attended by their leadership groups.

The Steering Committee (SC) includes representatives of development partners, the COPs leadership, the community facilitator and the PEM PAL Secretariat. The SC approves the work plan and budget and provides a forum for consultation and cooperation. It is currently chaired by the SECO representative.

The PEM PAL Secretariat executes various tasks in support of the COPs and SC work program, facilitates ongoing dialogue via telecommunication platforms (including the PEM PAL web page) and produces reports on activities. The Secretariat was transferred from the World Bank to the CEF in January 2008.

Community facilitator was appointed in October 2010 to promote further development and growth of the PEM PAL network.

#### **2.2. The PEM PAL network: Using experience of the peers to facilitate change**

The PEM PAL initiative promotes conversations among practitioners on best practices to support capacity development in public financial management. Focusing on lessons learned and case study discussions, it complements traditional training methods predominately addressing general concepts and theory. Action plans and work agendas designed by the PEM PAL participants make its knowledge exchange demand driven and directly applicable. Resolutions and communiqués –

that summed up recent conversations -- incorporate a sense of ownership and accountability for change. Such an approach has proved helpful for dealing successfully with both complexity of the professional standards and weaknesses in institutional capacity. Besides, it promotes South-South cooperation, which has been recently gaining momentum as an important method of development assistance. Ownership, desire to learn, commitment and acknowledgment oil the wheels of the PEM PAL network. Regular interactions among the members of a COP are essential, so is support and recognition by their organizations for their contribution to the COP's work. A community facilitator can play an important role by facilitating linkages and relationships between the members. Informal networks that foster mutual learning are one of PEM PAL's most important pillars because they connect experience and spread it among the peers.

The three COPs within the PEM PAL create networks among the practitioners from South East Europe and Central Asia. These practitioners share common knowledge and understanding of the topics, but often approach them from different perspectives. This makes the discussion among them richer, and a solution seeking process more creative. Resource persons, participating in each conversation, contribute global knowledge and provide guidance, if needed. New communication tools (e.g., wiki) allow for a more inter-active information exchange, facilitate access to body of knowledge of peers and connect geographically distant members. Awareness raising activities, such as thank you letters to the Ministers informing them of the topics discussed in events, increase visibility and relevance of the PEM PAL initiative.

### **2.3. Evolution of the PEM PAL network from 2006 to 2010**

The activities of the PEM PAL initiative and its three COPs have gradually evolved over time (see Attachment 1). In the first phase, from 2006 to 2008, the focus was on setting up the structure of information sharing, defining commitments to joint agendas, developing the work programs and forming leadership groups. Individuals have been identified to carry the initiative further. Many positive developments have helped set the stage for deepened collaboration. However, to certain degree, the network seemed to be preoccupied with organizational matters, and the program implementation stranded with occasional inactivity.

Activities gradually took off in 2009 and intensified in 2010. The key factors contributing to this was increased frequency of events, results oriented approach, strengthened support of resource people, focus on relevant topics, increased participation at the events, and, in the internal audit COP, involvement of moderators to facilitate the discussions. Also important were the increased trust and emerging collective commitment to strengthen collaboration and mutual learning.

## **3. Financing**

The PEM PAL network is supported by grants and in-kind contributions of several sponsors, who recognize that capacity development may be costly, but that the opportunity cost of the absence of capacity upgrading could be much higher.

### **3.1. Financial contributions in the period from 2008 to 2010**

The World Bank has provided three grants through its Development Grant Facility (DGF), DGF2008, DGF2009 and DGF2010 in the amount of USD 300.000, USD 300.000, and USD 175.000, respectively. InWent has supported IA activities (accommodation and translation/moderation cost) in the amount of USD 57.748 in 2009, and in the amount of USD 81.098 in 2010. SECO has

committed USD 190.000 in 2007 and USD 800.000 in 2009. Russian authorities have pledged USD 2,000.000 in 2010 through the World Bank managed Multi Donor Trust Fund (MDTF).

Financing from DGF2008, DGF2009 and DGF2010, InWent and part of the MDTF is being channeled through the PEM PAL Secretariat. This financing covers the immediate cost of the PEM PAL activities mostly related to logistics (such as travel, accommodation, translation/moderation cost) and the cost of the Secretariat. The remaining part of the MDTF and SECO contribution are being administered by the World Bank to cover the cost of resource persons and a community facilitator.

