**MINUTES OF THE STEERING COMMITTEE MEETING**

**Videoconference, Tuesday, February 11, 2016**

**PRESENT AT THE MEETING**

**SC members**

1. Anna Valkova (Ministry of Finance of the Russian Federation – Donor, Steering Committee Chair)
2. Daria Kirillova (Ministry of Finance of the Russian Federation – Donor)
3. Geraldina Prodani (Ministry of Finance of Albania – BCOP Deputy Chair)
4. Anna Belenchuk (Ministry of Finance of the Russian Federation - BCOP Deputy Chair)
5. Vugar Abdullayev (Ministry of Finance of Azerbaijan – TCOP Chair)
6. Edit Nemeth (Ministry of Finance of Hungary – IACOP Chair)
7. Irene Frei (SECO – Donor)
8. Elena Nikulina (World Bank – PEMPAL Team Leader)
9. Marius Koen (World Bank)

**Observers**

1. Deanna Aubrey (World Bank – PEMPAL Strategic Advisor)
2. Ion Chicu (World Bank – PEMPAL Operations Advisor, TCOP Resource Team)
3. Maya Gusarova (World Bank – BCOP Resource Team Coordinator)
4. Arman Vatyan (World Bank – IACOP Resource Team Coordinator)
5. Ksenia Galantsova, Ekaterina Zaleeva, Kristina Zaituna (World Bank – PEMPAL Secretariat)

**AGENDA ITEMS:**

1. **Opening of the meeting**
2. **Approval of the Concept of the new PEMPAL Strategy**
3. **Preparation of the next year Executive meeting – confirming the dates and location**
4. **Update on the implementation of the COP action plans for FY16 and expected adjustments (if any) – COP Chairs**
5. **PEMPAL finances**
6. **Update on extension of the secretariat arrangement–**
7. **Elections of SC Chair for the next annual period**
8. **Closing of the meeting**

**1. Opening of the meeting**

Ms. Anna Valkova opened the meeting and welcomed all participants noting no other additions to the agenda were suggested.

**2. Approval of the Concept of the new PEMPAL Strategy**

Ms Elena Nikulina and Ms Deanna Aubrey provided background on the Concept of the new PEMPAL Strategy **(Annex 1)** noting that a Strategy Development Working Group had been established after the last Steering Committee meeting and it had met and reviewed the document in December 2015, and comments were incorporated into this second draft. Two sub-groups had also been established to work on key parts of the strategy, the first on strategic objectives and results framework and the second on costings options and funding scenarios.

Ms Anna Valkova noted her interest to join the sub-group on strategic objectives and results framework. She also offered support for proposed interviews with the Russian Federation on the collection of success stories for the purpose of inclusion in a promotional brochure as part of fund raising efforts to support the next strategy. Some progress in collection of those stories was reported, with preliminary arrangements already made with Georgia and Albania, and plans in train to contact Russian-speaking countries including Kyrgyz Republic, Belarus, and Russian Federation. Proposed interview questions had been prepared but countries were also encouraged to document their success stories, which in part could replace formal interviews. Ms Nikulina noted that the interview questions should assist in the documentation of stories and the Russian translation is ready and will be sent to those selected countries shortly for information.

Ms Elena Nikulina also advised the Committee that an internal review meeting of the World Bank had been held and the Bank has endorsed PEMPAL’s approach to strategy development. She advised of the constraints from the Bank side in light of a moratorium on fund raising for CY2016, given priority for replenishment of International Development Assistance (IDA) funds. Although this does not prevent PEMPAL approaching new donors, it does impact on potential activities scheduled at the World Bank spring meetings. However, the annual meetings in the fall could still be a target with the focus to be on promotional activities only, with the Bank strongly encouraging that donor partners and MoF clients be involved.

**Conclusions**

* The Concept of the new PEMPAL Strategy was approved; noting that the schedule of activities would be amended to remove references to activities related to the spring meetings; and the composition of the sub-groups of the Strategy Development Working Group would be amended to reflect membership of Ms Valkova on the strategic objectives and results framework sub-group.

