

MINUTES

PEM PAL Steering Committee meeting December 13, 2012; Video Conferencing

1. Present

Members: Salome Steib (Chair, SECO), Diana Grosu Axenti (IA COP Chair, Moldova), Angela Voronin (T COP Chair, Moldova), Konstantin Krityan (B COP Deputy Chair, Armenia), Elena Zyunina (Ministry of Finance of the Russian Federation), Joop Vrolijk (OECD/SIGMA), Elena Nikulina (PEM PAL Task Team Leader, The World Bank), Marius Koen (The World Bank);

Permanent Observers to the Steering Committee (SC): Deanna Aubrey (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), Nataša Verbnik and Tamara Maisuradze Simić (both PEM PAL Secretariat).

2. Welcome and outline of the Steering Committee meeting agenda

The chair welcomed everyone attending and confirmed the agenda for the meeting.

3. PEM PAL Rules of Operation

3.1. Background

The SC discussed changes to the Rules of Operation (RoO) at its September meeting. At the request of the Chair of the SC, the Secretariat subsequently prepared a revised and much more concise version. This was followed by the establishment of a small working group that had since then worked on the new draft to ensure that the core principles that were approved at the September SC meeting were incorporated, and to keep the text streamlined and concise. The Guidelines for study visits and events have been included as Annexes; they remained unchanged (apart from a few editorial changes).

3.2. Discussion

The discussion (and not the decisions taken) focused on the following elements (Reference: December 2 version of the draft RoO):

- (i) Article I, Section 3, Membership: Suggestion was made that after the listing of countries the following sentence be included: "Eligibility for country membership is considered by the SC through written application which will be considered within a month of submission."
- (ii) Article II, Section 2, Community of Practice: View was that "public finance reform" should be used instead of "public financial management". Others pointed out that "public finance reform" is not widely accepted by the donor community and is inconsistent with the term (PFM) that we have in our PEMPAL Strategy.
- (iii) Article II, Section 2, Members of the COP, Membership eligibility: Views were exchanged on how to establish the COP membership eligibility. Should a broader ("broader functional areas of the existing COPs") or so called Paris definition ("functional areas of budget planning, execution and internal control") be used, or should thematic areas be listed ("budget, treasury, internal audit")? Should a more principle base, concise and clear definition be used? There was a concern that a broader definition would allow too many people to qualify, or even create a potential for another COP. On the other hand there was a strong suggestion to opt for a broader definition now, and to move to another definition later down the road. Treasury, by itself, already includes a wide array of areas, such as IT, accounting, debt management, etc.; similarly, internal audit. One should be careful with new definitions, but nevertheless remain flexible. One speaker said that some

- stakeholders might question the terminology used in COPs discussions. Another speaker stressed that PEM PAL is about experience sharing, and that terminology used by the COPs might not always be in conformity with stakeholders' standards.
- (iv) Article II, Section 2, Executive Committee, Representation: Clarification was sought about the following wording: "nine country representatives, with no more than one representative per country having a voting right". Does it mean that there are nine different countries represented in the Executive Committee? If there are less than nine, what implications does this have for the election of the Chair? As this wording may in fact read a little strange it was agreed that it would be clarified in the Rules of Operation.
 - (v) Article II, Section 2, Chair of a COP, Term: The following change was proposed: "The Chair shall be elected for one year, ~~and may be re-elected for another year.~~" Some speakers wondered whether the initially proposed definition implied a two year term? Would a re-election (e.g., for one year) after the first two years be possible? In general, the speakers agreed that the chairmanship should not end after one year but should also not last too long.
 - (vi) Article II, Section 3, Steering Committee, Membership: There was a concern that the existing prerequisite for a donor to qualify for the seat in the SC ("annual in-kind assistance of USD 100,000 or more") is not practical, and could not be easily verified. Expressing the in-kind contribution in exact figures would require revealing experts' salaries. Using "substantive contribution to all three COPs" would make more sense.
 - (vii) Article II, Section 3, Steering Committee, Decision making: Several speakers maintained that keeping both consensus and majority voting in: "The decisions of the SC shall be adopted by consensus. If, however, consensus is not possible, the SC shall take decisions by a simple majority vote of those members present." could be confusing. However, if there is preference for simple majority, the WB's veto should be allowed.
 - (viii) Article II, Section 4, WB TTL, Activities: View was that fundraising should be explicitly mentioned among the WB TTL's activities.
 - (ix) Article II, Section 6, PFM Adviser, Definition: The following alternative wording has been suggested „The PFM Adviser is primarily responsible for activities of PEMPAL that involve all three COPs (ie Cross-COP events). S(he) is also a shared resource available to the ECs and the SC and can be directed to undertake policy, research and resource team related tasks to support the work of PEMPAL, as required." instead of "The PFM Adviser is responsible for supporting and advising the ECs and the SC; assisting the COPs with their learning agendas; contributing to preparation of the strategies by the Secretariat and the SC to attract new sponsors, and promoting PEMPAL to sponsors' local offices." Several speakers also felt that the *Article II, Section 6, PFM Adviser* and *Article II, Section 7, Resource team* should be merged.
 - (x) Article II, Section 8, Alumni: The Section should specify how PEMPAL would like them to be involved.
 - (xi) Article III, Section 1, Events, Participation: View was that participation should be limited to "two people per PEM PAL member country" only for COPs plenary meetings, and not also for other (e.g., small group) meetings, where the decision about participation should be made by the COPs.
 - (xii) Article IV, Section 2, Financing activities, Reimbursing by non-attending participants: Wording "The Secretariat shall request a member of the COP to reimburse the PEMPAL for travel and accommodation expenses in case of non-attendance of more than one quarter of sessions of the COP activity without an acceptable justification" should be dropped because measuring "one quarter" would be difficult in practice.
 - (xiii) Article IV, Section 2, Financing activities, Participants from "High Income Countries": The existing provision that "Members from "High Income Countries" (as per the World Bank definition) are expected to actively contribute (financial or in-kind) for participation in PEM PAL activities" triggered a debate on how the expenses for experts from countries like Hungary, Poland, Estonia, who deliver a presentation at COPs events, should be covered. So far, OECD/SIGMA paid for the experts participating for the first time. One donor stressed that "high income countries" should not benefit from PEMPAL, and that only countries in need should be targeted. There was a broad support to move the provision from *Article IV, Section 2, Financing activities* to *Article I, Section 3, Membership*.
 - (xiv) Editorial: The following references should be revisited: (i) "Bosnia" to "Bosnia and Herzegovina"; (ii) "Russia" or "Russian Federation" to be aligned with the WB terminology; and, (iii) "CEF" in the Guidelines to "Secretariat.
 - (xv) Guidelines for study visits and events should be reviewed in light of recent experience.