Table 1: Available financing and costs of logistics (incl. Secretariat cost) for the PEM PAL initiative in the period from 2008 to 2010, amounts in USD\*\*\*

<b>2008</b>		<b>2009</b>		<b>2010</b>	
<b>Available</b>		<b>Available</b>		<b>Available</b>	
DGF2008	300.000	DGF2009	300.000	DGF2010	175.000
		DGF2008	74.320	DGF2009	111.302
		InWent	57.748	InWent	81.098
		Total	432.068	MDTF	53.663
				SIGMA	707
				Total	421.770
		MDTF*	242.214	MDTF*	395.406
<b>Spent/logistics**</b>	****268.886	<b>Spent/ logistics</b>	321.339	<b>Spent/ logistics</b>	421.770
o/w Secretariat	81.750	o/w Secretariat	76.765	o/w Secretariat	75.000
Secretariat/total	30%	Secretariat/total	24%	Secretariat/total	18%

Note: \* Actual amounts of donor funds available at PEMPAL MDTF account with the World Bank as of the beginning of the respective calendar year. SECO pledged at the end of 2009 a contribution of USD 800.000 to PEMPAL MDTF to be provided in installments till end-June 2012. Russian authorities pledged a contribution of USD 2 million in 2010 to be provided in installments till end-June 2012. The MDTF balance available at the account as of January 2011 is USD 1.356.026. \*\* Spending amounts include Secretariat expenditures only (not the direct spending made by the WB from the MDTF account). \*\*\* End-calendar year exchange rates for USD/EUR apply. \*\*\*\* Amount includes an estimated accommodation cost for the plenary for USD75.000 settled directly by the WB.

### 3.2. Spending and financing in 2010 (as recorded through the PEM PAL Secretariat)

The Attachment 2 provides an overview of expenditures and financing for the COPs activities broken down into four categories: transport, accommodation (incl. food), translation/moderation and other. Financing for these activities and for the PEM PAL Secretariat work has been provided from five sources: DGF 2009 (USD 111.302), DGF 2010 (USD 175.000), InWent (USD 81.098), WB Multi-Donor Trust Fund financed by the Russian authorities (USD 53.663), and OECD/SIGMA (USD 707; substantial in-kind contribution by OECD/SIGMA is now shown here).

### 3.3. In-kind contributions

Many sponsors, including the World Bank, OECD/SIGMA, InWent, International Monetary Fund, GTZ, the UK Department for International Development, the US Department of the Treasury, and others, have at various times offered valuable in kind support to the PEM PAL initiative by providing expertise and guidance, and by facilitating the PEM PAL activities. Valuable support since the launch of the PEM PAL initiative has also been provided by the authorities hosting events and study visits (Armenia, Croatia, Georgia, Ireland, Lithuania, Moldova, Montenegro, Romania, Slovakia, Slovenia, Tajikistan, Turkey and Ukraine).

#### **4. Implementation highlights in 2010**

The following activities, in particular, marked PEM PAL operations during 2010. The Attachment 3 provides a more detailed overview.

##### **4.1. Action plans and budgets until mid-June 2012 have been developed.**

During 2010, all three COPs developed their action plans and budgets for the period until mid-June 2012.

##### **4.2. Guidelines for PEM PAL events and study visits have been approved in October.**

The SC has approved two new Guidelines to define procedures and criteria, one for organizing PEM PAL events, and another for organizing study visits. Three important elements are common to both event and study visit organization: (i) clearly spelled out objectives; (ii) reporting to peers: and, (iii) evaluation of the outcomes. The Guidelines provide for two types of study visits, one where the financing is secured from the COP budgets (Type A study visit) and one where financing is provided from a special budget line (Type B study visit). PEM PAL covers study visits for up to 10 participants, and lasting up to four working days.

##### **4.3. Preparations for the 2011 PEM PAL Plenary in Zagreb, Croatia (January 26 – 28, 2011) started in October.**

An organization committee was set up in October to oversee content and technical preparations for the Plenary of all three COPs. A concept note, benefiting from extensive consultations, was prepared to define objectives and agenda, and to frame a discussion on the overarching theme addressing “Managerial accountability in budget execution” and its two related topics: (i) arrangements that motivate managers to improve delivery of services; and, (ii) quality of budget formats and reporting and how they contribute to decision making.

##### **4.4. Changes to Rules of Operation (RoO) were approved in December.**

Six amendments to the RoO (initially adopted on March 1, 2009) were approved in December. Three of them were aimed to define the role of a community facilitator, regulate attendance at the PEM PAL events (reimbursement for travel and accommodation cost might be requested for non-attendance) and attendance at the SC meetings (chairs and/or members of the EC are expected to attend). The remaining three regulated promotion of the PEM PAL network, hosting of the PEM PAL Plenary meetings and membership in COPs (to be linked to the area of work).

##### **4.5. Community Facilitator, Ms. Deanna Aubrey, has assumed her position in December.**

Ms. Aubrey will help provide focus and assistance to the COPs, facilitate events preparation and support capacity development.