1. **Preparation of the next year Executive meeting – confirming the dates and location**

Ms Elena Nikulina presented the cost estimates, prepared by the Secretariat, comparing possible locations for the next PEMPAL Executive meeting (**Annex 2**). Both Hungary and Switzerland had offered to host the meeting and it was noted that although the costs of holding the meeting were marginally cheaper in Hungary, other factors should also be considered given SECO is the current donor to the program and it would be an opportunity to promote the results and value of the program. The other donor to the program – the Ministry of Finance of the Russian Federation – supported Switzerland as a location and the Chair of IACOP, Ms Edit Nemeth, also supported this location, noting that her country Hungary is ready to support a meeting anytime in the future. Timing of the meeting was then discussed between meeting participants, particularly with those COPs that had meetings scheduled at the end of June to ensure participation was feasible, and a final date for the meeting was agreed.

**Conclusions**

* The next meeting of the PEMPAL Executive –to discuss development of the PEMPAL Strategy 2017-22 – will be held in the week starting July 11, in Berne, Switzerland.

1. **Update on the implementation of the FY16 COP action plans and expected adjustments (if any) – COP Chairs**

The COP Chairs and Deputy Chairs were asked to present the progress with execution of their current year budgets, and to highlight any amendments needed.

***Budget Community of Practice***

Ms. Geladina Prodani and Ms. Anna Belenchuk informed the meeting about the implementation of the BCOP action plan. The working group on budget literacy and transparency held a study visit to Zagreb, Croatia on citizens’ budget and participation at the state and local levels on December 1-4. Savings of around 5,000 USD were achieved given the budget for the visit was 45,000 USD and the event actuals were 39,500 USD. This group also plans to have a face-to-face meeting before the annual Plenary in Minsk, in the Republic of Belarus on February 23, 2016. The Wage Bill Management Working Group held a VC meeting on November 11 (on wage bill management in Croatia) and a study visit will now take place in Ljubljana, Slovenia in April 2016 to examine wage bill management approaches of the Slovenian Ministry of Public Administration and Ministry of Finance. This is different to what is in the current action plan, as Serbia was initially the proposed location, and the event was scheduled for last year, but had to be changed due to the availability of the host country.

Ms. Prodani also advised that BCOP also sent a small delegation to the OECD Senior Budget Officers meeting on Performance and Results which was attended by Mr. Nikolay Begchin from the Ministry of Finance of the Russian Federation on November 26-27 in Paris, France, given he will lead the new working group on program budgeting, She advised the Committee that discussions had been held relating to proposed joint work with PEMPAL participating in the OECD Performance Budgeting Survey. Thus it has been decided that instead of having a study visit for this group in April 2016 – as included in the current plan –a meeting would be held together with the OECD Senior Budget Officers meeting planned in June 2016, in Slovenia. Thus additional savings of around 50,000 USD may be realized. Ms Prodani also advised that preliminary discussions had been held with TCOP on a possible joint event, but as yet a common topic and timing had not been agreed, so potential savings of 25,000 may also be possible.

Ms Deanna Aubrey noted that BCOP had just completed a very busy year, with implementation of 11 events in CY 2015, and that already in FY16, 4 events had been implemented with 2 events about to be held at the end of this month. Ms Maya Gusarova also noted that work was underway by the Budget Literacy and Transparency Working Group on a knowledge product that will identify the challenges of developing citizens budget and options identified from a PEMPAL member country context.

Ms Anna Valkova requested more information on the Budget Literacy and Transparency Working Group, which was provided by Ms Anna Belenchuk, the leader of that group within BCOP. The Group had documented practices through a survey last year, and had also reviewed international practices in budget literacy through a World Bank study. It was also about to examine the results achieved by the PEMPAL region in the Open Budget Index, at the upcoming meeting in Minsk, Belarus, including discussing results and areas of improvement with the International Budget Partnership.

