



- REPORT -

**PEM PAL Cross COP Leadership Group and Steering Committee meetings
Paris, France; September 3 – 6, 2012**

The PEM PAL Cross COP Leadership Group and PEM PAL Steering Committee (SC) meetings brought together 57 people, including 21 practitioners from 12 PEM PAL countries and representatives of international institutions and donors. The meeting took place in Paris, France on September 3-6, 2012.

The main objective of the meetings was to review the PEM PAL results framework and come to an agreed understanding of the goal, outcome and output objectives and how these will be achieved and measured; (ii) to conduct face-to-face SC meeting to consider PEM PAL's financial situation as well as amended rules on certain policy issues; and, (iii) to examine the French PFM system with a view to identify solutions that the PEM PAL countries could consider in their reform implementation process. The meeting was co-hosted by the OECD / SIGMA.

1. PEM PAL Results Framework

A results-framework expert led the discussion on the PEM PAL Results Framework, which is to become a part of the PEM PAL Strategy for 2012 – 2017. Using the logical framework approach, a tool widely used in design, implementation, monitoring and evaluation of development projects, the participants discussed the PEM PAL's overarching strategic goals, its outcome objectives and actions, and how these can be measured and verified. The discussion also revolved around the external factors needed to achieve the goals, objectives and actions, and the related risks.

2. PEM PAL Steering Committee meeting

The SC meeting, led by Salome Steib of SECO, discussed three main topics.

PEM PAL's financial situation was one. For the time being, this situation is comfortable, and the activities planned for FY 13 are completely covered. Moreover, donors are considering providing additional resources for FY14-16. Also, all COPs expenses have been kept below the budgets previously approved by the SC. The COPs, who are in charge of their budget envelopes, have been encouraged to stay prudent in planning their activities. Benchmarks for FY14 individual COPs budget envelopes and for the Cross COP plenary, to take place in the fall of 2013 or in early 2014, have also been set.

PEM PAL's rules and guidelines of operation was another important topic addressed by the SC. Although the discussion is set to continue at the December SC meeting, mainly with respect to some definitions, the SC members agreed on the main uniform principles to guide future activities, in particular on participation at the PEM PAL events and study visits, representation in the COP leadership groups and the SC, and election of the Chair of the leadership group.

Lastly, the SC also reflected on the main messages coming from the Secretariat's Progress Report for the period January – August 2012, which are that (i) the PEM PAL activities continued to intensify, (ii) the COPs have been put into the driving seat to manage their budgets and to plan their future activities, (iii) the leadership groups of all three COPs saw changes in their composition, (iv) many knowledge sharing activities took place in this period, and (v) the participants' overall satisfaction with PEM PAL remained high (see more here: <http://www.pempal.org/reports/>).

3. French PFM system

French PFM experts outlined the main features of the French public finance reforms, and discussed with their PEM PAL peers how the French budget is prepared and presented to various institutions, the principles that apply in the budgetary process, and how internal and external audit functions are organized in France.

The French budget and accounting reform, adopted in 2001, was supported by all political parties. It was aimed to contribute to improved transparency of the budget, better allocation of funds and increased accountability to reach the agreed PFM targets. The reform included several components: a new budget classification and program budgeting, a result-oriented budget with performance targets and indicators, accrual accounting, and a more active role of the Parliament in setting the expenditure ceilings. It took four years to prepare the reform, which became operational in 2006.

With the reform, the new budget architecture has been significantly streamlined, and now consists of 32 (ministerial or inter-ministerial) missions that are set by the Parliament, 125 programs that are managed by program managers, and are being implemented through several actions. Each program comprises a set of objectives (usually between 5 and 10), indicators (on average 2 for each objective) and specific targets. “Research and higher education” mission, for example, includes 12 programs that extend over 6 ministries (Higher Education and Research, Economy and Finance, Ecology, Defence, Culture and Agriculture). Streamlining the budget architecture has contributed to increased consistency of public policies and improved budgetary negotiation process, and to both increased autonomy and accountability of the program managers.

The constitutional reform of 2008 introduced a multi-year orientation of the French budget together with a set of fiscal rules. The objective of the reform was to strengthen the strategic component in fiscal planning, facilitate its political endorsement and enhance accountability for reform implementation. In this context, the 2009 law introduced scenarios for fiscal deficit and debt as well as ceilings for the 32 missions, combined with the macro-economic forecasts and related explanations. The results of the multi-year budgeting process so far have been positive, and have contributed to more budget clarity and better integration of the sectoral policies into the overall budget structure.

Discussion also revolved around the issue of risk management system and the approach and implementation of the internal audit function, and how the internal audit and internal control functions are being organized in each ministry in line with the 2011 regulation. This regulation mandates each ministry to create an internal audit function linked to the minister to verify that the internal control system is efficient, create an internal audit committee, and appoint a head of the internal audit, who also serves as a member of the inter-ministerial central harmonisation committee, which is chaired by the minister of public reform. The central harmonisation committee is in charge of designing the internal audit standards and making them compliant with the international ones, and developing methodologies and disseminating best internal audit practices.

Participants discussed a number of specific themes that relate to the budget and internal audit functions, such as performance aspects of the result-oriented budget, French public financial accounting system, new financial information system, challenges of the three year budget planning process, budget bill and budget documents, monitoring the budget implementation and redeployment of its appropriations, challenges of financial reporting in the public sector, etc.

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