## 5. Measuring performance and impact

COPs activities can be measured in a number of ways, e.g. by linking performance (e.g., number of activities and participants) to financing sources, or relying on other indicators, like administration cost, donors' commitment or survey results evaluating COP members' approval of the initiative and its impact.

### 5.1. Performance measured against costs for logistics, donor commitment and Secretariat cost

#### 5.1.1. Performance indicators

Table 2: Performance indicators

	2008	2009	2010
No. of activities/participants (COP, EC/SC members)			
• Events	1 / 110	10 / 160	6 / 156
• Study visits	-	-	3 / 22
• EC and SC meetings	2 / 21	4 / 52	7 / 71
Spending on logistics (incl. Secret.), in USD	268.886	321.339	421.770
Secretariat cost, in %	30%	24%	18%
No. of donors w/ grants	1	2	5
No. of donors w/ in-kind contribution	5	6	6
Cost per participant /events + study visits	2.444	2.008	2.369
Cost per participant /all activities	2.053	1.516	1.694

#### 5.1.2. Cost for PEM PAL activities (travel, accommodation, translation/moderation) and the Secretariat work

The Table 2 shows an upward trend in terms of participants and total costs during the period from 2008 to 2010. The average cost per participant (considering events and study visits only) first decreased from USD2.444 in 2008 to USD2.008 in 2009, and then increased to USD2.369 in 2010. The trend is the same for the average cost per participant considering all activities (also including SC and leadership groups meetings). It decreased from USD2.053 in 2008 to USD1.516 in 2009 and then increased to USD1.694 in 2010.

The increase from 2009 to 2010 could to certain extent be attributed to the PEM PAL events moving closer to PEM PAL members. In 2009, of ten events, eight were held in Slovenia, where special arrangements could be made for hotel and meals. In 2010, of eight events two were held in Slovenia, while the others in other ECA countries, with comparably higher prices for hotel, meals and conference facilities. Notwithstanding higher costs, there are certainly merits of such a move in terms of increased visibility, ownership and continuity of the PEM PAL initiative.

#### 5.1.3. Cost of the Secretariat in relation to amounts spent on organization of PEM PAL activities

Given the slight decrease in nominal compensation for the Secretariat's services, and concurrent increase of amounts spent for PEM PAL activities, the share of the Secretariat cost in total spending for PEM PAL activities on logistics decreased from 30 percent in 2008 to 24 percent in 2009, and to 18 percent in 2010.

#### 5.1.4. Donor commitment

There has been a strong donor commitment to the PEM PAL from its launch on. The number of donor contributors providing financing increased from initial two (World Bank, US Treasury) to five in 2010 (DGF, SECO, InWent, the Russian Federation, OECD/SIGMA). So did the number of donors providing in-kind contribution, from 5 to the current 6 (World Bank, OECD/SIGMA, IMF, SECO, InWent, GTZ).

## 5.2. PEM PAL survey

Survey conducted in January 2011 at the occasion of the 2011 Plenary meeting collected answers from 90+ participants on different aspects of the PEM PAL initiative. Questions inquired about their participation, interest and impact of the PEM PAL on their daily work<sup>1</sup>.

Survey results indicate the following:

### 5.2.1. High visibility and relevance of the PEM PAL initiative.

Participants believe they are well informed about the objectives and activities, and they are excited about being active members of the PEM PAL network (grade 4.3 on the 1 to 5 scale). Practically all (98 percent) found experiences of their peers useful and had applied them in their daily work, or intend to do so in the future. Many informative comments provided by the participants demonstrate that knowledge acquired in COP discussion is being used widely and that participants benefited greatly from PEM PAL's wealth of experience and information exchange.

### 5.2.2. Communication among the COP members is good, but there is still scope for improvement.

About three of four participants confirmed they were regularly in informal contact with other PEM PAL members. While this response is still positive (grade 3.3 on the 1 to 5 scale), it denotes some weaknesses in communication among the members, which could be further examined.

### 5.2.3. Participation in the leadership tasks, COP discussions and other value-enhancing activities should be stimulated.

Halfhearted response (grade 2.9 on the 1 to 5 scale) to the question about participants' contribution to the COP leadership or COP discussions is a bit surprising and deserves to be analyzed in more detail. Namely, some 40 percent of participants seem to be reluctant to take the lead in COP discussions or management of activities.

### 5.2.4. The PEM PAL members tend to use the PEM PAL webpage regularly (grade 3.4 on the 1 to 5 scale).

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<sup>1</sup> How do you rate your participation in PEM PAL network? How have you been active in the COP in 2009 and 2010? How have you used the experiences of your fellow COP members or other learning in the COP to design, recommend or implement reforms in your area of practice in 2009 and/or 2010? Give an example of how your participation in COP has influenced your practice.

