**MINUTES OF THE STEERING COMMITTEE MEETING**

**WebEx, 2 November, 2016**

**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. Nino Tchelishvili (Ministry of Finance of Georgia – TCOP Deputy Chair)
5. Edit Nemeth (Ministry for National Economy of Hungary – IACOP Chair)
6. Elena Nikulina (World Bank – PEMPAL Team Leader)
7. Marius Koen (World Bank)

**Observers**

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

**AGENDA ITEMS**

1. Opening of the meeting
2. Update on progress with preparation of the new PEMPAL Strategy and fund raising to support it
3. Update on the COP action plans for FY17
4. PEMPAL finances
5. Closing of meeting

**1. Opening of the meeting**

Ms. Frei opened the meeting and welcomed all participants noting it was the last Steering Committee (SC) meeting of the year, and that it had been a very productive time with the work on the new strategy nearing completion.

**2. Update on progress with preparation of the new PEMPAL Strategy and fund raising to support it**

Ms Nikulina noted that significant work had been undertaken on the strategy since the July SC meeting. A draft of the document had been prepared incorporating the discussions held in Bern in July, and the Strategy Development Working Group had then reviewed the document and provided comments in a meeting (refer meeting minutes **Annex 1**). The revised PEMPAL Strategy 2017-22 document (**Annex 2**) was then sent to COP Executive Committees for comment (with a deadline by the end of this week). Ms Aubrey advised that only minor comments had been received to date in relation to corrections of formal titles for the Dutch Academy (the National Academy for Finance and Economics) and the Ministry for National Economy of Hungary. Ms Tchelishvili advised that TCOP will provide final comments in the coming days. Other COP representatives advised that no further comments were pending given those provided in earlier consultation processes had been included in this latest draft.

Ms Nikulina provided an update on fund raising activities for the new strategy, referring the SC to the PEMPAL Fundraising Note (**Annex 3**) which provided a list of who could be approached and how, and the latest information on discussions already held. Discussions had been held with MoFs of Russia and Slovakia, and with the Dutch Academy. Ms Nikulina noted that the World Bank internal moratorium on fund raising was still in place, which restricted any additional discussions, so a full picture of potential funding would not be available until next calendar year. Ms Kirillova advised that the MoF of Russia would only have concrete information on the amount of possible future contributions perhaps in December and Ms Frei advised that it would not be possible for SECO to provide any information of this nature until the end of December and possibly after the New Year. Thus, it was decided to review the situation further at the next SC meeting when a clearer picture would be possible, and to delay the release of the strategy to after that time.

Ms Frei expressed appreciation for the briefing note on the progress of fundraising. She and Marius inquired about the threshold related to in-kind contributions over 100,000 USD to obtain a seat on the SC, and a minimum of one million USD to contribute to the trust fund, and whether these thresholds should be changed for the new strategy. Ms Nikulina clarified that there was no minimum threshold for in-kind contributions and that this 100,000 USD was established some years ago in the PEMPAL Operational Guidelines to enable in-kind donors to have the opportunity for representation on the SC. The threshold was also established originally given the experience in the past where one donor provided very little assistance of any kind but still held a position on the Committee. The one million USD minimum for financial contributions to the multi-donor trust fund was proposed given the administrative costs involved in managing trust fund monies. According to the recent changes in the World Bank guidelines on trust funds, the minimum amount for any new trust fund to be established (no matter whether it is financed by a single donor or multiple donors) is 2 million USD.

Ms Frei inquired about the inclusion of hosting the Secretariat as one of the options for donor support and whether this would be actively pursued as part of the fund raising. Ms Nikulina advised that the World Bank had only agreed to host the Secretariat on a temporary basis until new arrangements were made, and will continue on this assumption, unless otherwise requested by the SC to make the arrangement permanent. If the temporary arrangement continues for some time over the next strategy, the approach would need to be revisited regardless, in the context of examining the function’s long-term sustainability. Ms Frei noted that the funding discussions would be a good opportunity to see if there was any interest by potential donors to take this role. Ms Frei also noted that for any fund raising, it is important for prospective donors to gain direct feedback from beneficiaries, and this could be included in the approach. Ms Nikulina agreed and advised that it was part of the approach and similar presentations were planned as done in Bern and to involve beneficiaries as much as feasible. She also encouraged everyone to take an active part in fund raising.