3.3. Conclusions

- (i) Article II, Section 2, Members of the COP, Membership eligibility: A drafting team (including M. Koen, J. Vrolijk, A. Vatyán, E. Nikulina) to agree on appropriate definition.
- (ii) Article II, Section 2, Chair of a COP: Re-election of a Chair for another year shall be allowed.
- (iii) Article II, Section 3, Steering Committee, Membership: The wording „annual in-kind assistance of USD 100,000 or more“ shall be changed to „substantive contribution to all three COPs“.
- (iv) Article II, Section 3, Steering Committee, Decision-making: The SC's decision shall be taken by consensus only. The WB veto shall be allowed in case that no consensus is found.
- (v) Article II, Section 4, World Bank Task Team Leader, Activities: „Fundraising activities“ shall be made part of the WB TTL definition.
- (vi) Article II, Sections 6 and 7 (PFM Adviser and Resource team) shall be merged.
- (vii) Article III, Section 1, Events, Participation: Max two people in „COP plenary“ events shall be allowed; participation in other events shall be decided by the Executive Committees.
- (viii) Article IV, Section 2, Financing activities, Participants from „high income countries“: Sentence „Members from „High Income Countries“ (as per the WB definition) are expected to actively contribute (financial or in-kind) for participation in PEMPAL activities“ shall be moved to Article I, Section 3, Membership.
- (ix) Guidelines for study visits and events shall be revisited by a drafting team including E. Nikulina, D. Aubrey and S. Maver.
- (x) Comment period for zero draft version (to be circulated by M. Koen) until January 15, 2013, and the clean version to be finalized by end January by same drafting team mentioned directly above.
- (xi) OECD lawyers shall be requested to review the clean version.
- (xii) New draft RoO to be ready for adoption at the next SC meeting.

4. Update on funding

The WB TTL updated the SC on available resources and planned spending for PEMPAL activities.

Available resources: As of December 2012, total confirmed resources available for FY13 spending amount to USD 2,443 K, including contributions of USD 973 K from SECO and USD 1,900 K from the Russian MoF. For FY13-16, additional contributions in the amount of USD 3,892 K are expected from SECO, plus there is a great chance that USD 950 K is confirmed by the Russian MoF by the end of 2012. At present, the WB is signing documents with both donors, SECO and the Russian MoF. Thanks to their contributions the PEMPAL's financial situation remains comfortable until July 2015, which provides a good basis for a more strategic approach to PEMPAL activities.

Planned spending: In FY13, USD 2,415 K is planned to be spent all together for PEMPAL, and in FY14 USD 2,530 K. Both amounts include expenses for COPs and Cross COP activities, resource teams, Steering Committee and the Secretariat, plus some contingency. Item „Resource teams“ has been split, in response to the request by the SC, to „COP-specific“ and „Cross-COP“ items; this split can at present only be indicative. Similarly, the „Secretariat“ item is only indicative in light of the current tender procedure.

5. Updated COPs budgets and action plans

5.1. Background

In response to the SC's request, the COPs have updated their budgets and annual plans for FY13 and FY14.

