



PEM PAL Secretariat Annual Report 2010

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PEM PAL Secretariat - Annual Report for 2010

1. Background

In line with the Rules of Operation of the PEM PAL network, the Center of Excellence in Finance (CEF), acting as a PEM PAL Secretariat, provides the Steering Committee the annual report on the progress of activities and financing during the twelve-month period commencing on January 1, 2010 and ending on December 31, 2010.

This report has three main objectives:

- To highlight the challenges and results of the PEM PAL in the period from 2006 to 2010;
- To present PEM PAL activities and financing during 2010;
- To provide some suggestions for further work.

2. The PEM PAL network: Making a difference

2.1. Context

In response to huge capacity development needs and severe institutional and human resource constraints, the World Bank and DFID launched the PEM PAL initiative in 2006 to develop a network of practitioners and institutions involved in public financial management reforms. The network now consists of three Communities of Practice (COPs), for budget (B COP), internal audit (IA COP) and treasury (T COP). They are led by leadership groups (Executive Committees, EC), committed to coordinate and promote activities and change. The COPs' activities include plenary events, workshops, study visits attended by the COP members as well as face-to-face and video conference meetings attended by their leadership groups.

The Steering Committee (SC) includes representatives of development partners, the COPs leadership, the community facilitator and the PEM PAL Secretariat. The SC approves the work plan and budget and provides a forum for consultation and cooperation. It is currently chaired by the SECO representative.

The PEM PAL Secretariat executes various tasks in support of the COPs and SC work program, facilitates ongoing dialogue via telecommunication platforms (including the PEM PAL web page) and produces reports on activities. The Secretariat was transferred from the World Bank to the CEF in January 2008.

Community facilitator was appointed in October 2010 to promote further development and growth of the PEM PAL network.

2.2. The PEM PAL network: Using experience of the peers to facilitate change

The PEM PAL initiative promotes conversations among practitioners on best practices to support capacity development in public financial management. Focusing on lessons learned and case study discussions, it complements traditional training methods predominately addressing general concepts and theory. Action plans and work agendas designed by the PEM PAL participants make its knowledge exchange demand driven and directly applicable. Resolutions and communiqués –

that summed up recent conversations -- incorporate a sense of ownership and accountability for change. Such an approach has proved helpful for dealing successfully with both complexity of the professional standards and weaknesses in institutional capacity. Besides, it promotes South-South cooperation, which has been recently gaining momentum as an important method of development assistance. Ownership, desire to learn, commitment and acknowledgment oil the wheels of the PEM PAL network. Regular interactions among the members of a COP are essential, so is support and recognition by their organizations for their contribution to the COP's work. A community facilitator can play an important role by facilitating linkages and relationships between the members. Informal networks that foster mutual learning are one of PEM PAL's most important pillars because they connect experience and spread it among the peers.

The three COPs within the PEM PAL create networks among the practitioners from South East Europe and Central Asia. These practitioners share common knowledge and understanding of the topics, but often approach them from different perspectives. This makes the discussion among them richer, and a solution seeking process more creative. Resource persons, participating in each conversation, contribute global knowledge and provide guidance, if needed. New communication tools (e.g., wiki) allow for a more inter-active information exchange, facilitate access to body of knowledge of peers and connect geographically distant members. Awareness raising activities, such as thank you letters to the Ministers informing them of the topics discussed in events, increase visibility and relevance of the PEM PAL initiative.

2.3. Evolution of the PEM PAL network from 2006 to 2010

The activities of the PEM PAL initiative and its three COPs have gradually evolved over time (see Attachment 1). In the first phase, from 2006 to 2008, the focus was on setting up the structure of information sharing, defining commitments to joint agendas, developing the work programs and forming leadership groups. Individuals have been identified to carry the initiative further. Many positive developments have helped set the stage for deepened collaboration. However, to certain degree, the network seemed to be preoccupied with organizational matters, and the program implementation stranded with occasional inactivity.

Activities gradually took off in 2009 and intensified in 2010. The key factors contributing to this was increased frequency of events, results oriented approach, strengthened support of resource people, focus on relevant topics, increased participation at the events, and, in the internal audit COP, involvement of moderators to facilitate the discussions. Also important were the increased trust and emerging collective commitment to strengthen collaboration and mutual learning.

3. Financing

The PEM PAL network is supported by grants and in-kind contributions of several sponsors, who recognize that capacity development may be costly, but that the opportunity cost of the absence of capacity upgrading could be much higher.

3.1. Financial contributions in the period from 2008 to 2010

The World Bank has provided three grants through its Development Grant Facility (DGF), DGF2008, DGF2009 and DGF2010 in the amount of USD 300.000, USD 300.000, and USD 175.000, respectively. InWent has supported IA activities (accommodation and translation/moderation cost) in the amount of USD 57.748 in 2009, and in the amount of USD 81.098 in 2010. SECO has

committed USD 190.000 in 2007 and USD 800.000 in 2009. Russian authorities have pledged USD 2,000.000 in 2010 through the World Bank managed Multi Donor Trust Fund (MDTF).