As part of the promotion of PEMPAL to support fundraising, Ms Nikulina referred the SC to the examples of the success stories provided by the designer (**Annex 4**) and she requested feedback on the format and approach. It was clarified that a short overview of PEMPAL would be prepared that would serve as a cover folder, with each country and thematic success story being presented in one folded A3 paper which could be easily pulled out from the cover folder. Originally each story was going to be presented on one double-sided A4 paper, but with the addition of the design graphics, this was no longer possible due to space requirements. It is planned for the final package to be circulated in hard copy and posted on the website (either in full, or each component posted separately). Ms Nemeth expressed concern about the selection of countries as IACOP appeared under represented but it was noted that the examples circulated prior to the meeting composed only half of the set, and others were still with the designer being prepared. The IACOP Resource Team was also still working on a thematic success story for IACOP and a success story for Moldova related to internal audit reforms.

**Conclusions**

* The SC noted the progress of finalization of the new PEMPAL Strategy and that COP consultations were nearing completion with some final comments from TCOP expected in the coming days.
* The SC expressed appreciation for the update on the fund raising efforts of the World Bank and noted that the two current donors will not be able to provide concrete details on the size of their contributions until later in December or in the New Year. Thus, it was decided to delay the release of the strategy until after the next SC meeting (end January/February), when a clearer picture of funding would be available.
* Positive views were provided on the format and design of the PEMPAL Success Stories examples, and it was noted that this selection was not a full and final set, and timeframes would be extended given the professional design stage was taking longer than expected.

1. **Update on the COP action plans for FY17**

Ms Frei called on the COP Chairs or Deputy Chairs to provide an overview of the progress in implementation of the FY17 plans and the requests for budget reallocations by some COPs.

***Budget Community of Practice***

Since the last SC meeting in July, Ms Belenchuk advised that BCOP had held one event and is in the final preparations for another.

The first event was a videoconference (VC) meeting on September 22 of the Budget Literacy and Transparency Working Group (WG).  During the first half of 2016, this WG had been developing recommendations on overcoming challenges in designing and implementing Citizens' Budgets in PEMPAL countries.  The topic was selected because Citizens' Budgets are not common in the PEMPAL region, and they are an important tool to strengthen budget transparency. From the group's discussions, and also a review of international practice, a draft knowledge product had been developed. Ms Belenchuk expressed appreciation for the work of Ms Aubrey in preparing this draft. The draft document was circulated via email to the 15 countries that are members of the WG for comment.  Those countries that had comments then participated in this VC held in September. Ms Belenchuk and Ms Gusarova clarified that this document had not yet been finalized and the WG had made the decision to strengthen it through the inclusion of boxes that illustrated country cases to improve the balance between international and peer advice. It would then be finalized and released for consultation to international organizations early next year.

Ms Belenchuk advised BCOP are also currently finalizing preparations for members of BCOP's second WG, the WG for Program and Performance Budgeting, to attend the annual meeting of the OECD Senior Budget Officials Performance and Results Network. The WG was issued an invitation to attend this meeting from the OECD, which will be held in Paris later this month on November 24 and 25.  The objective of this meeting is to learn about the current state of affairs and plans of OECD countries in performance budgeting reforms.  To take advantage of this opportunity of meeting face-to-face, the WG has also organized an additional back-to-back workshop to be held before the OECD meeting on November 23, with the objective to review findings from performance budgeting cases of the selected countries and to examine the French experience in more detail. Other objectives of this meeting are to identify the key trends in spending reviews in selected OECD countries and to conduct round table discussions to reflect on lessons learnt from advanced countries, and to share updates on developments in WG countries.

 Ms Belenchuk advised the SC that the budget for these Paris events was 80,000 USD but it was estimated that the final cost will be more around 93,000 USD.  The budget is higher than the 90,000 USD limit for small group meetings due to the cost of interpretation in Russian and Bosnian-Serbian-Croatian that will be provided at the OECD meeting, which was not initially planned.  At first BCOP were unsure of the number of PEMPAL participants OECD could accommodate and were initially only going to target English speakers to ensure costs were contained.  However, the opportunity exists now to invite more professionals of the WG, not just English speakers. Ms Belenchuk advised that BCOP will be able to meet the final forecast excess from a transfer from the translations budget (which has a budget of 17,000). This translations budget has been planned to cover the costs of translations to do with the OECD survey, which the group is currently participating in, and it should be able to accommodate the proposed reduction.

Ms Belenchuk also provided the SC with an update on other BCOP work. She advised that BCOP is continuing its cooperation with the OECD Secretariat through participation in OECD surveys. These surveys provide data on status of reforms in PEMPAL countries, and benchmark them against OECD countries, including identifying good practices. Thirteen BCOP countries have filled out the OECD Performance Budgeting Survey and the collected data is currently being cleaned and analyzed. A comprehensive report on survey results will be presented at the next BCOP annual plenary meeting. BCOP is also in the early preparations for its annual plenary meeting, which will be held in Kyrgyz Republic in April 2017.  The Resource Team has prepared a draft of the concept and agenda, and internal consultations are being conducted within the World Bank on good practice country cases before consultation with the BCOP Executive Committee in a proposed VC meeting in December.

