



Center
of Excellence
in Finance



CEF
Annual Report
2015

Learning Program in Numbers

PUBLIC FINANCIAL MANAGEMENT

 **19**
LEARNING INITIATIVES

 **635**
PARTICIPANTS

ACCOUNTING CERTIFICATION PROGRAMS (PACT)

Macedonia: 11 CIPFA certificates awarded; 19 students enrolled
Montenegro: 40 students enrolled

INTERNAL AUDIT CERTIFICATION PROGRAMS (TIAPS)

Macedonia: 29 CIPFA certificates awarded
Montenegro: 33 students enrolled

TAX POLICY AND ADMINISTRATION

 **9**
LEARNING INITIATIVES

 **187**
PARTICIPANTS

CENTRAL BANKING

 **4**
LEARNING INITIATIVES

 **61**
PARTICIPANTS

LEADERSHIP FOR MANAGING REFORMS

 **10**
LEARNING INITIATIVES

 **144**
PARTICIPANTS

EU STRATEGY FOR THE DANUBE REGION

 **4**
EVENTS

 **178**
PARTICIPANTS

PEMPAL

 **14**
EVENTS

 **318**
PARTICIPANTS



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OUR MISSION

We support capacity development for finance officials in South East Europe through learning.

OUR WORK

We work with our constituency by directly contributing to the design and implementation of their public financial management, tax policy and administration, and central banking reform efforts. We do this through innovative, participatory, and practical learning solutions. The CEF serves as a knowledge hub for the region: we combine topical expertise and in-depth knowledge of countries in the region with a good grasp of leadership skills required to manage reforms. We know how to nurture and deepen learning among individuals and institutions.

OUR HISTORY

We were established in 2001 under the Stability Pact for South East Europe by the Slovenian Government, at the initiative of the Slovenian Ministry of Finance and in close cooperation with other ministries of finance of former Yugoslav countries and Albania. In 2015, the CEF became an international organization after 14 very successful years as a regional institution.

OUR CONSTITUENCY

We primarily serve ministries of finance, tax administrations, and central banks in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Moldova, Montenegro, Romania, Serbia, Slovenia, and Turkey. We also address capacity development needs of other key stakeholders and are present in some other countries.

DIRECTOR'S WELCOME



I am delighted to present you our 2015 Annual Report, renewed in structure and design, reflecting the CEF's development in the past year.

2015 was the first year for the CEF as an international organization. I am pleased to say that the transition to the new legal status was smooth and that the number of our members – those who signed and ratified the Agreement on Establishing the CEF – is constantly growing. Currently there are six of them: Bulgaria, Macedonia, Moldova, Montenegro, Romania, and Slovenia.

We have put a lot of effort in further improving our learning program. In addition to traditionally fertile cooperation with the IMF FAD that creates synergies between technical assistance and learning in the thematic areas of public financial management and tax policy and administration, we considerably strengthened our central banking learning program in 2015. A central banking expert on an external assignment from the IMF joined us at the CEF and together we have been intensely working on improving the program. We have expanded the central banking learning offer for 2016 based on the needs in the SEE region. To facilitate an overview of our learning opportunities by thematic areas and no longer by learning formats.

We are continuously striving to stay among the leaders in the area of learning and knowledge sharing. In the past year, we made a step forward in our participatory approach to learning with the redesign of our facilities. We teamed up with an architect who helped us translate our understanding of learning into the physical design of the CEF lobby. You can see how our renewed lobby functions in practice on the photos throughout this report. We are also well aware that in today's digital world a lot of learning is available online. So, we decided to extend the reach of our learning initiatives beyond classroom with real-time online reporting by compiling social media posts, relevant materials, research findings, and the highlights of discussions.

To maintain the high quality of our learning initiatives and check their impact on the reform processes in the region, we pay particular attention to monitoring and evaluation. We use a range of tools, including value creation stories, to measure participants' feedback on our learning initiatives. These stories illustrate the impact of learning initiatives on beneficiary institutions and they are available on our website, under Voices from the region. You can also read a few examples in this report.

I invite you to browse through our Annual Report and find out more about our achievements in 2015. Enjoy reading!

Mira Dobovišek
Director



OUR APPROACH TO LEARNING

We serve as a knowledge hub for the region. Knowledge hubs are institutions that have the capacity to capture, package, and share broad or very sector-specific experience with domestic and international partners in order to accelerate reform processes.