Financing from DGF2008, DGF2009 and DGF2010, InWent and part of the MDTF is being channeled through the PEM PAL Secretariat. This financing covers the immediate cost of the PEM PAL activities mostly related to logistics (such as travel, accommodation, translation/moderation cost) and the cost of the Secretariat. The remaining part of the MDTF and SECO contribution are being administered by the World Bank to cover the cost of resource persons and a community facilitator.

Table 1: Available financing and costs of logistics (incl. Secretariat cost) for the PEM PAL initiative in the period from 2008 to 2010, amounts in USD***

2008		2009		2010	
Available		Available		Available	
DGF2008	300.000	DGF2009	300.000	DGF2010	175.000
		DGF2008	74.320	DGF2009	111.302
		InWent	57.748	InWent	81.098
		Total	432.068	MDTF	53.663
				SIGMA	707
				Total	421.770
		MDTF*	242.214	MDTF*	395.406
Spent/logistics**	****268.886	Spent/ logistics	321.339	Spent/ logistics	421.770
o/w Secretariat	81.750	o/w Secretariat	76.765	o/w Secretariat	75.000
Secretariat/total	30%	Secretariat/total	24%	Secretariat/total	18%

Note: * Actual amounts of donor funds available at PEMPAL MDTF account with the World Bank as of the beginning of the respective calendar year. SECO pledged at the end of 2009 a contribution of USD 800.000 to PEMPAL MDTF to be provided in installments till end-June 2012. Russian authorities pledged a contribution of USD 2 million in 2010 to be provided in installments till end-June 2012. The MDTF balance available at the account as of January 2011 is USD 1.356.026. ** Spending amounts include Secretariat expenditures only (not the direct spending made by the WB from the MDTF account). *** End-calendar year exchange rates for USD/EUR apply. **** Amount includes an estimated accommodation cost for the plenary for USD75.000 settled directly by the WB.

3.2. Spending and financing in 2010 (as recorded through the PEM PAL Secretariat)

The Attachment 2 provides an overview of expenditures and financing for the COPs activities broken down into four categories: transport, accommodation (incl. food), translation/moderation and other. Financing for these activities and for the PEM PAL Secretariat work has been provided from five sources: DGF 2009 (USD 111.302), DGF 2010 (USD 175.000), InWent (USD 81.098), WB Multi-Donor Trust Fund financed by the Russian authorities (USD 53.663), and OECD/SIGMA (USD 707; substantial in-kind contribution by OECD/SIGMA is now shown here).

3.3. In-kind contributions

Many sponsors, including the World Bank, OECD/SIGMA, InWent, International Monetary Fund, GTZ, the UK Department for International Development, the US Department of the Treasury, and others, have at various times offered valuable in kind support to the PEM PAL initiative by providing expertise and guidance, and by facilitating the PEM PAL activities. Valuable support since the launch of the PEM PAL initiative has also been provided by the authorities hosting events and study visits (Armenia, Croatia, Georgia, Ireland, Lithuania, Moldova, Montenegro, Romania, Slovakia, Slovenia, Tajikistan, Turkey and Ukraine).

4. Implementation highlights in 2010

The following activities, in particular, marked PEM PAL operations during 2010. The Attachment 3 provides a more detailed overview.

4.1. Action plans and budgets until mid-June 2012 have been developed.

During 2010, all three COPs developed their action plans and budgets for the period until mid-June 2012.

4.2. Guidelines for PEM PAL events and study visits have been approved in October.

The SC has approved two new Guidelines to define procedures and criteria, one for organizing PEM PAL events, and another for organizing study visits. Three important elements are common to both event and study visit organization: (i) clearly spelled out objectives; (ii) reporting to peers: and, (iii) evaluation of the outcomes. The Guidelines provide for two types of study visits, one where the financing is secured from the COP budgets (Type A study visit) and one where financing is provided from a special budget line (Type B study visit). PEM PAL covers study visits for up to 10 participants, and lasting up to four working days.

4.3. Preparations for the 2011 PEM PAL Plenary in Zagreb, Croatia (January 26 – 28, 2011) started in October.

An organization committee was set up in October to oversee content and technical preparations for the Plenary of all three COPs. A concept note, benefiting from extensive consultations, was prepared to define objectives and agenda, and to frame a discussion on the overarching theme addressing “Managerial accountability in budget execution” and its two related topics: (i) arrangements that motivate managers to improve delivery of services; and, (ii) quality of budget formats and reporting and how they contribute to decision making.

4.4. Changes to Rules of Operation (RoO) were approved in December.

Six amendments to the RoO (initially adopted on March 1, 2009) were approved in December. Three of them were aimed to define the role of a community facilitator, regulate attendance at the PEM PAL events (reimbursement for travel and accommodation cost might be requested for non-attendance) and attendance at the SC meetings (chairs and/or members of the EC are expected to attend). The remaining three regulated promotion of the PEM PAL network, hosting of the PEM PAL Plenary meetings and membership in COPs (to be linked to the area of work).