***Treasury Community of Practice***

Ms Tchelishvili advised that TCOP had held two events since the last SC meeting. The first was a thematic group meeting on Public Sector Accounting held in Belarus on 3-5 October 2016, which was attended by 44 participants from 13 countries. The objective of this meeting was to deepen the understanding of the practical technicalities of aligning public sector accounting with international standards. Two approaches were examined in detail involving full adoption of IPSAS, or adoption of a mixture of IPSAS and national standards. Disadvantages and advantages of each approach were shared between countries, and advice given to the host country Belarus. An event report was currently being finalized and would be posted on the public website in the next few days. Seven of the 44 participants were also self-payers, which represented over 15 percent of total participation.

On October 19, the thematic group on Cash Management also held a VC. Mr Mike Williams, a cash management expert, made a presentation on financial instruments available to Governments to actively manage their cash positions. The meeting was attended by 45 participants from 12 member countries. Future plans of this WG were also discussed, including the next face-to-face meeting planned for spring in Moscow, Russian Federation.

Ms Tchelishvili also advised the SC of the future plans of TCOP which involves several VC meetings on thematic topics being addressed. The next thematic VC is planned for late November – early December and will be dedicated to the experience of the Russian Federation in risk management. A VC meeting was also planned for the TCOP Executive Committee in December. A study visit to Estonia by the thematic group on Use of IT in Treasury Operations has been postponed to January/February, and a small format meeting of the thematic group on Cash Management is planned in Moscow in March. The annual plenary meeting of TCOP is planned for May 2017, and several other VCs will be held in the first half of 2017, including in March of the thematic group on Use of IT in Treasury Operations, and in June on the evolution of the role and functions of Treasury.

In response to a query on TCOP knowledge products, Ms Tchelishvili advised the SC that after most events, an event report was prepared. These reports provide a good overview of the discussions and conclusions and will continue as a practice for all thematic groups. Ms Nikulina also clarified that some of the thematic groups related to accounting and reporting have prepared knowledge products summarizing the results of their work, such as the paper on integration of the Budget Classification and the Chart of Accounts, the Summary of the work of the thematic group on Accounting of Assets and, most recently, the draft Guidelines on Consolidation, which was distributed to the group for comments at the Minsk meeting. Other thematic groups operating within the TCOP are considering to produce similar knowledge products in the future.

***Internal Audit Community of Practice***

Ms Nemeth advised the SC that IACOP had held one event since the last SC meeting. This event comprised two back-to-back meetings of the Relationship of Internal Audit with Financial Inspection and External Audit (RIFIX) WG and the Internal Control WG, which were held in Moscow on 17-19 October. Representatives of TCOP also participated in the meetings, which were jointly hosted by the Ministry of Finance and the Federal Treasury of Russia.

Ms Nemeth advised that it was a very successful event, with a ‘news format’ incorporated into the event’s design. This entailed thematic news and updates on reform progress being provided by each member country which was included in a newsletter distributed before the event. During the event, a session was included whereby all countries could ask questions related to the contents of the newsletter. Ms Nikulina, who attended the first day of the event, noted that it was a very good event and a good example of cross-COP collaboration. The new format was also very valuable as it provided an update on developments on certain aspects of thematic reforms. Mr Koen described the format as similar to that of a ‘BBC talk show’ whereby country representatives were interviewed with the audience having an opportunity to ask questions on their reforms. This also stimulated a lot of discussions during the coffee breaks, and provided valuable information on the progress of reforms in each country and facilitated information sharing and networking.

Ms Nemeth also advised that three further events were planned for IACOP during 2017, in Hungary, Germany and Bosnia and Herzegovina. However, in light of the preparation time required, and the current funding uncertainty, IACOP would now like to combine the thematic meeting initially planned in Germany with the annual plenary meeting initially planned in BiH and reallocate part of the budget allocated to this event (50,000 USD to the Budapest meeting. She also advised that IACOP would like to move the annual plenary event planned for BiH to September/October next FY. Ms Nemeth and Mr Vatyan also advised that IACOP had moved to cost savings mode through limiting travel, delaying some events, and preserving any reserve funds until clarity was gained on future PEMPAL funding availability.

**Conclusions**

* The SC took note of the progress of implementation of the FY17 COP action plans, commending IACOP and TCOP for their recent cross-COP collaboration, and IACOP for its cost saving efforts.
* IACOP agreed to provide the SC with a copy of the newsletter used when implementing its recent event which facilitated sharing of information between countries. TCOP also noted that this approach may be of interest to other COPs given the value it had given to the event.

