



PEMPAL Steering Committee meeting
January 16, 2014, 2:00-5:30 p.m. CET; Video Conference

MINUTES

Present (*last names in alphabetic order*)

Members (7): Nino Eliashvili (IACOP Chair, MoF Georgia), Irene Frei (Donor, SECO), Marius Koen (SC Chair, The World Bank), Olga Korolyova (Donor, MoF Russian Federation), Elena Nikulina (PEMPAL Task Team Leader, The World Bank), Gela Prodani (BCOP Chair, MoF, Albania) and Angela Voronin (TCOP Chair, MoF Moldova).

Permanent Observers (2): Deanna Aubrey (PEMPAL PFM Advisor), Robert Bauchmüller (PEMPAL Secretariat).

Observers (5): Ion Chicu (TCOP Advisor, The World Bank), Maya Gusarova (BCOP Advisor, The World Bank Country Office, Russia), Gašper Pleško (PEMPAL Secretariat), Rosemarie Schlup (Donor, SECO), Anna Valkova (Donor, MoF Russian Federation) and Arman Vatyán (IACOP Advisor, The World Bank Country Office, Armenia).

1. Welcome of new members

The Chair of the Steering Committee (SC), Mr. Koen (The World Bank), welcomed everyone attending, and confirmed the agenda for the meeting. He extended a warm welcome to Ms. Nino Eliashvili, the new SC member as Chair of the IACOP, and Head of CHU at the Ministry of Finance of Georgia. He also extended a special welcome to Rosemarie Schlup (Deputy Head of the division - SECO) who attended the meeting for the first time.

Mr. Koen also informed the SC that OECD Sigma had communicated through email that they have decided to discontinue their involvement in PEMPAL, due to budget restriction and a strategic decision. An official letter was not yet received by the SC. At the same time Mr. Koen assured that cooperation with OECD (not through OECD Sigma) on knowledge products can be continued as usual.

Due to unforeseen circumstances Mr. Andrey Bokarev (MoF Russian Federation) who was supposed to take over the chair position from Mr. Koen was not able to attend. He was represented at the meeting by his Deputy, Mrs. Anna Valkova. Also refer to par. 7.4 in this regard.

2. PEMPAL finances

2.1. Overview of PEMPAL budget, by Ms. Elena Nikulina (PEMPAL Task Team Leader, The World Bank)

Ms. Nikulina briefed the SC on an additional contribution from the Russian Federation in the last week of December 2013 in the amount of more than 1 million USD and the SC's appreciation was

extended. Financially, PEMPAL is in a very good shape for the FY15. PEMPAL received all pledged contributions from the Russian Federation, and expects one more contribution from SECO in February 2015.

Ms. Nikulina explained that financially PEMPAL is very close to the current budget plan on total activities (see Annex 1). Some overspending can be expected for the Resource Team (RT), mainly linked to requests for additional speakers and resources for the big plenary meeting in Moscow. Less spending can be expected on the Secretariat and more on communication.

Mr. Arman Vatyán (IACOP Advisor, WB) asked about the budget limits for FY2015 to which Mr. Koen called for prudence and responded that the COPs should work within the USD 350,000 limit and that this could be reconsidered if there is more funding in later stages. This aspect was later readdressed as per par. 4.

2.2. Overview of COP budgets, by Mr. Robert Bauchmüller (Head of PEMPAL Secretariat)

Mr. Bauchmüller elaborated on the overview of COP budgets (see Annex 2). He explained that the overview of COP budgets in Annex 2 is as of 31st December 2013. Few minor changes have been made in between till the SC meeting, for example the PO submission for BCOP Antalya, which is not mentioned as a commitment but still as an estimate.

2.3. Overview of virtual decisions taken on COP budgets since the last SC meeting, by Mr. Bauchmüller

Mr. Bauchmüller gave an overview of the virtual decisions taken by the SC. Mr. Koen stressed the importance of documenting those decisions (see Annex 3).

2.4. Proposed revision of the 20% overrun rule in the budget management guidelines

Mr. Bauchmüller explained that the proposed revisions in the budget management guidelines for activities of COPs would provide flexibility to COPs, which would then not need to use the 20% overrun rule to reallocate the budget in cases of smaller events (see Annex 4).