4.5. Community Facilitator, Ms. Deanna Aubrey, has assumed her position in December.

Ms. Aubrey will help provide focus and assistance to the COPs, facilitate events preparation and support capacity development.

5. Measuring performance and impact

COPs activities can be measured in a number of ways, e.g. by linking performance (e.g., number of activities and participants) to financing sources, or relying on other indicators, like administration cost, donors' commitment or survey results evaluating COP members' approval of the initiative and its impact.

5.1. Performance measured against costs for logistics, donor commitment and Secretariat cost

5.1.1. Performance indicators

Table 2: Performance indicators

	2008	2009	2010
No. of activities/participants (COP, EC/SC members)			
• Events	1 / 110	10 / 160	6 / 156
• Study visits	-	-	3 / 22
• EC and SC meetings	2 / 21	4 / 52	7 / 71
Spending on logistics (incl. Secret.), in USD	268.886	321.339	421.770
Secretariat cost, in %	30%	24%	18%
No. of donors w/ grants	1	2	5
No. of donors w/ in-kind contribution	5	6	6
Cost per participant /events + study visits	2.444	2.008	2.369
Cost per participant /all activities	2.053	1.516	1.694

5.1.2. Cost for PEM PAL activities (travel, accommodation, translation/moderation) and the Secretariat work

The Table 2 shows an upward trend in terms of participants and total costs during the period from 2008 to 2010. The average cost per participant (considering events and study visits only) first decreased from USD2.444 in 2008 to USD2.008 in 2009, and then increased to USD2.369 in 2010. The trend is the same for the average cost per participant considering all activities (also including SC and leadership groups meetings). It decreased from USD2.053 in 2008 to USD1.516 in 2009 and then increased to USD1.694 in 2010.

The increase from 2009 to 2010 could to certain extent be attributed to the PEM PAL events moving closer to PEM PAL members. In 2009, of ten events, eight were held in Slovenia, where special arrangements could be made for hotel and meals. In 2010, of eight events two were held in Slovenia, while the others in other ECA countries, with comparably higher prices for hotel, meals and conference facilities. Notwithstanding higher costs, there are certainly merits of such a move in terms of increased visibility, ownership and continuity of the PEM PAL initiative.

5.1.3. Cost of the Secretariat in relation to amounts spent on organization of PEM PAL activities

Given the slight decrease in nominal compensation for the Secretariat's services, and concurrent increase of amounts spent for PEM PAL activities, the share of the Secretariat cost in total spending for PEM PAL activities on logistics decreased from 30 percent in 2008 to 24 percent in 2009, and to 18 percent in 2010.

5.1.4. Donor commitment

There has been a strong donor commitment to the PEM PAL from its launch on. The number of donor contributors providing financing increased from initial two (World Bank, US Treasury) to five in 2010 (DGF, SECO, InWent, the Russian Federation, OECD/SIGMA). So did the number of donors providing in-kind contribution, from 5 to the current 6 (World Bank, OECD/SIGMA, IMF, SECO, InWent, GTZ).

5.2. PEM PAL survey

Survey conducted in January 2011 at the occasion of the 2011 Plenary meeting collected answers from 90+ participants on different aspects of the PEM PAL initiative. Questions inquired about their participation, interest and impact of the PEM PAL on their daily work¹.

Survey results indicate the following:

5.2.1. High visibility and relevance of the PEM PAL initiative.

Participants believe they are well informed about the objectives and activities, and they are excited about being active members of the PEM PAL network (grade 4.3 on the 1 to 5 scale). Practically all (98 percent) found experiences of their peers useful and had applied them in their daily work, or intend to do so in the future. Many informative comments provided by the participants demonstrate that knowledge acquired in COP discussion is being used widely and that participants benefited greatly from PEM PAL's wealth of experience and information exchange.

5.2.2. Communication among the COP members is good, but there is still scope for improvement.

About three of four participants confirmed they were regularly in informal contact with other PEM PAL members. While this response is still positive (grade 3.3 on the 1 to 5 scale), it denotes some weaknesses in communication among the members, which could be further examined.

5.2.3. Participation in the leadership tasks, COP discussions and other value-enhancing activities should be stimulated.

Halfhearted response (grade 2.9 on the 1 to 5 scale) to the question about participants' contribution to the COP leadership or COP discussions is a bit surprising and deserves to be analyzed in more detail. Namely, some 40 percent of participants seem to be reluctant to take the lead in COP discussions or management of activities.

5.2.4. The PEM PAL members tend to use the PEM PAL webpage regularly (grade 3.4 on the 1 to 5 scale).

¹ How do you rate your participation in PEM PAL network? How have you been active in the COP in 2009 and 2010? How have you used the experiences of your fellow COP members or other learning in the COP to design, recommend or implement reforms in your area of practice in 2009 and/or 2010? Give an example of how your participation in COP has influenced your practice.

- 5.2.5. There is some continuity in the PEM PAL participation (60 percent of participants have attended at least one PEM PAL event), but more than half did not take part in hosting any country exchanges.