***Internal Audit Community of Practice***

Ms. Edit Nemeth informed the meeting about the implementation of the IACOP action plan. There is a high demand to host the IACOP June meeting with both Turkey and Uzbekistan being considered as potential locations. Back-to-back meetings of the Relationship of Internal Audit with Financial Inspection and External Audit (RIFIX) Working Group and meetings on Central Harmonization Unit challenges; and Information Technology solutions in internal audit are planned. Preparations for proposed meetings in Prague, Czech Republic in March 21-25 are underway, with the Internal Control Implementation Challenges Working Group and plenary meetings being planned back-to-back. Ms Nemeth noted that there would be expected overrun of the budget for this event with 142,000 USD estimated compared to 120,000 USD budget, although this is within the 20 percent flexibility allowed by the Committee. Ms. Elena Nikulina has drawn the attention of IACOP team that the COP must not overrun its budget for the June event given it is about to hit its overall budget limit. Ms Anna Valkova also noted that currently Russian civil servants are unable to travel to Turkey, so the impact on attendance at events planned in this location, needs to be considered in event planning.

***Treasury Community of Practice***

Mr. Vugar Abdullayev informed the meeting about the implementation of the TCOP action plan. The new thematic group “Evolution of the role and functions of the treasury” was launched at a videoconference meeting on November 24. This topic is very important to TCOP in light of the fiscal challenges and the focus on improving the management and reporting of government finances. Another videoconference was also held in December on the use of IT systems in treasury operations and this focused on FMIS security in Belarus. The meeting of the Cash Management Working Group is planned in Ankara, Turkey on March 16-18, 2016, which is expected to be implemented within the 90,000 USD budget. The TCOP annual plenary meeting on “Evolution of the role and functions of the treasury” is scheduled in June in Chisinau, Moldova, with a back-to-back meeting of the Working Group on IT systems in Treasury Operations also planned.

TCOP working group on Use of IT in Treasury Operations held a workshop on FMIS implementation issues, on October 5-7 2015, in Tbilisi, Georgia. Final budget execution figures for this event was 67,000 USD compared to the budget of 50,000 USD, an overrun within the limits allowed by the Committee. Mr Abdullayev also advised the Committee that there is a slight change to what is included in the TCOP plan although it has no budget impacts. The approved plan included a back-to-back meeting of the thematic group on accounting, but a different Working Group will now hold this meeting. Both groups supported this change given that the country expected to host the meeting, Belarus, is still working on the strategy for implementing accounting standards, so the thematic accounting group would prefer to wait until FY17 to meet to discuss it. He also advised that TCOP had three thematic groups on accounting and reporting, and the work of two of these groups is expected to be wrapped up with the completion of knowledge products. One group on Accounting Standards will continue. Mr Ion Chicu also reported that a knowledge product of the public assets accounting group had been completed, and will be posted on the PEMPAL website once it is fully transferred to the World Bank in two weeks.

Ms Anna Valkova asked TCOP on the progress of bilateral cooperation being established by the community. Mr Abdullayev noted that there were broad and extensive activities not only between treasuries but Ministries of Finance as a whole. Given that Treasuries are the main center of financial operations, it leads to greater cooperation between other departments of Ministry of Finance. TCOP is also planning to broaden its cooperation with other COPs, particularly the BCOP. Ms Elena Nikulina and Mr Ion Chicu also noted that there had been bilateral cooperation between Tajikistan and Georgia, and that the Russia experience was of interest to many countries with requests to sign Memorandums of Understanding (MoU) to use new practices. The Ministry of Finance of the Republic of Belarus had also recently signed an MoU with South Korea; and Kazakhstan has signed several MOUs resulting from cooperation established as part of TCOP activities. Ms Anna Valkova noted that donors are very interested to hear about such bilateral cooperation, as it is part of the success stories that need to be captured.

**Conclusions**

* The Committee endorsed the good progress of implementation of the COP action plans noting the likelihood of some savings from TCOP and BCOP by the end of the FY. The Committee advised IACOP to ensure that the remaining events are delivered on budget, given there is little flexibility within their overall budget limits for any overruns.
* The Committee advised COPs to report on any bilateral cooperation resulting from the network as part of promoting the results of PEMPAL.

1. **PEMPAL finances**

Ms. Elena Nikulina presented two documents to SC members: COP budgets update and PEMPAL summary budget **(Annexes 3 and 4)**. She advised that the budget is in good shape and there is a forecast surplus of 120,000 USD at FY17 end. The budget table shows the budget projections for the next FY17 and the amount for COP budgets is based on the same amount, which was approved for this FY16 (USD 330,000 per COP), with these FY17 budgets to be formally approved by the SC as part of this agenda item.