Mr. Koen further elaborated on the proposed limitations of COP's budget spending, and stressed that the proposed revisions envisage three mechanisms (caps, keeping within the total budget, reporting requirements) aimed at preventing COP's from excessive spending.

Ms. Schlup (SECO) understood the motivation for providing more flexibility to the Executive Committees. However, she expressed doubts over the exclusion of the SC from the decision, especially in cases of study visits if, for example, the study visit is approved in the amount of USD 50,000 and then later increased to USD 90,000 (the proposed cap for smaller events) without the SC approval – which is quite a sizeable amount. Mr. Bauchmüller explained that study visits are already limited to 15 participants, so that reaching the USD 90,000 is very unlikely. Mr. Vatyán shared the concern of SECO and suggested a separate limit for study visits, for example at USD 60,000, to which the SC agreed.

Mr. Vatyán also suggested deleting the reference to the year (“held in 2012-13”) on page 7 of the Operational Guidelines of the PEMPAL Network, point 3b, which the SC approved.

Conclusions:

- The SC approved suggested revisions of the Operational Guidelines of the PEMPAL Network in subsections 3b and 3d.

- The SC approved adding additional subsection to the Operational Guidelines referring to study visits. The newly added provision will define a cap for study visits and set it at USD 60,000.

2.5. Reconfirmation of “hard” cap of USD 180,000

Mr. Bauchmüller explained that this decision has to be taken by the SC once per year and since there was no significant increase in prices he believes that the amount of USD 180,000 for „hard“ cap is reasonable and he invited the SC to reconfirm this amount.

Conclusion:

- The SC decided to reconfirm the amount of USD 180,000. This amount should be reconsidered annually.

3. Cross-COP Plenary Moscow preparations, by Ms. Nikulina and Mr. Gašper Pleško (PEMPAL Secretariat)

Ms. Nikulina updated the SC on the situation with finding a venue for the Cross-COP Plenary. The preferred vendor first considered to host the plenary (Crown Plaza Hotel) has a number of advantages, but extremely high prices, and payment requirements pose hurdles as far as the World Bank requirements are concerned. She explained that appropriate conference facilities are in short supply in Moscow and that the Secretariat is now looking for an alternative venue in Moscow. Ms. Nikulina referred to an estimate provided by the Secretariat, which brings the cost of only the main event to USD 890,000 (see Annexes 5 and 6). This number is based on the quote from the vendor, which is targeted as a preferred venue based on the recommendation of the Russian Ministry of Finance and on the earlier WB inspection of the available venues. She also reminded the SC that the Moscow event is a big event with more than 200 participants and that in the past PEMPAL already organized events with such a high cost per person per event, but they were smaller events (for example events in Paris and Budapest).

Mr. Koen also explained that, based on the vendor quote as it is now, the total costs of the main Cross-Cop Plenary meeting are projected to grow up to USD 890,000. The unit prices for rooms and meals are also significantly higher than the WB regulations allow. Since the WB is bound to these limits, the Secretariat should try to find ways to get the unit prices reduced to the acceptable level and only then continue with the purchase order submission process and booking.

Nevertheless, even if the Secretariat manages to get the unit prices reduced to the upper limit still acceptable to the WB, the budget amount of USD 550,000 will not be sufficient. Based on preliminary calculations and taking into account additional December 2013 financial contribution of the Russian Federation (specifically provided to *inter alia* cover the higher costs to be incurred in Moscow), the amount of the budget for the main Cross-COP plenary meeting will have to be increased to USD 800,000.

This aspect was then considered by the SC. Ms. Schlup (SECO) stated that this is not a desired situation for the SC but she recognizes that not many alternatives are available. She is grateful to the Secretariat and colleagues from the Russian Federation for the efforts made so far, and fully agree with the WB that rules have to be respected. Although SECO is not comfortable with approving the budget, but given the fact that the Russian Federation made additional financial

contribution and that there are no alternatives, SECO supports the proposal to increase the total budget.

At this point Mr. Pleško (PEMPAL Secretariat) raised a concern that even if the WB conditions are met regarding unit prices, and even if a higher budget would be approved, the Secretariat might still face time constraints regarding getting an approved purchase order, and thus being possibly able to consider any advance payment requests for hotel facilities.