5.3. PEM PAL web page evaluation

In order to analyze the PEM PAL members' views on the functionality of the PEM PAL site the PEM PAL Secretariat performed a short web-based exit survey in September 2010. The survey was sent to 264 PEM PAL members out of whom 65 responded. These were the findings of the survey:

- (i) Overall, the PEM PAL members are satisfied or very satisfied (73%) with their experience with the site.
- (ii) Most PEM PAL members use the website on a monthly basis (39%), followed by those who use it either weekly (30%), or less than once per month (25%). The percent of those who have for the first time visited the PEM PAL website only for the purpose of responding to the survey was low (5%), indicating that the majority of the PEM PAL members used the site and browsed through its contents.
- (iii) In general, PEM PAL members confirmed that they would likely or very likely return to the website (85%), and that they would recommend the site to their colleagues as well (77%).
- (iv) The main reason why members visit the site was to learn about the latest news on PEM PAL network activities and developments (85%), and to browse through the announcements of the forthcoming events (75%). Many of them also visited the site after the events to download the Power Point Presentations and other materials used during workshops (47%).
- (v) Based on the previous experience PEM PAL members have with other sites they in general rate the design, functionality, interactivity and available contents as satisfactory (22%, 28%, 17%, 18%, respectively).
- (vi) The biggest challenges identified with regard to the PEM PAL site include lengthy downloads (38%), followed by weaknesses in the organization of the site and complicated navigation through the contents (each 35%).

In response to the survey, the PEM PAL Secretariat reorganized the PEM PAL web site effective November 2010 to facilitate navigation and improve the site's design.

6. Lessons learned

The PEM PAL's track record is satisfactory. COP members find it relevant and consider it a reliable tool for generating policy and institutional change. Horizontal networks that it builds have contributed considerably to information exchange and have helped develop new valuable solutions. PEM PAL has fostered partnerships and collaboration, and has established itself as a new model for knowledge exchange and a dynamic element of a new global governance structure.

Seven overarching lessons stand out from the past experience, providing guidance for future engagement.

First, *an enthusiastic leadership group is a crucial element for an effective operation of a COP*, for incentivizing the activities, building mutual accountability and for taking the agenda forward by the COP, without relying too much on external support. It contributes to trust and enthusiasm of a COP activity, which is essential for the success of the network. Incentives should be provided to encourage greater involvement in the leadership group and COP discussions, also to facilitate path to sustainability of the PEM PAL network.

Second, *COP members should be allowed more time for engagement in the PEM PAL activities*. Their interest in the possibilities for capacity development it offers does not appear to be in line with their ability to take an active part in the leadership group or COP discussions. It seems that daily operations and preoccupation with national challenges are leaving many of them with insufficient time to engage in COPs activities. Besides, understanding on the part of some of their managers for a rather informal interaction with their peers on challenges of other countries seems not to correspond to the value added it brings to their teams.

Third, *technology that helps disseminate knowledge and enhance communication has to be tailored to participants' possibilities and their IT environment*. Despite its cost-efficiency, COP members do not see videoconferencing as a substitute for face to face meetings, which they consider vital for building relationships among the COP members. Use of some communication tools (e.g., Adobe Connect) might be constrained by limitations in the local IT systems, thus excluding certain segments of the COP membership from communication. Also, while wiki is quite popular in the IA COP, other two COPs apparently find it difficult to use.

Fourth, *resource persons, community facilitator and moderators can help realize a full potential of the PEM PAL network*, by providing guidance, helping with agenda setting, managing discussions and relationships. They should be involved early in the preparation of events, but they should take the back seat, where possible, to allow the COPs to manage the process.

Fifth, *sustainability of the PEM PAL initiative should be envisaged and planned*. To this end, donors and PEM PAL member countries must look at ways to enhance the impact of the COP activities and secure a continuous interaction and initiative by the COPs themselves. Sense of leadership and accountability should be further reinforced, and a core group of coordinators should be formed to gradually take the initiative forward.

Sixth, *PEM PAL events should be organized across the South East Europe and Central Asia region to allow a wide participation of COP members in country exchanges* and to strengthen the sense of collaboration. In this context, additional incentives should be provided for a study visit program.

Seventh, *innovative solutions should be designed to make the network more attractive and robust*. Virtual library would be one important step in this direction, and interaction across the three COPs another. Given a high turnover of operational staff, ways to secure continuity of the PEM PAL network should be considered (maybe by allowing, as a general rule, participation of three, instead of two, country representatives at the PEM PAL events).