The FY13 budgets of all three COPs are, and are expected to stay, within the approved limits set by the SC on May 15. Budget Management Guidelines, introduced in early 2012, proved to be a helpful tool for the COPs, also providing for ownership and accountability in implementing their action plans. These plans as well are on track.

The COPs recently reviewed their action plans for FY14 in light of the SC's September approval, in principle, of their indicative FY14 budget envelopes (setting them to USD 510 K, and up to USD 586,5 K also considering the Budget Management Guidelines flexibility of 15%), and presented them to the SC.

5.2. Discussion

The COPs (Deputy) Chairs briefly presented their updated action plans and explained a few redistributions in their budgets. They thanked the donors for their valuable support. The IA COP in

particular thanked the GIZ for their planned contribution of EUR 10 K for their Plenary in Tbilisi in April 2013. T COP is envisaging setting up thematic groups following the IA COP's example.

5.3. Conclusions

- (i) The SC has confirmed the COPs FY14 budget envelopes in the total amount of USD 1,526 K, of which USD 581 K for T COP, USD 510 K for B COP and USD 435 K for IA COP. These amounts include USD 150 K per COP earmarked for the Cross COP Plenary. Also, these amounts are within the limits (+/- 15%) of the indicative COP budget envelope of USD 510 K, which was set by the SC at its September meeting.
- (ii) The SC re-confirmed its decision adopted, effective October 30, in a non-objection correspondence vote, to allow an increase by USD 15K, from USD 30 K to USD 45 K, in the costs of the IA COP study visit to Ireland and Portugal planned for June 2013. The PEM PAL Budget Management Guidelines provide that the SC's ex-ante approval is needed in cases where expenses of COPs events exceed by more than 20 percent the amounts initially planned in COPs annual budgets. The SC's increase was sought because a rough estimate suggested that the cost of the study visit involving eight members of the IA COP Executive Committee might be in the range between USD 40 to 45 K. This increase, mainly due to travel costs, will nevertheless continue to keep the IA COP's overall annual budget within its 15 percent limit.

6. Steering Committee work program

6.1. Background

The SC Chair presented a draft work program of the SC aimed to address some objectives and actions identified by PEM PAL Strategy's results framework, apart from the regular tasks such as adoption of work programs, budgets and providing general guidance. The objectives #3 and #4 from the results framework, in particular, involve actions closely related to the SC. Four are especially relevant:

- (i) COPs to monitor and sustain quality membership. This is an ongoing task.
- (ii) Marketing to donors and professional associations. This should be tackled soon; the Secretariat could prepare a marketing plan.
- (iii) Investigate feasibility of transforming PEM PAL into a more formal network of national PFM institutions. This is not a critical task for the time being, but will become relevant in 2014 or later.
- (iv) Implement revised approach to marketing at senior managerial level. This should be addressed by end 2013 to be implemented by the 2014 Spring Meetings and next Plenary (tentatively June 2014).

6.2. Discussion

SC members welcomed the idea of a SC working plan, and maintained that it could be expanded down the road to include a few additional items. They found it as a helpful tool to be used for the transition period (April 2013 to January 2014) during which the SC chairmanship would be temporarily assumed by the WB to allow the Russian MoF to prepare for this function.

The PFM Adviser presented recent B COP membership quality analysis that looked at total B COP membership, country participation and the positions of people participating in B COP events. The analysis was aimed at making sure that right people are coming to B COP events. Membership analysis will be made for all future B COP events.

6.3. Conclusions

- (i) The SC approved in general the SC work plan.
- (ii) The T COP and IA COP are requested to provide feed-back to B COP whether a membership analysis would be useful for their work.

7. Next cross COP Plenary: venue and time

7.1. Background and discussion

The SC at its September meeting asked the Secretariat to explore options for venue/timing of the next Cross-COP Plenary to be held in the fall 2013 or second quarter of 2014. Four countries expressed interest to host the next PEM PAL Plenary: Ukraine, Georgia, Russia and Serbia, and three of them expressed this

interest in writing: Ukraine sent a letter of interest on November 5, and Georgia and Russia their inquiries on December 13. The Secretariat prepared a comparison table for consideration by the SC including Moscow, St. Petersburg, Kiev, Tbilisi and Belgrade.

The SC Plenary postponed the discussion on the venue/timing and topics of the next PEM PAL Plenary to the next SC meeting. The Plenary will tentatively take place in Q2 of 2014.

8. Correspondence vote re-confirmed

The SC re-confirmed the decision it adopted, effective October 3, in a non-objection correspondence vote on the amendments to the PEM PAL Guidelines for the study visits discussed at the September SC meeting, namely to (i) increase the maximum number of participants in study visits from 10 to 15, (ii) make a clearer distinction between the two types of study visits (Type A and Type B), and (iii) limit a single country participation in the Type B study visit to one in 24 months.

9. Other

- 9.1. Next meeting: March 14, 2013 at 2:30 p.m. CET, through video conferencing.

Prepared by Senka Maver
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