Thematically we focus on public financial management, central banking, and tax policy and administration reform efforts, putting special emphasis on leadership skills to manage these reforms. Geographically we focus on countries of South East Europe.

To accelerate the reform processes, we combine topical expertise and knowledge of the specifics of countries in the region with a good grasp of leadership skills required to manage reforms, through nurturing and deepening learning among individuals and institutions.

Capturing Knowledge and Experience

We are in constant dialogue with our constituency to keep abreast of their ongoing reform efforts and to understand who is leading change. We identify knowledge providers who can effectively share their know-how and further accelerate reform processes. We support learning by designing knowledge products that take into account different learning theories and rely on a variety of learning methods and tools.

REFORMING PUBLIC FINANCIAL MANAGEMENT AND CENTRAL BANKING SYSTEMS

WORKING CLOSELY WITH THE REGION AND BEYOND

Consultation and close communication with our constituency is at the very heart of the design of CEF learning programs. Through the annual meetings of our Governing Board we talk with ministers of finance and governors of central banks to listen and learn about reform efforts in the region and seek feedback on our previous and ongoing work.

We consult our regional representatives within ministries of finance and central banks, the CEF Coordinators, a group of professionals focusing on strategic human resource management and talent development. Coordinators not only help us capture knowledge on reform efforts in their countries but also share their insight on who are the leaders of change in their countries, key stakeholders who embark on the challenging processes to make reforms happen.

To design the specifics of our various thematic priorities, we communicate closely with other key liaison officers across the CEF constituency. These include the members of the Program Development Committee on Central Banking; representatives of tax administrations; local coordinators of our certification programs; and experts advising us on the delivery of our learning activities.

We partner with a variety of institutions that share our commitment towards the region's reform efforts: multi-lateral and bilateral agencies, knowledge institutions, and peer organizations.

MATCHING OUR WORK WITH THE IMF'S TECHNICAL ASSISTANCE

Our activities are complemented by technical assistance (TA) from the International Monetary Fund's Fiscal Affairs Department (IMF FAD). We function as a hub for two IMF FAD advisors in public financial management revenue administration for South East Europe.

IMF TA missions help us pinpoint needs for learning and knowledge sharing among practitioners. Based on these needs, we design the necessary learning activities, bringing together peer institutions and experts from the region and beyond. Many of the courses are co-delivered by the IMF advisors, who contribute content that is strongly informed by their missions.

More information on IMF advisors' missions in 2015 is available in the Appendix.



In 2015, we witnessed another year of successful cooperation between the IMF FAD and the CEF. Over the last decade, FAD has anchored its TA delivery to countries in South Eastern Europe by basing resident advisors for Public Financial Management (PFM) and Revenue Administration (RA) in the CEF, supported by resources from headquarters.

In 2015, we were very heartened by the signing of a new agreement between the EC and the IMF, which provided for EU financing for TA on fiscal reforms. This new initiative has ensured a stable source of financing over the medium term, focused on countries in the Western Balkans. The new program ensures that FAD can continue to support countries in their efforts to implement challenging fiscal reforms, as they seek to accede to the EU.

We remain convinced that this model continues to be an effective mechanism in delivering TA across the region on a wide range of PFM and RA related reforms. The synergies between FAD's TA delivery activities and the CEF's regional learning programs, a number of which have been jointly run with FAD staff, also continues to enhance the impact in terms of capacity development. FAD is committed to the relationship with the CEF and we look forward to further successful cooperation in 2016 and beyond.

Vitor Gaspar
Director
Fiscal Affairs Department
International Monetary Fund

SUPPORTING CAPACITY DEVELOPMENT THROUGH LEARNING

Working closely with our constituency to support their capacity development through learning raises the bar for learning at the CEF in two key aspects. The first is the need to be equipped with knowledge and skills on theories and approaches to capacity development, and the second relates to theories of learning combined with an understanding of how appropriate learning approaches, methods, and tools can be blended to make learning happen.

We see capacity development as a process through which individuals and institutions build, strengthen, and maintain their knowledge and skills to define and achieve their own development objectives. We believe that capacity can only be enhanced when the effort has strong ownership by individuals and institutions.

We believe in the transformative role of learning and innovative learning solutions as key to supporting capacity development. Learning is also being transformed to the extent that knowledge no longer resides in the classroom only but among networks of individuals who share their passion and interest in certain topics.