ATTACHMENT 1 to the PEM PAL Secretariat Annual Report for 2010

Table: Overview of PEM PAL activities from 2006 till end-2010

<u>Activity</u>	<u>Topics</u>	<u>Partic.</u>
	<u>2006</u>	
PEM PAL launch, April, Poland	Producing policy based and credible budgets; Enhancing quality of public investments; Budget execution.	97
T COP first meeting, June, Slovenia	CoP building activities; Maturity framework for treasury system development; Performance indicators.	28
IA COP first meeting, December, Slovenia	COP building activities; Design and implementation of reforms in IA.	34
	<u>2007</u>	
B COP first meeting, March, Lithuania	COP building activities; Elections; Future activities.	30
IA COP Second meeting, June, Moldova	Learning from each other; Practical experience with IA and challenges with implementation.	37
B COP Second ws, Georgia	Program budgeting; Case study discussion; Getting B COP operational.	33
B COP SV of Montenegrin officials to Lithuania		
B COP SV Tajikistan to Slovakia and Moldova	Mid-term budget planning for financing school education in Slovakia.	
B COP SV of Uzbekistan to Slovakia		
B COP ws in Tajikistan		
	<u>2008</u>	
Plenary meeting of three COPs, February, Turkey	Monitoring and evaluation of PFM systems; EC elections; Topics for 2009.	110
COPs Executive Committee, July, Slovenia	Ideas and expectations of the COPs.	6
Steering Committee, July, Slovenia	COPs activities; Draft Rules of Operation; Evaluation of PEM PAL network; COPs activities.	15
PEFA wg established, August		
PEM PAL web page launched, September		
PEM PAL evaluation, October - December		
COPs preparing their action plans; Oct- Dec		
	<u>2009</u>	
I T&C ws, April, Slovenia	Konrad report; Review of the options for developing a curriculum for T&C.	23
A Sampling methods ws, April, Slovenia	Learning from each other and case studies and clinics.	22
C Questionnaire on IA COP, April		
O Fifth ws, October, Armenia	Capability&maturity model; T&C; IA standards; PIFC in Armenia.	38
P T&C ws, December, Slovenia	Comparing country T&C programs with the PEMPAL model, and advancing and using the PEM PAL model.	6
B Annual plus EC meeting, February, Slovenia	Revised action plan; Sharing experiences (Armenia, Moldova); Election of the EC.	12
r PEFA wg meeting, February, Slovenia	PEFA standards.	12

	<u>Activity</u>	<u>Topics</u>	<u>Partic.</u>
U O	Ws, April, Slovenia	Medium term budgeting.	6
P	PEFA ws, October, Slovenia	PEFA standards.	24
C T O P	Leadership meeting, April, Albania	National treasury system in Albania; TCoP activity plan for 2009; Tajik IPSAS feasibility study.	17
	Cash management ws, November, Slovenia	Cash Management; Presentation / Russian Treasury System, Slovenian TSA; TCoP future plans.	31
S	SC VC meeting, September	Updated action plans and revised budgets for 2009; TOR for Community Facilitator; Change in leadership.	12
C	Steering Committee, December, Slovenia	COPs reports; Funding outlook; Community Facilitator.	11
<u>2010</u>			
I A	7th ws, May, Ukraine	Relations between inspection, internal and external audit; Experience with harmonization of T&C.	40
	IA Manual ws, October, Slovenia	Creating a common understanding on IA Manual (IPPF, objectives); Capability maturity model.	20
C O P	T&C ws, October, Slovenia	Konrad report; IIA Body of Knowledge (BoK); Capability Model; Connection of BoK with T&C.	15
	SV of Ukraine to Croatia, November	Internal financial control system: PIFC system; System of budgeting inspection: IA methodology: T&C.	6
B C O P	SV of Georgia to Ireland, February	Capital budgeting process: inception, appraisal, selection, implementation.	6
	SV of Bosnia to Slovenia, July	Budget planning cycle; Financial reporting; Developing a consolidated budget; Fiscal policy.	10
	Annual meeting, September, Montenegro	PEM PAL network, B COP good practices, B COP Action Plan, Zagreb plenary topics	12
T	Executive Committee VC, February	Plan of activities for 2010; T COP ws in Moldova.	6
	Use of IT in Treasury ws, Moldova, May	Implementation of FMIS; Use of electronic payment systems and digital signature; activity plan.	37
C O P	VC Meeting of the TCoP Executive Committee, July	TCoP Activity Plan for 2010-2012; Preparations for a ws in Dushanbe and Plenary Mtg in Zagreb 2011.	11
	Budget classification and CoA ws, October, Tajikistan	Links between BC and CoA segments; Integrating Economic Classification and the CoA; Public sector accounting reform; Automation of Budgeting and Accounting; Difficulties of applying unified CoA.	32
	Joint Leadership Group meeting, June, Slovenia	Planning for 2010-2012; Topics, format of the 2011 Plenary; Sharing experiences.	12
	Steering Committee, VC, March	Overview of the activities and funding for 2010; New donor; Plenary in 2011.	8
S	Steering Committee, June, Slovenia	Funding outlook for 2010 and beyond: COPs work plans and budgets.	15
C	Steering Committee VC, October	2011 Plenary; Comm. facilitator; Guidelines/study visit program; Secretariat report; COPs Action Plans.	11
	Steering Committee VC, December	2011 Plenary; Rules of Operation; Budget CoP updated budget; Community facilitator; Miscellaneous	8

ATTACHMENT 2 to the PEM PAL Secretariat Annual Report for 2010
Table: PEM PAL 2010 activities: Cost structure and financing; number of participants and countries