Ms Nikulina confirmed that TCOP has a slight overrun of budget for the Tbilisi event but it is still within the limit, but execution of the remaining budget will be monitored closely. Similarly with IACOP spending on the planned Prague event will overrun, but within the flexibility allowed but no further overruns can be accommodated given IACOP’s total budget is close to limit as highlighted earlier. Ms Frei requested more details on the measures taken to prevent another overrun of IACOP budget. Mr Vatyan noted that most of the overrun for the Yerevan event was being caused by currency fluctuations and that a 16,000 USD contingency allowance had been included in the budget for the Prague event to accommodate such impacts. IACOP had also cut the length of the Prague meetings to ensure budget limits were met, rather than cut the number of participants which was not feasible given difficulties in choosing which countries would be negatively impacted over another. Ms. Nikulina noted that the projected total IACOP spending for FY16 is within the 15% deviation for the total COP budget allowed under PEMPAL budget guidelines, noting she used the 330,000 USD allocation rather than the lower budget figure, of 306,500 USD as included against events (with the reallocation of 23,000 USD reallocation for IACOP budget from FY16 to FY17 which was endorsed by the SC in earlier meetings).

The COP Chairs and Deputy Chairs were asked to present their FY17 plans as submitted to the Steering Committee for review and approval (**Annex 5**).

***Budget Community of Practice***

Ms Anna Belenchuk reported that there were three key strategic themes of BCOP’s work: sharpening tools for effective fiscal management which includes such tools as program budgeting; fiscal transparency and accountability; and knowledge exchange between member countries and OECD. For the FY17 plan, these strategic themes are outlined and also linked to the PEMPAL Strategy 2012-17. The plan cost is 330,000 USD and within the year, there will be two working groups in operation: the program budgeting working group – which is being established this year and will be led by Nicolay Begchin of the Ministry of Finance of the Russian Federation; and the continuation of the Budget Literacy and Transparency Working Group. Ms Belenchuk advised that the Working Group on Wage Bill Management would finish its activities this year, thus it was not included in the plan. She also advised that there would be an annual plenary meeting in February 2017, the topic of which will be finalized after consultations with members later this month. BCOP will also participate in the annual OECD Senior Budget Officers meeting in May/June and a back-to-back meeting of a working group will also be held.

For the Budget Literacy and Transparency Working Group, there will be a videoconference to progress the group’s knowledge product (on citizens’ budget challenges and solution options); and a back-to-back meeting with a Budget Literacy Conference to be held in October in Moscow. For the program budgeting working group, the plan includes a videoconference meeting on a World Bank study of international performance budgeting practices by Ivor Beazley, a study visit to a country known to perform well with this reform, and a back-to-back meeting with the 2017 annual plenary meeting. An amount of 9,000 USD has also been allocated to support the additional translation needs for BCOP’s participation in the OECD performance budgeting survey. Ms Belenchuk noted that where feasible back-to-back meetings were planned, to maximize efficiencies and budget savings.

***Internal Audit Community of Practice***

Ms Edit Nemeth noted that IACOP’s FY17 budget plan was greater than the 330,000 USD allocated to each COP, given the approval by the SC to carry forward 23,000 USD from FY16. Ms Edit Nemeth advised that two new working groups would be operating in FY17, on internal control and internal audit in practice. She also reported that two knowledge products would be completed within the plan, with work continuing on a position paper from the RIFIX Working Group; and Guidelines for the quality assessment of internal audit systems, being finalized in March and used by member countries during FY17. Study visits were also planned to Croatia and Germany with locations for other meetings needing confirmation, but preliminary plans will target BiH and Serbia given costs are lower and meetings have not been hosted in these locations as yet. Ms Nemeth noted that all activities are being planned within the IACOP Strategic Plan FY16-17, previously approved by the SC.