As a knowledge hub and knowledge broker between knowledge providers and seekers, we are increasingly recognizing these transformations and aim to provide innovative learning solutions in a changing environment.

Packaging knowledge and experience

We design learning products, projects, and programs that fit the needs of our partner institutions and also different learning styles of individuals. Based on well-defined objectives and as experts in learning, we assure that the knowledge exchange products are well facilitated.

FACILITATING KNOWLEDGE SHARING IN THE REGION

OUR LEARNING SOLUTIONS

We support knowledge and experience sharing among finance officials in the region through four distinct types of learning solutions: structured, collaborative, online and expert-based learning.

IDENTIFYING CHANGE AGENTS AND KNOWLEDGE PROVIDERS

We carefully select the knowledge providers invited to deliver our learning activities. Besides ensuring that they have technical knowledge, we pay attention to non-technical skills, such as their understanding of the importance of leadership skills, team and change management, team work, and creating an enabling environment. We also take note of their knowledge of contextual elements, such as country specifics and regional culture. We help our experts, usually practitioners, feel at ease as lecturers, intervening as facilitators, moderators, and rapporteurs. Our objective is to ensure that, jointly with our knowledge providers, we encourage participants at our learning events to share their knowledge, both during the events and upon the return to their workplace.



DESIGNING AND DELIVERING INTERACTIVE KNOWLEDGE EXCHANGE PRODUCTS FOR THE REGION

We rely on a participatory approach to learning. We engage participants in the design, delivery and monitoring of our learning events, building on their experience. We strive to make learning events practical and in line with individual and institutional needs.

We put an emphasis on understanding how learning takes place, but we also examine how learning impacts on individuals, their colleagues, and consequently, their institutions. Our participatory approach to learning is based on:

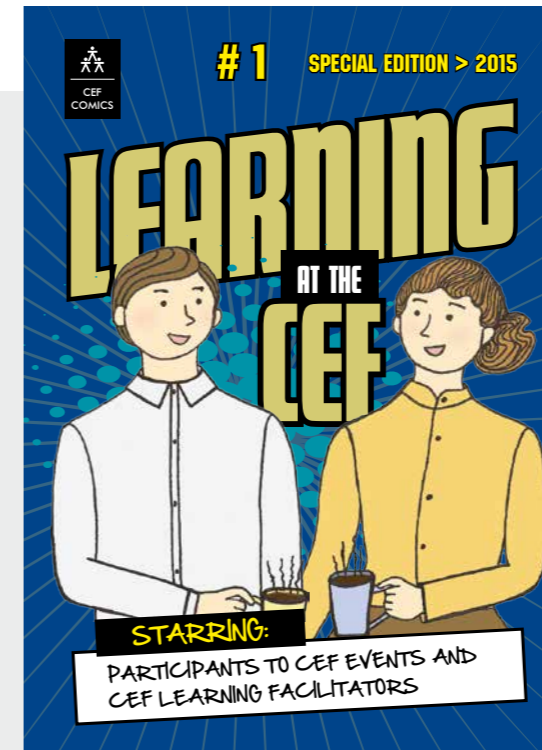
- Setting clear learning objectives to help participants understand the knowledge and skills they will gain. This also helps us choose the right learning methods and tools, and provides a yardstick against which to evaluate the performance of lecturers, participants, and our own staff.
- Ensuring that learning is participant-centered and experience-based. All courses are designed to maximize interaction between lecturers and participants, and among participants themselves, using a wide range of learning methods and tools.
- Incorporating participants' feedback throughout the process: before, during, and after the course. This enables us to keep learning and improving our delivery, as well as providing insight on the impact of our program.

PAYING ATTENTION TO PHYSICAL DESIGN OF PREMISES TO SUPPORT LEARNING

As a learning institution that promotes a participatory approach to learning, we also wanted our facilities to support this approach. We have teamed up with Jure Kotnik Architecture to help us translate our understanding of learning into the physical design of the CEF lobby. Thematic areas that people learn about at our workshops are demanding, which is why we needed an environment that is conducive to informal exchanges, facilitating learning with a change in perspective, presenting the topics as challenging and fun. We wanted a lobby where our training participants would feel relaxed, motivated to learn, and stimulated to think differently, "out of the box".

The architect proposed a set of innovative elements which we swiftly introduced, such as a winning podium, office traffic signs, new names of classrooms, and arrangement of a pillar as an inspiration area that would act as a conversation trigger and initiate informal contacts among participants, while also relieving their minds and taking them into another realm of thinking.