Ms. Valkova (Donor, Russian Federation) explained that she already had a discussion with the Russian Treasury and they confirmed they are not strictly tied to the preferred venue (Crown Plaza) and they are ready to facilitate negotiation of prices. She invited the SC to support the budget increase for this event, explained that finding an appropriate venue is a very difficult task not only in Moscow but also in other capitals in Europe and she assured the SC that they will do their best together with the organizer agency to facilitate the negotiation and keep the costs of the event as low as possible.

Ms. Nikulina also forwarded a request from the Ministry of Finance of the Russian Federation to use part of their additional December 2013 contribution to invite observers from Middle East and North Africa (MENA) region where an idea has been launched to create a network similar to PEMPAL. She estimates that 15-16 participants and a couple of resource persons from the WB could attend as observers. Based on this request USD 100,000 has been reserved for prospective MENA participants.

Ms. Schlup stressed that this is an interesting initiative and recognition to PEMPAL. However it would be desirable that SC would receive this sort of information beforehand, along with a concept note. She suggested that a concept note would be prepared for a virtual decision in written correspondence in the next 3 or 4 weeks. Mr. Koen then asked the Russian Ministry of Finance to provide a brief concept note by the end of January explaining the involvement of the MENA group and also stressed they should be considered as observers and guests of the Russian Ministry of Finance. When ready, the concept note should be circulated within the SC by email, which would then take a virtual decision by written correspondence by February 6, 2014.

Ms. Valkova agreed and confirmed that a short concept note will be prepared and send to all SC members by the end of January.

Conclusions:

- Taking into account the higher costs of the venue for the Cross-COP plenary meeting, the SC decided to raise the budget for the main plenary event to USD 800,000. However, the unit prices of accommodation and daily costs for food must stay within the WB limits.
- The SC approved increasing the total budget for pre-events attached to the Cross-COP plenary meeting from USD 150,000 to 170,000 based on the latest cost data mentioned in par. 2. 1 above.
- Russian Ministry of Finance will provide a brief concept note by the end of January to explain the involvement of the MENA group. When ready, it should circulate it between SC members, who would then take a decision virtually by written correspondence by February 6, 2014.

4. PEMPAL activities in Fiscal Year 2015: Presentation of COPs on their FY15 action plans and indicative budgets

Mr. Bauchmüller pointed SC members to a document showing the planned COPs' activities and indicative budgets for FY15 (see Annex 7). Ms. Prodani (BCOP Chair) put forward the BCOP

plans, IACOP plans were outlined by Ms. Eliashvili (IACOP Chair) and TCOP plans by Ms. Voronin (TCOP Chair).

Ms. Eliashvili asked the SC for approval to move one study visit to the current fiscal year. She explained that an additional amount of USD 35,000 will be available in the 2015 budget if the study visit to Hungary moves to FY14. IACOP would then use it for one working group meeting. After an explanation of details by Mr. Bauchmuller, the SC took the decision to increase the IACOP budget to USD 385,000 to allow another RIFIX working group meeting, and with the understanding that the USD 35,000 reserved for the FY15 SV to Hungary may be moved to FY14 provided that the IACOP submits a request to the SC in this regard.

Ms. Voronin provided a detailed submission (refer to Annex 8). She requested the SC to approve the TCOP's budget in the amount of USD 436,000, since it is a large community with 4 working groups. The SC approved the amount in spite of the USD 350,000 cap that was mentioned in the initial request that was sent out for submission of the indicative budgets.

The SC discussed the possibility that both the IACOP and BCOP may resubmit their indicative budget request due to an apparent misunderstanding that USD 350,000 was a hard ceiling. This was welcomed by the chairs of both COPs and they agreed to submit these requests for virtual decision-making by the SC.

Conclusions:

- The SC took the decision to increase the IACOP budget to USD 385,000. The SC will still need a request for moving the study visit to Hungary to FY14.
- The SC approved the budget for TCOP in the amount of USD 436,000.
- IACOP and BCOP will resubmit the indicative budgets.