Amounts in USD; calendar year 2010

Activity	Expenditure				Financing				Sub-total	# of particip. /countries
	Transport	Accomodation	Trans/Moder	Other	DGF 2009	DGF 2010/MDTF	Inwent	OECD/SIGMA		
1. IA COP	<u>56.192</u>	<u>53.673</u>	<u>49.242</u>	<u>3.647</u>	<u>37.208</u>	<u>43.741</u>	<u>81.098</u>	<u>707</u>	<u>162.754</u>	<u>81 participants</u>
1.1. Plenary, Ukraine (May)	34.740	22.382	23.995	2.932	37.208	62	46.072	707	84.049	40 part./15 countr.
<i>Of which DGF 2009/2010</i>	34.033	305		2.932	37.208	62			37.270	
<i>Of which Inwent</i>		22.077	23.995				46.072		46.072	
<i>Of which Sigma</i>	707							707	707	
1.2. Two ws, Slovenia (October)	18.341	27.542	24.697	388		35.942	35.026		70.968	20 part./12 countr.
<i>Of which InWent</i>		27.542	7.484				35.026		35.026	15 part./9 countr.
<i>Of which DGF 2010</i>	18.341		17.213	388		35.942			35.942	
1.3. SV Ukraine to Croatia (Nov)	3.111	3.749	550	327		7.737			7.737	6 part./1 countr.
2. B COP	<u>17.174</u>	<u>22.338</u>	<u>8.633</u>	<u>2.666</u>	<u>12.987</u>	<u>37.824</u>			<u>50.811</u>	<u>28 participants</u>
2.1. SV Georgia to Ireland (Feb)	8.475	2.682		1.830	12.987				12.987	6 part. / 1 countr.
2.2. SV Bosnia to Slovenia (July)		4.761	2.565			7.326			7.326	10 part./1 countr.
2.3. 2010 Plenary, Mntng (Sept)	8.699	14.895	6.068	836		30.498			30.498	12 part. / 8 countr.
3. T COP	<u>51.516</u>	<u>38.939</u>	<u>11.229</u>		<u>55.258</u>	<u>46.426</u>			<u>101.684</u>	<u>69 participants</u>
3.1. IT ws in Moldova (May)	29.524	20.895	4.839		55.258				55.258	37 part./14 countr.
3.2. Meeting in Tajikistan (Oct)	21.992	18.044	6.390			46.426			46.426	32 part./6 countr.
4. OTHER	<u>3.825</u>	<u>2.332</u>	<u>22.443</u>	<u>2.921</u>	<u>5.849</u>	<u>25.672</u>			<u>31.521</u>	
4.1. SC and EC, Slovenia (June)	3.825	2.332			5.849	308			6.157	
4.2. PIFC Book translation			17.554			17.554			17.554	
4.3. ALL COPs			3.556	2.921		6.477			6.477	
4.4. PEM PAL web pg translation			1.333			1.333			1.333	
5. PEM PAL (5 = 1+2+3+4)	<u>128.707</u>	<u>117.282</u>	<u>91.547</u>	<u>9.234</u>	<u>111.302</u>	<u>153.663</u>	<u>81.098</u>	<u>707</u>	<u>346.770</u>	<u>178 participants</u>
6. CEF Secretariat services						<u>75.000</u>			<u>75.000</u>	
7. PEM PAL+Secretariat (7=5+6)	<u>128.707</u>	<u>117.282</u>	<u>91.547</u>	<u>9.234</u>	<u>111.302</u>	<u>228.663</u>	<u>81.098</u>	<u>707</u>	<u>421.770</u>	

Memo:

1. Trans/Moder: includes translation and moderation cost and expert fee (if paid)
2. Financing for the 2010 PEM PAL activities includes DGF2009 grant (USD 111.302) and DGF 2010 grant (USD 175.000), and contributions from InWent (USD 81.098) and OECD/SIGMA (USD 707), as well as from the Multi-donor Trust Fund financed by the Russian Federation (USD 53.663).
3. The agreement between the WB and the Secretariat extended the use of DGF2009 funds into 2010, for the financing committed by May 31, 2010, and paid by June 30, 2010.
4. The Table 1 provides an overview of financial contributions made by the donors. In kind contributions are not included, and they come in addition to financial contributions shown above.
5. Exchange rates valid at the moment of bookkeeping entries apply.

ATTACHMENT 3 to the PEM PAL Secretariat Annual Report for 2010

PEM PAL ACTIVITIES IN 2010

I. Budget Community of Practice

1. Georgian Delegation's Study Tour to Dublin, Ireland (February 2010)

In December 2009, the Government of Georgia adopted a new Budget Code to simplify and improve the budget system and consolidate regulating legislation. Considering that Georgia is an active member of the PEM PAL network, the decision was made to use these relations and arrange a study tour in a country that has a well developed Capital Budget System.

The study visit with all the presentations, personal meetings and discussions provided the participants with extensive information on developing a capital budget from inception through appraisal and selection and onward to implementation steps serving the needs of governmental officials. The study tour was attended by six Georgian officials.