The way our lobby functions in practice is featured in the photos throughout this report.



We have illustrated learning experience at the CEF in the following comics: <https://www.yumpu.com/en/document/view/54490629/cef-comic-1>

Sharing Knowledge and Experience

We report on the results of our activities, showcase the region's successes, and share our experience at international events and with peer institutions.

SHOWCASING THE REGION'S SUCCESSES

We always look for ways to showcase reform successes in the region through a variety of channels, such as program publications, our annual reports or publishing what we call "value creation stories" narrated by our participants.

To systematically collect stories from the region, we follow the conceptual framework developed by recognized experts on social learning systems and communities of practice, Beverly Wenger-Trayner and Etienne Wenger-Trayner. We publish them in our website rubric voices from the region. Examples are also included throughout this annual report.

VIDEO LEARNING NUGGETS

We make video interviews with experts highlighting key issues in thematic areas related to learning events. We also produce other video announcements and materials and publish them on our YouTube channel.

COORDINATING OUR WORK

We regularly meet with our partners to inform them on what we do in the region and explore potential synergies. Our annual Advisory Board meetings gather the most important partners in one place, offering a unique opportunity to network for cooperation. In addition, we periodically meet our strategic partners on a bilateral basis.

SHARING OUR EXPERIENCE GLOBALLY

We attend international events, partner with peer institutions and are members of international networks, such as learn4dev, sharing our work experience as a thematic regional knowledge hub.

USING SOCIAL MEDIA, WEBSITES AND OTHER COMMUNICATION TOOLS TO SHARE KNOWLEDGE

With an online tool Storify we compile social media posts, relevant materials, research findings and highlights of the discussion which extends the reach of our learning initiatives beyond the classroom. We use social media to share information with partners about our work, interesting research findings or upcoming learning events. We use:



We run a blog, CEF = Knowledge Hub, to disseminate information and experience with our partners on learning and knowledge exchange. The blog is available at <http://knowledgehub.cef-see.org/>.

Our website, recently revamped, functions as a set of virtual windows on our institution and activities. We publish a *monthly electronic newsletter* that informs recipients on key developments and newsworthy events.

You can subscribe to it on the home page of our website.



Monitoring and Evaluation

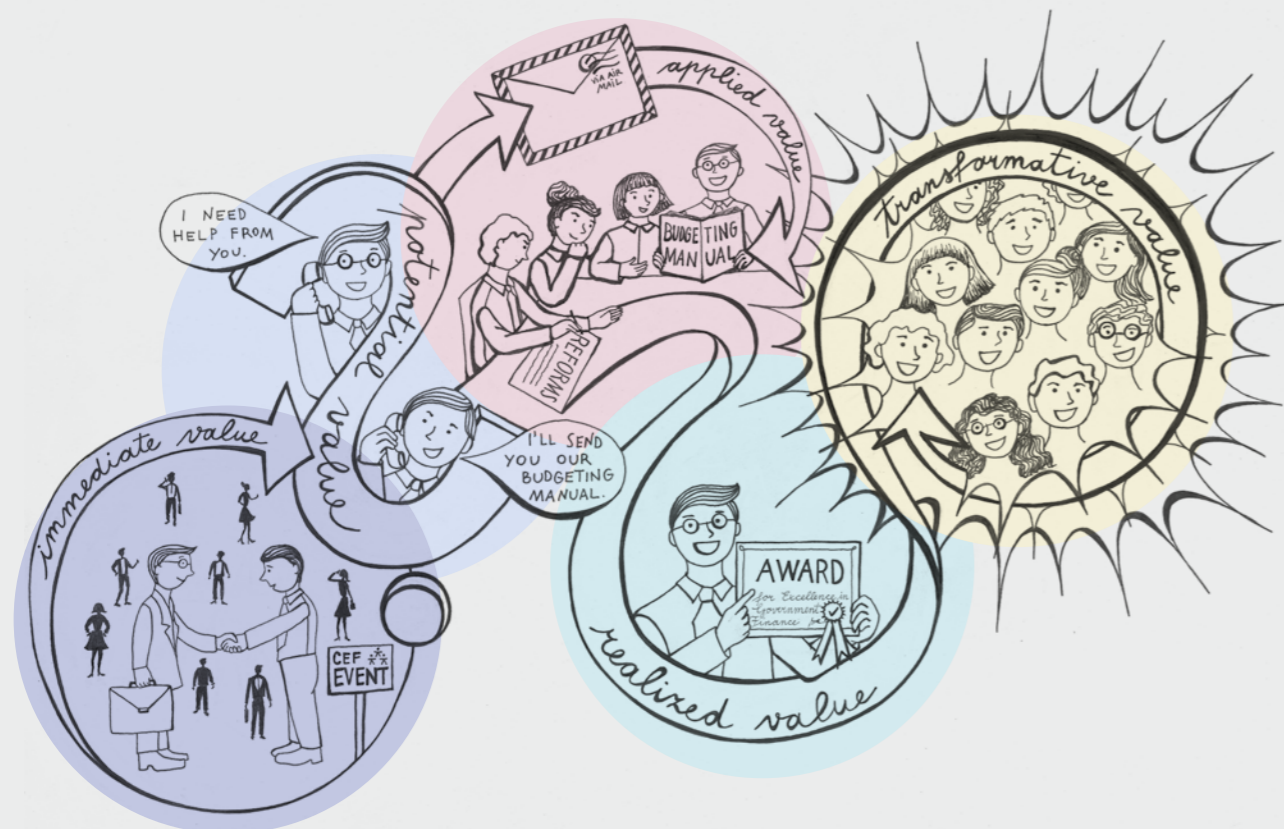
We use a broad range of tools to measure participants' feedback on our learning initiatives. One of the tools is value creation stories, which illustrate the link between our learning initiatives and the impact on beneficiary institutions. They span the full cycle of value creation: from interaction at a learning event to adaptation of learning and its appli-