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 5**). She advised that there was little change in the financial situation since the last SC meeting in July, except for updates related to the actuals for the Bern meeting and other events that had been implemented or under implementation this FY, including the requests for reallocations by some of the COPs. There remained a forecast surplus of 634,700 USD by the end of the FY. This amount will be available for disbursement even if new financing becomes available for the new Strategy period.

Discussions were held on the process of action planning for FY18, given it was usual practice for the SC to request COPs to prepare these plans for its first meeting in the CY. Given there would be uncertainty of funding, two options were discussed with the first to extend the timeframe for the use of the current budget allocation to December 2017 and the second to request COPs to prepare updated plans to the end of December 2017 utilizing any buffer that was remaining, and any achieved savings. It was also clarified that the potential buffer of 634,700 USD would not be fully available to the COPs in this case, as around half of that would be required to fund the Secretariat and COP Resource Teams, so only around 110,000 USD per COP could be accessed if funding was not forthcoming, and this option was pursued.

It was decided that COPs should prepare their action plans for the full FY18 as per normal practice, within last year’s allocation of 330,000 USD for each COP together with any amount transferred from the FY17 budget. These provisional plans should be submitted for SC approval at its next meeting. Subject to contributions being confirmed from donors by July 2017, these action plans would be revisited and adopted in full or part depending on funding availability.

In response to a question from Ms Frei regarding the extension of the current trust fund agreement, Ms Nikulina advised that an extension would be sought depending on how much remained in the fund, closer to the current closing date of December 31 2017. Given the projected balance on the trust fund account at the end of the fiscal year (end-June) as well as the time required to settle the accounts related to any events held in October/November, an extension is likely to be needed before the fund can be closed. This could be decided in December/January, given the procedure for no cost extension remains relatively simple and is not subject to the recent changes in the rules for the new trust funds.

**Conclusions**

* The SC took note of the progress in implementation of FY17 COP budgets and approved the request for reallocations within existing budgets:
  + **for IACOP** - increase in the budget for the Budapest event by USD 50 thous, through reallocation of the part of the budget for the Germany event (new approved budget for the Budapest event – USD 130 thous) and reallocation of the combined balance of the budgets for the Germany and BiH events to FY18 (USD 109 thous.);
  + **for BCOP** - increase in the budget for the Paris event through reallocation of part of the translation budget (new approved budget for the Paris event – USD 93 thous.)
* COPs were requested to prepare their provisional action plans for FY18 as per normal, and submit them to the SC for consideration in its next meeting. Budget ceiling of 330,000 USD per COP (plus any COP specific savings or carry over from FY17) should be used for the planning purposes. Plans will be approved in full or in part at the next SC meeting, subject to funding availability.
* A surplus of 634,700 USD is expected by the end of the current strategy (FY17) but COPs were encouraged to take precautions and target savings where feasible (similar to what is being done by IACOP) given the high probability that full funding will not be available next FY to fully support COP action plans.

1. **Closing of the meeting**

Before Ms Frei closed the meeting, Ms Nikulina provided an update on work being undertaken by the Secretariat on the virtual library attached to the program web site and quarterly newsletter. She advised that significant work had been conducted by the Secretariat in the transfer of library resources from the previous Secretariat. Mr Chicu advised that all documents were now uploaded to the library from 2015 and 2016 events, but there remained some issues related to historical documents held by the old Secretariat which should be resolved in the next few weeks. It was requested that any issues found while trying to access the documents in the library should be reported to the Secretariat. Ms Nikulina also advised of the ongoing work to improve the newsletter, and encouraged everyone to review the next issue coming out shortly to get familiar with the new format. Ms Frei thanked the Secretariat for the significant efforts involved in transferring the library, and for the ongoing improvements in the quarterly newsletter.

**Conclusions**

* The date of the next SC meeting was provisionally set for Wednesday 1 February 2017. It was also agreed that Ms Aubrey would prepare a task of activities required to support the implementation of the new strategy, to ensure the systems are in place for its effective monitoring.
* The Secretariat was commended for its work on the library and the newsletter. Any issues in accessing documents in the library should be reported to the Secretariat.

**ANNEXES**

**Annex 1: Minutes to August 24 Strategy Development Working Group**

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**Annex 2: Consultation draft PEMPAL Strategy 2017-22**

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**Annex 3: PEMPAL Fundraising Note**

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**Annex 4: Samples of Designed Version of Success Stories**

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**Annex 5: COP budget status note and Program Budget Table**

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