2. Study visit of Bosnian officials to Slovenia (July 2010)

The objective of the study visit was to discuss processes and procedures of budget planning cycle in an EU member country, and to discuss reform options in the following areas: budget calendar and related legislation, key institutions and related coordination mechanism, MoF organization scheme, macro-economic and fiscal policy, defining government priorities and strategic planning and linkages to decisions on budget allocations, preparation of the budget documentation, importance of the PFM in the context of EU integration, measuring and evaluation of the government's programs, IT systems to support budget preparation and financial reporting.

3. 2010 Annual Meeting in Budva, Montenegro (September 2010)

Budget officials from Europe and Central Asia met in Budva, Montenegro, to discuss budgeting reform priorities and prepare an action plan of their activities for 2011 and 2012. They identified four main topics to be discussed among peers in the next couple of years: fiscal rules, medium-term budgeting, capital and program/performance budgeting.

The participants stressed the importance of learning from the experience of others. Despite diverse geography and specific backgrounds, the reform paths face similar obstacles and challenges. Discussing PEFA review in 2009, for example, helped identify weaknesses and design indicators. As in the past, the future dialogue should also involve external experts from international organizations (WB, IMF, OECD) and bilateral donors (InWent). Face-to-face meetings proved to be more efficient than Video Conferences.

Among the challenges, lack of clarity in legislation, weaknesses in institutional set up, unclear division of responsibilities among institutions and inadequate human capital development are the most important ones. Lack of clear objectives and benefits, for example, can result in line ministries' reluctance in accepting responsibility. Most important for every reform is political commitment, and the sense of responsibility for keeping the overall budget on a sustainable footing. Too often these elements are missing. Last but not least, training and capacity development need to be strengthened.

II. Internal Audit Community of Practice

1. 2010 Annual workshop in Yalta, Ukraine (May 2010)

From May 26-28, 2010, over 40 internal audit professionals from 15 countries in Europe and Central Asia (ECA) region held the 7th PEM PAL IA CoP workshop in Yalta, Ukraine.

The objective of the workshop was to explore relations between inspection, internal and external audit.

Participants exchanged views on and experience with harmonization of training and certification (T&C) in internal audit. As part of capacity building effort, harmonization was seen important for enhancing

professionalism and motivation, and keeping the best staff in the public sector. But lack of financing, insufficient commitment and ownership, as well as difficulties with getting the right trainers often hamper the process. Several proposals to deal with these obstacles were made, such as involving universities, using PEM PAL conclusions to make the case for a change, training the managers, etc..

How does the role of internal audit differ from that of inspection? was another important question discussed in the workshop. Participants maintained that it is essential to separate the roles of inspectors and internal auditors, but also to establish good relations among them. In principle, inspection is an investigatory activity, and internal audit is a service to line management with a more strategic and systematic view. In practice, their roles are often overlapping, or are misunderstood. For a smooth transition from inspection to internal audit, getting the pre-conditions right is essential, such as adequate regulation, clear concept, political commitment and ownership, training to understand a complex terminology, as well as trust in the system.

Participants also talked about cooperation between internal and external audit, and the lessons learned in enhancing the role of internal audit in the public sector. Questions on how to promote professional development, avoid duplications, use findings of internal auditors, etc. were at the center of the discussion.

2. Internal Audit Manual (IA Manual) workshop in Bled, Slovenia (October 14-15, 2010)

The objective of the workshop was to create a common understanding on IA Manual – special attention was drawn to IPPF standards, IA Manual objectives, Capability maturity model and IPPF chapters, current status and overview of IA Manuals in PEM PAL countries and their view on IA Manuals.

During the workshop the IA CoP members discussed good practices for IA Manuals, created an IA Manual working group and developed an action plan for further steps.

3. Training and Certification (T&C) workshop in Bled, Slovenia (October 18-19, 2010)

The objectives of this workshop included a continuous development of the community as a dynamic learning partnership between its members and setting the way forward: Integration of Konrad report (2008), results IIA Body of Knowledge (BoK) for internal auditors and Internal Audit Capability Model as common professional platform for internal auditors. The main focus was put on making the connection of BoK with T&C and placing BoK in the T&C system for internal auditors (current examples from PEM PAL countries).

4. Study visit of Ukrainian officials to Croatia (November 2010)

The Ukrainian Central Harmonization Unit visited their Croatian peers to discuss organization of training for future managers and internal auditors as well as other aspects of implementation of PIFC. The Ukrainian delegation consisted of 6 members. The program of the study visit included the following areas: internal financial control system, acquired experiences, legal and organizational framework; accession process under the Chapter 32 of the EU acquis; system of financial management and control and training of responsible persons; IA in the public sector, the status of development, results, methodology, training and certification of internal auditors; PIFC system in the fight against corruption; and, system of budgetary control.

Based on the information and solutions presented, the Ukrainian delegation expects to be able to prepare and adopt a strategy for training, certification and professional development of internal auditors and the persons responsible for financial management and control, and establish a centre for vocational training.

III. Treasury Community of Practice

1. T CoP Executive Committee meeting through videoconference (February 2010)

The main objective of the meeting was to develop a Plan of activities for 2010 and discuss organization and contents of T CoP workshop to be organized in the first half of 2010. As work in small groups was identified as a preferred format for discussions by most of TCOP members, the Executive Committee opted

for organizing in May 2010 a workshop in Moldova for a group of member countries interested in the use of IT in Treasury operations.