cation in-country, and reinterpretation of subsequent learning needs. Cycles of value created by attending a learning initiative are explained in more detail in the graphics below.

Qualitative data is useful in the measurement of changes in practice, fresh collaborations, and application of new approaches. There is an imme-

diately and tangible value of learning stemming from interactions at the CEF, be they lobby conversations, problem solving exercises, or benchmarking and identifying potential for new insights and perspectives, offering unexpected solutions. The value creation stories are collected on our website under the section Voices: <http://www.cef-see.org/voices>.

Value creation stories



We collect value-creation stories to better understand the impact of our activities on the work of individual participants, as well as their organizations. According to the Wenger-Trayner conceptual framework, a change in behavior traverses different cycles, providing an account of how learning initiatives have created value for participants, their organizations, and stakeholders. We collect data at different cycles and cross-reference it with the stories to show the causal link between our learning initiatives and impact on beneficiary institutions.

The value created by attending a learning initiative:

- CYCLE 1**
Starts with describing the immediate values: sharing experience, meeting others, sharing similar challenges, etc.
- CYCLE 2**
Continues with outlining the newly created knowledge capital: inspiration, new insights, new methods & tools, new connections, etc.
- CYCLE 3**
Explains any application of it to solve a specific challenge: change practice, start a new collaboration, apply a new method, etc.
- CYCLE 4**
Finally, the learning experience may link to actual performance changes that are meaningful to participants and their organizations: improve personal or Ministry performance in area of budgeting, etc.
- CYCLE 5**
And may inform a redefinition of performance or reconsideration of strategies, goals and values: possible transformation in the way things are done.

I find value creation framework helpful in understanding the impact of our learning initiatives on the work of individual participants as well as their organizations. It helps us understand the added value of these initiatives in increasing beneficiaries' knowledge. The advantage of this work presents us the opportunity to collect feedback by talking to officials and letting them share it themselves, while we write it as a story for reporting and evaluation purposes. Collecting data with this methodology at different cycles and cross-referencing it with the stories gives us an insight at different stages and shows the casual link between our activities and impact on beneficiaries.

Luka Zupančič
Program Facilitator
Center of Excellence in Finance



LEARNING PROGRAM

Our partnership with finance officials in South East Europe is articulated around the delivery of learning initiatives in four thematic areas.

Public Financial Management

Budget Preparation and Execution
Accounting and Auditing

Tax Policy and Administration

Central Banking

Leadership for Managing Reforms

Public Financial Management

The CEF's learning program in Public Financial Management (PFM) covers the following phases of the budgeting process: budget preparation, budget execution, accounting, and auditing.

