**MINUTES OF THE STEERING COMMITTEE MEETING**

**WebEx, 7 February, 2017**

**PRESENT AT THE MEETING**

**SC members**

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

**Observers**

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

**AGENDA ITEMS**

1. Opening of the meeting
2. Update on progress of fund raising in support of new PEMPAL Strategy
3. Discussion on approach to finalize PEMPAL Strategy 2017-22 Implementation Activity Plan
4. Review of the COP action plans for FY18 and updates of the FY17 action plans
5. PEMPAL finances
6. Confirmation of SC Chair
7. Closing of meeting

**1. Opening of the meeting**

Ms. Frei welcomed all participants to the first Steering Committee (SC) meeting of the year, and noted several additional items would be added to the agenda at the end of the meeting, as advised by Ms Nikulina.

1. **Update on progress of fund raising in support of new PEMPAL Strategy**

Ms Nikulina shared an update on progress of fundraising:

* SECO has confirmed its intention to contribute 3 million Swiss francs (subject to management approval expected mid-year), with a likely first disbursement possible of half this amount by the end of this CY. SECO has been emphasizing the need to strengthen sustainability in particular through strengthening member contributions, as this will be their exit phase as a donor to PEMPAL.
* The Dutch Academy confirmed it would continue its existing collaboration with PEMPAL through the provision of experts to IACOP and it was currently having internal discussion within MoF as to the possibility of increasing the scope of its current in-kind contribution. Possible financial contribution was being investigated in the form of jointly funding a future IACOP conference in the next two years. Covering the cost of travel and accommodation of some participants from a set of target countries was also a possibility. Engagement in other COPs could also be explored, if there were overlapping areas of interest.
* The MoF Austria has expressed a strong interest in PEMPAL given the synergies in assistance being provided in certain thematic areas, but it is not in a position to provide financial contribution until at least FY19. In the meanwhile, the MoF is open to contribute to the agendas of the events and offered to host some events in Vienna. Thus, TCOP is planning a study visit to Vienna in March and possibly holding a COP plenary meeting there at the end of the fiscal year.
* The MoF Russian Federation considers PEMPAL to be a part of a broader program through which it supports PFM in the region. The MoF is waiting for documentation for another component of that program to be finalized by the World Bank which is expected to happen shortly. The only document MoF needs from PEMPAL to proceed with preparing a funding proposal is the final version of PEMPAL Strategy. MoF expects to be able to provide more information on possible financing for the next phase of PEMPAL within two months.

**Conclusions**

* The SC noted the progress of fundraising and expressed gratitude to all development partners particular SECO, noting this was their exit phase.
* A memorandum of understanding will be prepared in the near future to formalize the final assistance package proposed by the Dutch Academy.
* A final copy of the PEMPAL Strategy will be provided to the MoF Russian Federation to progress its request to provide partner financing.
* Other possible donors will be approached in the coming months.
1. **Discussion on approach to finalize PEMPAL Strategy 2017-22 Implementation Activity Plan**

A draft Implementation Activity Plan (**Annex 1**) was circulated for comment which comprises 15 actions required before and during the new strategy to ensure its effective implementation. These actions (marked in green in the document) have been embedded into the existing new strategy’s results framework. Final views by the COPs were sought given some of the actions will impact on COP activities over the coming five-year period, and some are also required to be implemented before July this year.

**Conclusions**

* The SC thanked Ms Aubrey for preparing the document and noted that there should not be any further significant changes given the proposed actions in the document have been the subject of extensive discussions in previous meetings on strategy development.
* The COP Executive Committees requested more time to review the document given some actions will affect event preparation and need to be incorporated into COP strategic and operational plans. An email will be sent to COP Chairs highlighting the aspects that require their specific attention and any final comments are due by end February.
1. **Review of the COP action plans for FY18 and updates of the FY17 action plans**

The COP Chairs provided an overview of the progress in implementation of the FY17 plans and the proposed FY18 plans (**Annex 2**).

***Internal Audit Community of Practice***

For FY18, IACOP prepared a budget for 450,000 USD comprising 330,000 USD allocated by the SC, and 120,000 USD to be brought forward from savings from FY17. It was noted that these savings were the result of intentional efforts by IACOP to adopt a costs savings approach which has led to the buildup of unallocated reserves. IACOP’s Strategic Plan covers a four-year period concluding in 2019 so the action plan submitted to the SC has been developed within this context. This plan details IACOP’s objectives, expected results and strategic priorities.

IACOP will continue to focus on two thematic areas of internal control and audit in practice. The latter topic includes practical auditing tools reflecting the progress of reforms in the region. The RIFIX working group was recently dissolved with the finalization of its knowledge product (a concept paper on the relationship of internal audit with financial inspection and external audit – a good practice document summarizing the results of the working group which was finalized in the working group’s last meeting in October 17-19 2016, held in Moscow Russia.)