5. Plan to revise and extend guidelines for preparation of events and study visits, by Mr. Pleško

Mr. Pleško, PEMPAL Secretariat, put forward a proposal to revise and extend guidelines for events and study visits. The following two reasons were given:

- (a) Number and diversification of PEMPAL events seems to be increasing, especially on the account of thematic videoconferences which are gaining in importance. Currently, there are no procedures in place assuring smooth preparations and equal standards for such activities
- (b) Early meeting (contact) with hosting institutions proved to be of crucial importance for quality of preparations. Making it an integral part of the guidelines would significantly speed up planning and reduce risks of misunderstandings in the event preparations.

In addition, the Secretariat also believes that extending the guidelines' scope should be considered as it is the Secretariat's role to assure that all expenses made within an event's purchase order must be actual, economic and necessary. When it comes to social program, the understanding of such criteria may vary within the network.

Conclusion:

- The SC confirmed the need to revise the guidelines and asked the Secretariat to prepare the first draft in 2 months' time with a view to adopting it at the next SC meeting in Moscow.

6. Clarification of PEMPAL membership policy for sub-national level

Mr. Bauchmuller asked for a clarification on membership policy for sub-national level, since the Secretariat has received a request from Bosnia and Herzegovina (BiH) to send separate invitations for the three different entities in the country. This would have meant that for the COP plenary events there could potentially be 6 representatives from BiH. In a brief discussion Ms. Gusarova (BCOP Adviser, WB) explained how this issue has been dealt with within BCOP. For BCOP events invitation letters are sent to all three ministers of finance of BiH (two entity ministers and the state level minister) and they have to coordinate between themselves. The SC decided that all COPs should follow the same principle in the future.

Conclusion:

- SC decided that the maximum participation levels as described in ARTICLE III of the Operational Guidelines will be observed. As a practical measure, in the case of BiH, three invitation letters with the same text have to be sent to different ministers of finance (two to the entity level ministers and one to the state level minister), and the different entities have to coordinate between themselves on who will be nominated to attend the specific PEMPAL activity/event. In cases where there is a representative of BiH in the Executive Committee of a COP, that person has to be mentioned in the invitation letter.

7. Closing of the meeting

7.1. Departure of Mr. Bauchmüller and introduction of his successor, Mr. Pleško

Mr. Bauchmüller thanked the SC for the rich experience and productive collaboration and wished them continued success in the future. He introduced Mr. Pleško who will assume the duties of the Head of PEMPAL Secretariat. Mr. Koen thanked Mr. Bauchmüller for his very well done work at the Secretariat. Ms. Nikulina stressed that she regrets this decision by the CEF and indicated that it should have been coordinated with the WB earlier. She added that she is confident that the team is in good hands, however she expressed worries about matters of continuity.

7.2. Tentative agreement on the next meeting

Next meeting of the SC will be held in Moscow (May 30, 2014), after the plenary meeting.

7.3. Outgoing SC Chair, Mr. Koen

Mr. Koen thanked the SC for all the support and emphasized he would be happy to lead the discussion on IACOP and BCOP budget and any other matter for consideration by the SC until the end of February 2014, in order to keep momentum and have decisions concluded and recorded properly and timely. From March 1 onwards all the decision and communication moves to Mr. Andrey Bokarev.

Ms. Nikulina reminded Ms. Valkova that the SC needs to receive email addresses on which the correspondence with the Chair should be copied.

Annexes

1: PEMPAL budget – as of January 2014



PEMPAL_Budget_Jan
2014.xls

(English/Russian Version)

2. COPs Budgets Overview



COP_budgets_FY14_
as_per_311213 - ENC

(English/Russian Version)

3. Overview of the virtual decisions taken by the SC



PEMPAL_SC_Written
_Correspondence_De



PEMPAL_SC_Written
_Correspondence_De

(English Version) (Russian Version)

4. Operational Guidelines



PEMPAL Operational
Guidelines (proposed)

(English Version)

5. CROSS-COP Plenary Meeting – Budgets



5
Budget_Estimates_Mk

(English Version)

6. CROSS-COP Organizing Committee Meeting minutes



CROSS COP
MINUTES 261113_Fin



CROSS COP
MINUTES 261113_Fin

(English Version)

(Russian Version)

7. COPs FY15 indicative budgets



Indicative_COP_bud
gets_FY15_as_per_1

(English/Russian Version)

8. TCOP Rational for additional funding



TCOP_Activities
FY15 - ENG.doc

(English Version)



TCOP_Activities
FY15 - RUS.doc

(Russian Version)