BUDGET PREPARATION AND EXECUTION

Our Budget Preparation and Execution learning program helps finance officials better understand the objectives and features of multi-year budgeting, and underlines the role of strong fiscal institutions in ensuring long-term fiscal sustainability.

In 2015, we facilitated the identification of challenges and bottlenecks in implementing reforms. We promoted sharing of experiences and provided opportunities to learn about recent innovations and good practices in other parts of the world. We supported our constituency in ensuring that medium-term budget frameworks become fully functional, and strengthening fiscal institutions. Special emphasis was put on the importance of budget decisions, especially with respect to the fiscal impact of existing and new policies that extend beyond the current budget year. In addition, we discussed the role of strong fiscal institutions in improving the quality of fiscal management and helping ensure fiscal sustainability.

We have developed this learning program in cooperation with the IMF Fiscal Affairs Department and a number of individual experts, working particularly closely with the IMF FAD Public Financial Management Advisor for South East Europe based at the CEF. He is directly involved in the design and delivery of many learning initiatives and his technical assistance missions in the region strongly inform our program.

Through two newly designed e-learning courses, we extended our use of learning solutions allowing us to engage finance officials over a longer period in highly interactive learning journeys. This enabled course participants to get a comprehensive understanding of the budget process, and to identify ways to improve both preparation and execution of the budget.

We made an extensive effort to support ministries of finance in ensuring sound budget processes and fiscal discipline. Together with the Dutch Academy of Finance and Economics, we engaged senior officials of ministries of finance in a regional conference where we discussed ways to increase the role of line ministries in the budget process. We also engaged finance officials in learning initiatives to strengthen line ministries' budget submissions, improving fiscal programming of structural reforms.

The dual goal underlying these initiatives was to help reinforce the link between sectoral policy planning and the budget process, and to promote better assessments of the fiscal impact of structural reforms. This was discussed in light of the conditions for successfully absorbing sector-budget support from the EU's new instrument for pre-accession countries, and facilitating the dialogue on the reform programs that both EU member and pre-accession countries submit each year to the European Commission.



NUMBER OF PARTICIPANTS:

397



NUMBER OF EVENTS:

9

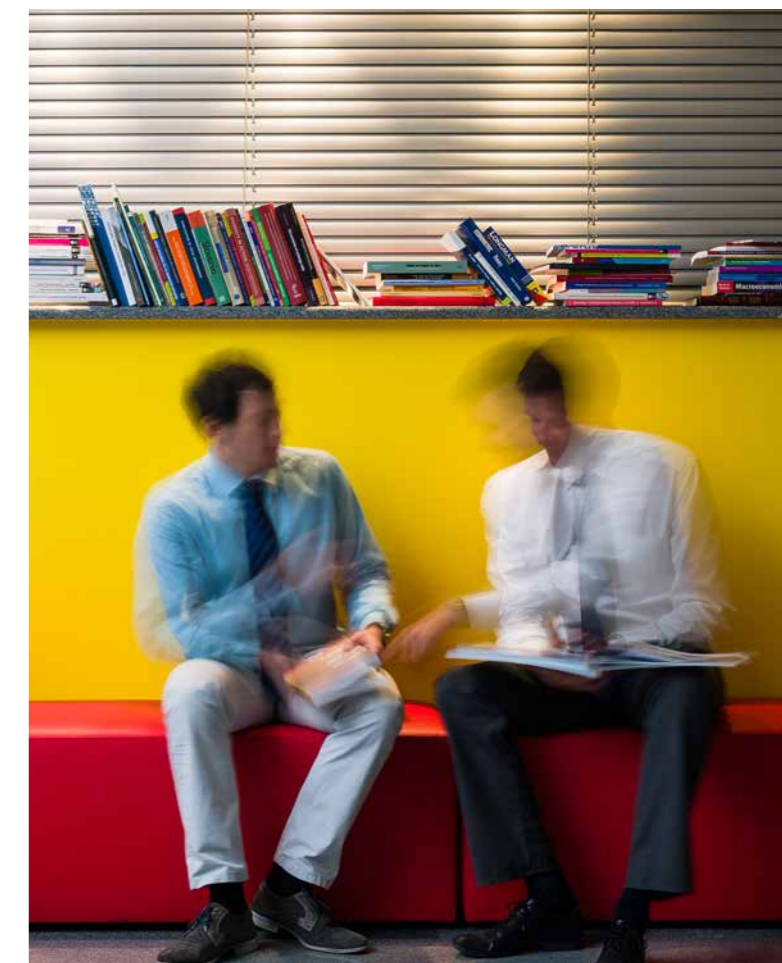
EVENTS:

- E-learning course on Budget Formulation*
- E-learning course on Budget Execution*
- Enabling Fiscal Programming of Structural Reforms*
- Medium-Term Budgeting*
- Budget Submissions of Line Ministries
- Strengthening Fiscal Institutions*
- Regional Conference on Strengthening the Role of Line Ministries in the Budget
- High-Level Policy Dialogue on Economic Governance in South East Europe*
- Presentation of the Open Budget Survey 2015 Results: Slovenia

* Learning initiatives delivered under the Strategic Planning and Budgeting project.

PROGRAM PARTNERS:

- Council for Budget Responsibility, Slovakia
- European Union
- International Monetary Fund
- Ministry of Finance, the Netherlands
- Ministry of Finance, Slovenia
- USAID





Strengthening public administration reform and public financial management is one of the three core priorities of the EU Enlargement Strategy. It is important for meeting citizens' demands for a better functioning, transparent and accountable public administration and for ensuring that public resources are used efficiently and effectively.

The Strategic Planning and Budgeting program, financed by the EU, was part of this integrated strategy aiming at fostering public administration reform in the region of the Western Balkans and Turkey. It has enhanced the capacities of both ministries of finance and line ministries through a structured and constructive sharing of experience and good practices, by creating networks that should facilitate the integration of structural reforms into fiscal frameworks.

This program has been a good example of cooperation between the Center for Excellence in Finance, the IMF, the Regional School of Public Administration (ReSPA), the Joint Vienna Institute, the EU and other organizations towards the improvement of the economic governance of our partners. I would like to acknowledge the outstanding performance of the CEF in implementing this EU project. I also encourage all partners in the region to continue taking advantage of the CEF expertise.

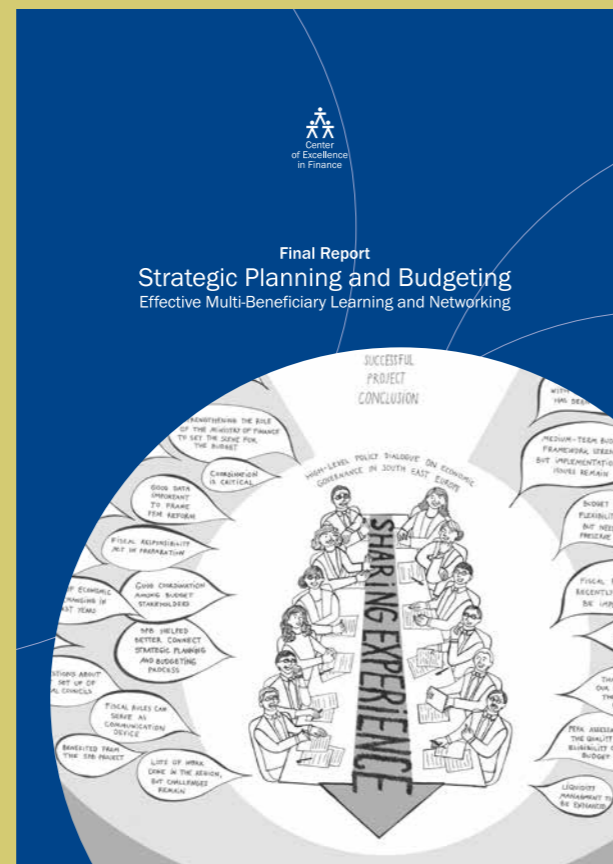
Simon Mordue
Director for Strategy and Turkey
DG NEAR
European Commission



STRATEGIC PLANNING AND BUDGETING PROJECT

In 2015, we successfully concluded a two-year project on Strategic Planning and Budgeting (SPB). Since 2013, we delivered 21 learning and networking activities reaching out to more than 400 participants. We benefited from cooperation with the IMF FAD, Joint Vienna Institute and Regional School of Public Administration, and involved over 50 experts in this field. The design and delivery of the SPB activities were facilitated by our own learning experts.

More information on the SPB activities is available in the project's final report: <https://www.yumpu.com/en/document/view/55150657/final-report-strategic-planning-and-budgeting>. This project was funded by European Union.