The two remaining working groups are planning a meeting in Sarajevo, Bosnia and Herzegovina from 23-26 October 2017 to be held back-to-back with a plenary meeting (120,000 USD). This event was originally planned for FY17, but the Executive Committee decided to carry it forward to FY18 as part of its cost saving mode of operations. Videoconference meetings are also planned on internal control in December 2017, and in April and June 2018 on audit in practice. A face-to-face meeting of the two working groups is also planned in end February 2018 (145,000 USD) and venues are still under investigation but Paris, Brussels, Warsaw, Vienna or a city in Germany are being considered. It is also proposed to have a June 2018 plenary meeting of all members in Croatia, with back-to-back meetings of the two working groups (150,000 USD). IACOP noted it does not have a practice of using videoconference meetings but it is making increased efforts to use this meeting platform given the cost effectiveness and the success that other COPs have had with using them.

For the remainder of FY17, IACOP is preparing for meetings in Budapest, Hungary on 29-31 March which will comprise one day for the new Audit in Practice Working Group, and two days for the Internal Control Working Group. The Ministry of National Economy will provide the conference facilities, and will also pay for printing, and coffee breaks. This constitutes a substantive in-kind contribution. It is also liaising with Ministry of Foreign Affairs for assistance with visas. PEMPAL will provide the translation and translation facilities.

***Treasury Community of Practice***

For FY18, TCOP has developed its budget based on 330,000 USD allocated by the SC. TCOP has established its activities around five priorities: use of information technologies (IT); accounting and financial reporting; cash management, evolving role and functions of treasury; and treasury control and risk management. It meets these priorities through plenary sessions, study tours, small group meetings and thematic videoconferences.

The largest budget amount for FY18 of 150,000 USD has been allocated for a plenary meeting in May 2018 (location and topic to be confirmed). Two small group meetings are planned; in September 2017 on accounting and financial reporting in Dushanbe, Tajikistan (70,000 USD) and in February 2018 on use of IT in treasury operations (50,000 USD, location to be confirmed). The objective of the Tajikistan September event is to familiarize TCOP members with the hosting country experience in PFM reforms implementation and to provide peer advice to the hosting country. The February event will enable group members to get familiar with successful experiences in implementing IFMIS. In November 2017, a study visit will be held on cash management and several additional videoconferences held on this topic. Six videoconference meetings are planned in total on thematic issues related to risk management, use of IT, and accounting and public sector accountability and four for Executive Committee meetings. TCOP noted that it uses WebEx and videoconferences extensively and it has found that this approach is very useful and not very expensive.

For FY17, on 13 December, 27 participants from 8 countries took part in a videoconference on the subject of risk management in the Treasury. The VC was centered around a presentation by Mr. Alexei Solodov, Head of Department of Internal Control (Audit) and Performance Evaluation of the Federal Treasury of Russia, followed by questions from participants. This was the first event convened for this working group, in response to a strong interest expressed in the topic by the members at the plenary meeting in Moldova in June 2016. The annual plenary meeting is scheduled for June (location to be confirmed) and will be also focused on risk management which may be of interest to IACOP, and present an opportunity for cross-COP exchange. TCOP are therefore planning to invite IACOP representatives to this meeting.

A thematic working group study visit is planned in the Spring to Vienna, Austria on the use of IT in treasury operations. A thematic working group study visit is also planned on cash management to Moscow, Russia on 4-6 April. The event will be hosted by the Federal Treasury and the estimated cost will exceed the 90,000 USD limit for small group meetings, so TCOP is requesting approval for a budget increase to 97,500 due to higher than expected interest in the event. The balance of savings transferred from FY16 can be used to cover the extra cost. TCOP has got savings of around 64,000 USD transferred from the last FY some of which has been used for the Minsk event (which was on accounting and reporting in the public sector in October 3-5, 2016, and cost 73,100 USD instead of the forecast 50,000 USD) and the rest TCOP would like to use for the Moscow event.

***Budget Community of Practice***

For FY18, BCOP provided a document that includes how the proposed budget allocation for BCOP is linked to the overall BCOP Strategy and also the new PEMPAL Strategy 2017-22 (**Annex 2**). The total BCOP Budget for FY18 is 330,000 USD as allocated by the Steering Committee. The two Working Groups that have been operating over the last action plan will continue. These are the Program and Performance Budgeting Working Group and the Budget Literacy and Transparency Working Group, each with a membership of 15 countries. The BCOP Executive Committee allocated 50,000 USD to each of the Working Groups – which is comprised of 47,500 for a face-to-face meeting, and 2,500 for a VC meeting.