***Treasury Community of Practice***

Mr Vugar Abdullayev advised the Committee that TCOP had three main strategic directions including use of IT systems in treasury operations; liquidity management; and evolution of the role and functions of treasury. For FY17, within the approved budget of 330,000 USD, TCOP planned to have one plenary in May 2017, a study visit on the use of IT solutions, either in Czech Republic or Estonia; a workshop of thematic group on accounting standards (provisionally in the fall, in Belarus) and a workshop of thematic group on liquidity management, as well as 5 videoconferences to be held between September 2016 and June 2017. These plans were also linked to the PEMPAL Strategy 2012-17 with targets set for active participation of international experts; quality contributions to overall network resources; engaging high level management of member countries; and providing ongoing leadership and management services to the Steering Committee.

**Conclusions**

* The FY17 COP budget plans were presented by the COP Chairs/Deputy Chairs and approved by the Committee. It was noted that BCOP would like the opportunity to provide more details about its plan in the next meeting, given member consultation will only happen within the annual plenary meeting to be held at the end of this month.
* The Committee advised that all COPs should endeavor to finalize their knowledge products by the end of the June 2017, given the end of the PEMPAL Strategy 2012-17 and the need to report on results in the context of the next five-year strategy. The PEMPAL Secretariat advised the COPs that it can assist with publishing and distributing any products, and a modest separate budget was available if needed.

1. **Update on extension of the secretariat arrangement**

Ms. Elena Nikulina reported to the Committee the progress of establishing the term positions for the PEMPAL Secretariat under the Bank, with the competitive selection process being finalized. The extension of the new secretariat arrangement under the World Bank until the end of the current strategy period should be formalized in April.

Ms Nikulina also reported progress with the transfer of website resources from the CEF, with IT specialists having moved the website to the World Bank platform, and a period of testing currently underway. The new, upgraded version will present the content better and ideas are sought on how to better present the results of PEMPAL. She advised the Committee that a specific page for knowledge products will be established and a short narrative will be required to explain their contents and use. The website will be going live at the end of February, and will be presented at the next Steering Committee meeting.

**Conclusions**

* The Committee noted the progress with formal establishment of the Secretariat and the transfer of the PEMPAL website to the new platform under the Bank.

1. **Elections of SC Chair for the next annual period**

Ms Elena Nikulina drew the attention of the SC to the need to rotate the position of Steering Committee Chair every two years, as required under the PEMPAL Operational Guidelines. Thus, it was agreed to rotate the role from Ms Anna Valkova to Ms Frei. Ms Nikulina expressed appreciation for all the hard work and valuable efforts of Ms Valkova noting that she had undertaken the role very effectively, and it was only through procedural requirement that the role had to be rotated. She also expressed hope that the Ministry of Finance of the Russian Federation would continue the close cooperation they had established with the Committee in the future. Ms Valkova advised the Committee that it was an invaluable experience to lead the Committee in the role of Chair and she thanked the Committee for the opportunity. Ms Frei also reported that she was looking forward to the role.

**Conclusions**

* The position of Chair of the PEMPAL Steering Committee Chair will pass from Ms Valkova to Ms Irene Frei, as required under PEMPAL Operational Guidelines. The Committee expressed appreciation for the valuable contribution that Ms Valkova had made with her effective execution of the role over the past two years.

1. **Closing of the meeting**

SC members confirmed that there are no constraints for the timeline for the next SC meeting and it was tentatively agreed to schedule it for the period between 11-18 May, 2016, with suggestions for the exact date to be circulated by the Secretariat. At this meeting, the SC will be requested to review the draft Strategy and Costings Note and provide their input, in accordance with the schedule of activities included in the Strategy Concept. Expectations for the July meeting will also be discussed. It was noted that before this meeting, a meeting of the Strategy Development Working Group would be held in late April to ensure time for the preparation of the key parts of the draft strategy by the Working Group’s sub-groups. Ms Aubrey was requested to prepare timelines for this work, to determine the optimum schedule of meeting times for these sub-groups.

**Annexes**

**Annex 1: Draft Concept Note for the Development of the PEMPAL Strategy 2017-22**

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**Annex 2: Budget Estimates for the 2016 Executive meeting**



**Annex 3: COP Budgets**



**Annex 4: PEMPAL Budget**

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**Annex 5: COP FY17 plans**

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