- 5.2.5. There is some continuity in the PEM PAL participation (60 percent of participants have attended at least one PEM PAL event), but more than half did not take part in hosting any country exchanges.

### **5.3. PEM PAL web page evaluation**

In order to analyze the PEM PAL members' views on the functionality of the PEM PAL site the PEM PAL Secretariat performed a short web-based exit survey in September 2010. The survey was sent to 264 PEM PAL members out of whom 65 responded. These were the findings of the survey:

- (i) Overall, the PEM PAL members are satisfied or very satisfied (73%) with their experience with the site.
- (ii) Most PEM PAL members use the website on a monthly basis (39%), followed by those who use it either weekly (30%), or less than once per month (25%). The percent of those who have for the first time visited the PEM PAL website only for the purpose of responding to the survey was low (5%), indicating that the majority of the PEM PAL members used the site and browsed through its contents.
- (iii) In general, PEM PAL members confirmed that they would likely or very likely return to the website (85%), and that they would recommend the site to their colleagues as well (77%).
- (iv) The main reason why members visit the site was to learn about the latest news on PEM PAL network activities and developments (85%), and to browse through the announcements of the forthcoming events (75%). Many of them also visited the site after the events to download the Power Point Presentations and other materials used during workshops (47%).
- (v) Based on the previous experience PEM PAL members have with other sites they in general rate the design, functionality, interactivity and available contents as satisfactory (22%, 28%, 17%, 18%, respectively).
- (vi) The biggest challenges identified with regard to the PEM PAL site include lengthy downloads (38%), followed by weaknesses in the organization of the site and complicated navigation through the contents (each 35%).

In response to the survey, the PEM PAL Secretariat reorganized the PEM PAL web site effective November 2010 to facilitate navigation and improve the site's design.

## **6. Lessons learned**

The PEM PAL's track record is satisfactory. COP members find it relevant and consider it a reliable tool for generating policy and institutional change. Horizontal networks that it builds have contributed considerably to information exchange and have helped develop new valuable solutions. PEM PAL has fostered partnerships and collaboration, and has established itself as a new model for knowledge exchange and a dynamic element of a new global governance structure.



Seven overarching lessons stand out from the past experience, providing guidance for future engagement.

First, *an enthusiastic leadership group is a crucial element for an effective operation of a COP*, for incentivizing the activities, building mutual accountability and for taking the agenda forward by the COP, without relying too much on external support. It contributes to trust and enthusiasm of a COP activity, which is essential for the success of the network. Incentives should be provided to encourage greater involvement in the leadership group and COP discussions, also to facilitate path to sustainability of the PEM PAL network.

Second, *COP members should be allowed more time for engagement in the PEM PAL activities*. Their interest in the possibilities for capacity development it offers does not appear to be in line with their ability to take an active part in the leadership group or COP discussions. It seems that daily operations and preoccupation with national challenges are leaving many of them with insufficient time to engage in COPs activities. Besides, understanding on the part of some of their managers for a rather informal interaction with their peers on challenges of other countries seems not to correspond to the value added it brings to their teams.

Third, *technology that helps disseminate knowledge and enhance communication has to be tailored to participants' possibilities and their IT environment*. Despite its cost-efficiency, COP members do not see videoconferencing as a substitute for face to face meetings, which they consider vital for building relationships among the COP members. Use of some communication tools (e.g., Adobe Connect) might be constrained by limitations in the local IT systems, thus excluding certain segments of the COP membership from communication. Also, while wiki is quite popular in the IA COP, other two COPs apparently find it difficult to use.

Fourth, *resource persons, community facilitator and moderators can help realize a full potential of the PEM PAL network*, by providing guidance, helping with agenda setting, managing discussions and relationships. They should be involved early in the preparation of events, but they should take the back seat, where possible, to allow the COPs to manage the process.

Fifth, *sustainability of the PEM PAL initiative should be envisaged and planned*. To this end, donors and PEM PAL member countries must look at ways to enhance the impact of the COP activities and secure a continuous interaction and initiative by the COPs themselves. Sense of leadership and accountability should be further reinforced, and a core group of coordinators should be formed to gradually take the initiative forward.

Sixth, *PEM PAL events should be organized across the South East Europe and Central Asia region to allow a wide participation of COP members in country exchanges* and to strengthen the sense of collaboration. In this context, additional incentives should be provided for a study visit program.

Seventh, *innovative solutions should be designed to make the network more attractive and robust*. Virtual library would be one important step in this direction, and interaction across the three COPs another. Given a high turnover of operational staff, ways to secure continuity of the PEM PAL network should be considered (maybe by allowing, as a general rule, participation of three, instead of two, country representatives at the PEM PAL events).