The key activities of the Program and Performance Budgeting Working Group for FY 2018 will be the collation of all member country regulations/methodologies, program structures, and performance indicators. Investigations will also be taken as to presenting this information in some form of knowledge product. Cooperation with the OECD will also continue, including possible attendance at the annual OECD Senior Budget Officer’s meeting on Performance and Results. The key activities of the Budget Literacy and Transparency Working Group will be developing a knowledge product examining how to break challenges in PEMPAL countries to increase citizen participation in the budget process. The annual plenary meeting of all members was allocated 150,000 USD and will continue to be on a topic of priority that is chosen by the majority of members. 50,000 USD was allocated to the BCOP Executive Committee, 47,500 for attendance at the annual OECD SBO meeting and 2,500 for a VC meeting, with an additional 30,000 planned to accommodate proposed participation by the BCOP Executive Committee’s Deputy Ministers. This will raise awareness of the benefits and value of PEMPAL to higher levels. Several activities are also planned to ensure the objectives of the new strategy are met as listed in BCOP’s plan.

For FY17, since the last SC meeting BCOP has held one event and is in the final preparations for another. The Working Group for Program and Performance Budgeting attended the OECD Senior Budget Officials meeting of its Performance and Results network, on November 24 and 25 and held its own workshop on the day before.  Nineteen participants from 13 BCOP countries attended. The objectives were to learn about the current state of affairs and plans of OECD countries and to also discuss the status of PEMPAL’s reforms including participation in the OECD Performance Budgeting survey. The results of both events included the valuable exchange of experiences between PEMPAL and OECD countries, and effective discussions were also held regarding the French experience in performance budgeting implementation. The budget for these Paris events was around 93,000 but final actual spending was lower at 67,000 USD.

BCOP is also in the final preparations for the annual BCOP plenary meeting which will be held in Kyrgyz Republic in April 2017 on tools for fiscal management including half a day on fiscal risk management and the rest of the agenda dedicated to the two working groups. A conference on budget literacy under the project with the Russian MoF is planned in Moscow in end May/June and BCOP Working Group on Budget Literacy and Transparency is planning to attend. The OECD annual Senior Budget Officer’s meeting of the Central, Eastern and South-Eastern European Countries (CESEE), which BCOP participates in each year usually around May or June, has been tentatively scheduled for July 6 to 7 in Paris, France. Thus, subject to confirmation by OECD, BCOP may need to move the budget for this event (of 40,000 USD) to the next year.

**Conclusions**

* The SC thanked the COPs for providing an update on their current plans and submitting preliminary plans for FY18 despite the funding uncertainty.
* The SC also expressed gratitude to the Ministry of National Economy of Hungary for the provision of in-kind assistance for the proposed IACOP event in March, noting such assistance could be used as a model for other host countries.
* All COPs agreed to update their strategic plans to ensure they are linked to the new PEMPAL Strategy 2017-22. SECO noted that it liked the format of how BCOP had done this in their draft plan, and suggested that the approach could be used as a guide to other COPs. Updated strategic plans should be submitted by the summer (i.e by end June) and should include as a minimum two FY (ie 2017-18 and 2018-19).
* It was noted that the SC made an earlier decision that any unspent COP funds from FY17 will be made available to the COPs in FY18 without having to seek additional approval.
1. **PEMPAL finances**

Ms Nikulina provided an overview of the PEMPAL budget and COP budgets for FY17, including acknowledging Ms Zaleeva’s contribution for compiling some of the tables (**Annex 3**). The following key points were made:

* A surplus of 945,000 USD is expected by the end of the strategy (which is conservative given it excludes the contingency of a further amount of almost 100,000 USD).
* Until new donor contributions in support of the new strategy are confirmed, only partial allocations for the next FY should be made, with an initial amount of 150,000 USD per COP proposed.

**Conclusions**

* COP Chairs advised that the initial allocation of 150,000 USD for FY18 would not adversely impact on event preparations, given the scheduling and costs of events in the first half of the year and/or the possibility of using COP savings from the year before.
1. **Confirmation of SC Chair**

Ms Frei accepted the invitation to continue in the role as Chair of the Steering Committee for the next year, and the SC expressed appreciation for her efforts and enthusiasm in the role over the last year, including arranging the hosting by SECO of a major meeting in Bern last July.

1. **Closing of the meeting**

Before Ms Frei closed the meeting, Ms Nikulina provided an update on work being undertaken by the Secretariat including highlighting the improved format of the quarterly PEMPAL newsletter which had recently been released. PEMPAL success stories were also currently in the final stage of design, and will be posted on the website in a designated special space.

**Conclusions**

* The SC expressed gratitude for the continuing efforts to improve the design of the quarterly PEMPAL newsletter, noting that the new design facilitated easy access to the information.
* A full set of the designed success stories, to be finalized shortly, will be shared with the COPs and countries covered for a final review before posting on the website.
* The next meeting was tentatively set for Tuesday, May 30, to be confirmed closer to the date.

**ANNEXES**

**Annex 1: Draft Strategy’s Implementation Activity Plan**

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**Annex 2: Draft COP FY18 plans and supporting strategic documents**

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**Annex 3: COP budget status note and Program Budget Table**

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