



REPORT

PEM PAL Cross-COP meeting Bern, Switzerland July 6-8, 2011

On July 6 – 8, 2011, the PEM PAL Executive Committees of all three COPs (IA COP, B COP and IA COP) met in Bern, Switzerland to discuss (i) how to improve the network's effectiveness and sustainability, (ii) PEM PAL strategy for the period beyond 2012, (iii) the 2012 – 2012 COPs Action Plans, and (iv) to learn about the Swiss practices and processes in budget and internal audit. The meeting brought together 38 participants from 17 countries. A Steering Committee meeting also took place on July 8, 2011 (see the separate report on this meeting).

This report summarizes discussion on the main agenda items.

1. Improving the network's effectiveness and sustainability.

Participants shared views on what makes a sustainable and effective network to identify PEM PAL's strong and weak points, and avenues for the future. They also discussed how to establish a sense of ownership and committed membership, and strengthen the network's visibility, performance measurement and sustainability.

1.1. SWOT Analysis.

The main pillars that create a network are its people, information, processes and systems. Strengths, weaknesses, opportunities and threats (SWOT analysis) with respect to each of these main pillars were identified and discussed.

PEM PAL's extensive membership, its leadership groups and resource teams, relevance of the topics discussed, established rules and procedures and information sharing, good organization of meetings, surveys informing the work agenda, constant evaluation to measure outputs, among others, constitute the network's most important strengths. So do established relations with the donors and availability of donor financing.

Language barriers, insufficient political commitment in some places to implement changes, as well as absence of a knowledge management and marketing plans were identified as the network's main weaknesses.

Going forward, some new opportunities and initiatives could be considered, such as: glossary of terms, virtual library, creating a link to EU and WB supported PFM strategies and reforms, upgrading IT systems to allow better video meetings, and strengthening Russian language skills in the Secretariat. Most significant threats include a high turnover of staff in PEM PAL countries' institutions, which could eventually impede the capacity development processes.

1.2. Fostering committed membership and a sense of ownership.

A system of incentives for active participation in the network contributes to its dynamism. The IA COP, for example, introduced several levels of membership (green, gold – linked with some privileges, but also responsibilities). The B COP increased the participation in the leadership group to eight members (with one or two alternates), and strengthened its visibility. While all these efforts matter, it is in the end important that not too much time is spent on creating networks, as this could distract attention away from the content. What counts is that messages and recommendations are identified and put into practice.

1.3. Visibility of the PEM PAL network.

Several tools were discussed that could increase PEM PAL's visibility, such as road shows, brochures, "frequently asked questions" web portal, and establishing impact of PEM PAL activities. Resolutions summarizing recommendations, thank you letters and an inventory of good experience were also considered helpful. A suggestion was made to organize a promotion event for the ministers during the WB/IMF Annual meetings. Acknowledgement of the international community (WB, IMF) of the PEM PAL network could also increase key policy makers' awareness of the network, and their readiness to take on board PEM PAL recommendations. Actually, the policy makers should get more involved and suggest topics for discussion. Marketing is also important, and is also one of the requirements of the donors.

1.4. Measuring performance of the network

Participants discussed how performance is currently measured at different levels (Secretariat, COP level and PEFA links). They felt it would be useful to come up with a small subset of indicators (network and COP level) that would facilitate discussions related to the performance and effectiveness of the network.

1.5. Sustainability of the network.

There are several aspects of sustainability. One is organizational – can the network operate without relying on external resources? In this context, proposals were made to reorient the network to become a more professional body (similar to the OECD Senior Budget Officials network), and options were discussed on how to strengthen the Secretariat function. Stressing the benefits of participation in PEM PAL for the personal growth was also considered important to create an incentive for continuous participation in the network. Another aspect of sustainability is financial. Adequate donor support will be critical for the network for at least a couple of years to provide for its continuity and predictability. In the meantime, options for PEM PAL countries' financial contribution to the network could be analyzed.

2. Developing the PEM PAL Strategy.

The main objective of the strategy will be to examine PEM PAL's relevance, sustainability and options for the next five years. These options will also be presented to donors. The strategy is set to be finalized by the end of 2011 and released in early 2012. The Community Facilitator will provide the Steering Committee with a template for the PEM PAL strategy 2012 – 2017 by the end of July for comment. The chairs of each COP will then seek feedback on this template from the rest of the COP executive members.

3. Swiss Government study visit.

Presentations and discussions addressed the questions of how budget and internal audit functions can be delivered in a decentralized environment.

Switzerland is quite decentralized. Cantons differ by population, area, income, and tax burdens. Recent simplification of the government structure gave more liberty to the lower levels of the government (municipalities) to allow the central level to hold a more strategic position. In this context, some tasks and finances were reassigned, and functional responsibilities were clarified at each level to improve vertical collaboration.

Cantons have a very large fiscal autonomy, and are very independent from the federal level. Fiscal rule, with a fiscal deficit as a target, is playing an important role in helping the finance ministry to set up a coherent budgetary framework and keep the budget in check. Switzerland complies with the Maastricht criteria although it is not obliged to. Its debt to GDP ratio (39 percent), for example, has diminished since the fiscal rule has been introduced in 2003. This rule is important because it provides ex-ante agreement on PFM principles, and separates this agreement from political discussions. The fiscal rule is simple and transparent, adjusting only for cyclical factors, thus allowing automatic stabilizers to work. It enjoys a high approval rate.

There is no national policy for municipalities, and their public finance responsibilities (e.g., for their annual budget, cost accounting) have been increased. So has citizens' interest of what municipalities do. Municipalities, for example, can borrow, but the cantons are not responsible for their debts. And if municipalities need additional service, beyond the standard service provided by the cantons (e.g. standard police protection), they need to pay for it. Cantons only make sure that adequate planning and reporting has been put in place, but do not interfere with the content. However, with increased responsibility, there is a need for additional training and professional staff in municipalities.

Switzerland has a long tradition of accounting and auditing. All rules and standards are well defined and the government cannot change them. There is a clear differentiation of the political and technical levels, and the internal and external audit functions are given high priority and importance by the senior management and public at large. Most of the audit work is risk oriented, and takes into account value for money approach, which means that it is targeted at areas involving significant financial, IT or HR risks.

4. Event evaluation.

A post-event on-line survey was undertaken to receive feedback from the participants on the Bern meeting delivery and administration, as well as to measure their overall impression and seek their views on the future initiatives.

Most of the participants (90 percent) felt that the duration of the Bern meeting was about right and the agenda well balanced. The general view was that the meeting and its materials were useful in terms of facilitating and conducting discussions on the strategy development and how to improve the effectiveness and sustainability of the network. Also the Swiss study visit was considered very useful in terms of providing information on the approach of the Swiss Government to public finance (4.9/5). The quality of event organization and administration was also considered high (4.2/5 and 4.5/5, respectively). Overall, most of the participants were satisfied with the event (4.7/5). In particular, they liked the presentations from the Swiss representatives, the strategy background paper, and learning about different approaches used by the COPs. They also felt that the meeting paved the way for more Cross-COP communication.