2. 2010 Annual meeting on the use of information technologies in treasury operations in Chisinau, Moldova (May 2010)

The fourth annual meeting of PEM PAL Treasury Community of Practice was hosted by the Ministry of Finance of the Republic of Moldova and held in Chisinau, Moldova, on May 18 – 20, 2010. The meeting was attended by 37 representatives of the Ministries of Finance and Treasuries of 14 countries and was devoted to the discussion of issues related to the use of information technologies in treasury operations. Special attention was devoted to the use of electronic payment systems and digital signature application for treasury operations.

The main objective of the meeting was to offer the participants an opportunity to exchange experiences in applying information technologies for treasury operation, learn from the best practices and discuss risks and potential mistakes to be avoided in the process of implementation of treasury modernization reforms. The agenda of the meeting combined presentations from countries with different level of IT application and different models of using digital signature. The approach proved to be successful for achieving the workshop objectives, having generated an active exchange of experiences and views. During the two workshop days, more than 100 questions were raised by the participants. This demonstrates a great interest of the T COP members to use the information technologies in treasury operations. In view of this, an IT thematic group within the T COP has been created to continue communication and sharing of experiences in this area.

3. TCoP Leadership Group meeting through video conference (July 22, 2010)

The main objective of the meeting was to discuss TCoP Activity Plan for 2010-2012 (with a focus on the preparation of the TCoP events scheduled for fall 2010). TCoP leadership group also addressed issues related to the TCoP members participation to the all PEM PAL CoPs meeting, planned for January 2011.

4. Implementation of the integrated budget classification and chart of accounts (BC & CoA) workshop in Dushanbe, Tajikistan (October 2010)

This workshop was the first PEM PAL event ever held in one of Central Asian countries. It generated a lot of interest in the region. Representatives of 6 countries, including Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Ukraine, discussed the implementation of the integrated budget classification and chart of accounts (BC and CoA) and how to align them with international standards. In order to assess the existing situation in the BC and CoA area, each country was asked to prepare a case study for presentation and discussion, following the recommended format and structure.

Participants agreed that a unified CoA is essential for the development of a modern PFM. Advantages and disadvantages of a flexible approach (BC and CoA remain distinct, but linked with the overall coding structure) and a rigid approach (BC becomes part of the CoA with fixed linkages) were discussed. Another conclusion from the workshop was that the so called »big bang approach« in the area of BC and CoA reform has more advantages than partial implementation with pilot projects, but countries should be well prepared to reduce the risks and pursue the big-bang approach. Participants agreed that learning the rules is a necessary prerequisite to develop and implement integrated BC and CoA, although specific practices cannot be directly translated from one country to another.

IV. Joint Leadership Group meeting

On June 14, 2010 all three CoP Executive Committee members of PEM PAL network held a joint meeting which took place in Bled, Slovenia. Two of three Executive Committee (Leadership Groups) were represented, namely T CoP and IA CoP with the World Bank and CEF staff.

The aim of this event was joint CoP discussion on the preparation for the Steering Committee and plenary meeting in January 2011 as well as PEM PAL strategy for the next 24 months.

V. Steering Committee meetings

1. Steering Committee meeting through VC on March 18, 2010

The SC discussed the funding outlook for 2010 and beyond, which improved considerably with a new donor, the Russian Federation, joining the PEM PAL network. The SC also discussed and approved work plans and budgets for 2010 of all three COPs. Decision was taken to organize a plenary meeting in January 2011. Also discussed were various topics, like the use of wiki, translation of PIFC book, membership sustainability, selection of the Community Facilitator, Rules of Operation, and the Secretariat Report for 2009.

2. Steering Committee meeting in Ljubljana, June 15, 2010

On June 15, 2010, members the Steering Committee met with two of three CoPs leadership groups (see above) at a face to face meeting held at the Center of Excellence in Finance.

Following the conclusions adopted at the leadership meeting the day earlier, the discussion largely focused on the strategic planning of the activities across all three CoPs within the next 24 months. Updates of work plans and budgets for each CoP were also presented. Special attention was devoted to a discussion on organization of the Plenary meeting 2011 and status of the community facilitator.

3. Steering Committee meeting through VC, October 20, 2010

The SC discussed organizational matters related to the 2011 Zagreb Plenary meeting to be held in January 2011 in Zagreb, Croatia: concept notes, topics, schedule of activities, moderation/facilitation seminar, linkages to other WB supported initiatives. A community facilitator was selected and introduced to the SC. Also, the Guidelines for the study visits and events were approved. COPs action plans for IA COP and B COP were also discussed. The SC members asked that performance indicators be included into the Secretariat report for 2010.

4. Steering Committee meeting through Adobe, December 15, 2010

The SC discussed organization of the PEM PAL 2011 Plenary meeting, approved changes to the Rules of Operation, updated B COP budget. The newly appointed community facilitator reported on her first steps.