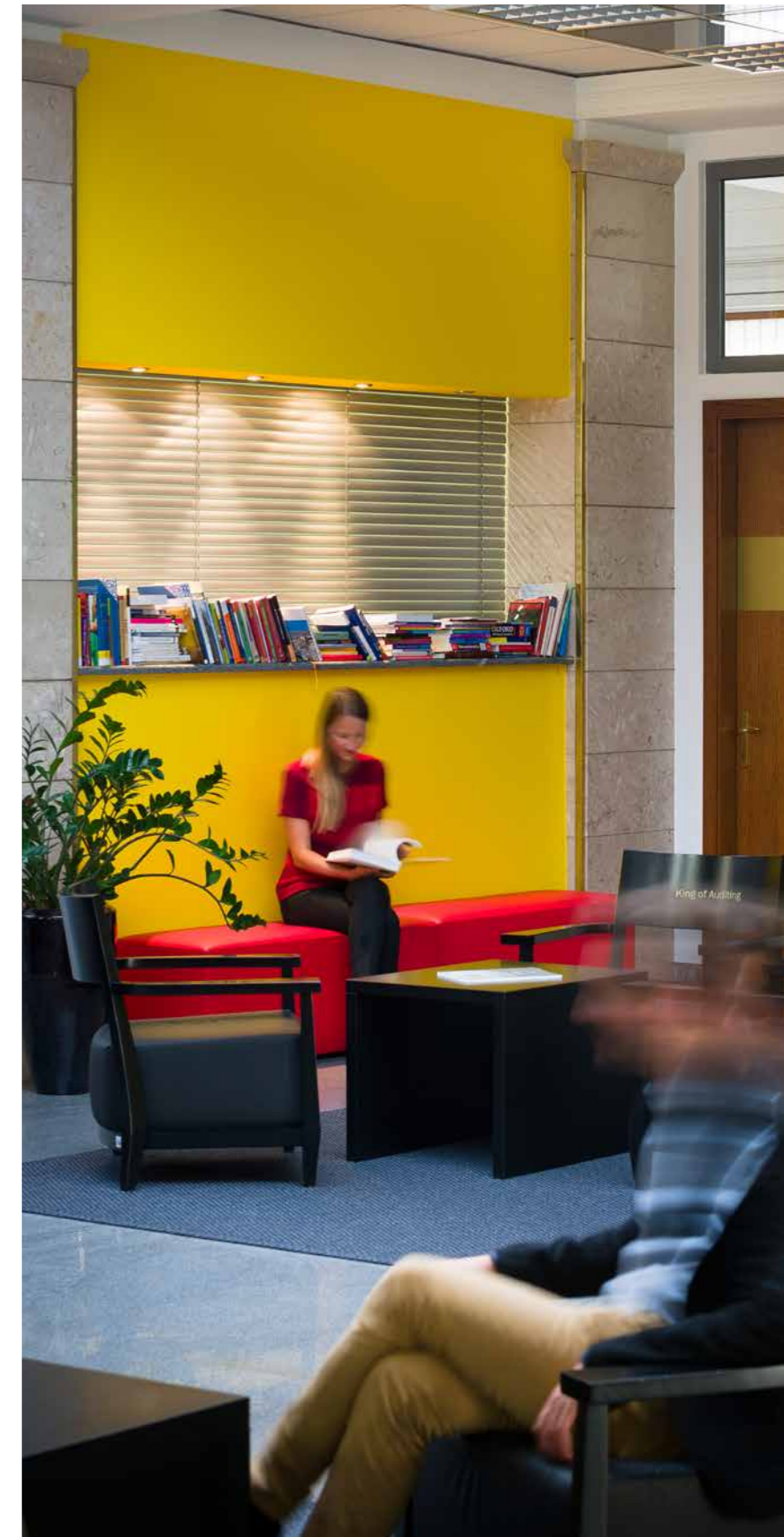


The Strategic Planning and Budgeting learning experience has helped me extend my professional horizon and network with other macroeconomists in South East Europe. I attended the SPB workshops on macroeconomic analysis and forecasting. Through comparing myself with colleagues from the region, I got a better understanding of opportunities to promote our domestic practices, e.g. with respect to applying computer software for macroeconomic forecasting.

At the course on macroeconomic forecasting, lecturers showed us how to apply the EViews econometrics software, which I now use daily at the ministry. I am making progress with it, but there is still room for improvement. Not all officials in our country have the chance to use this software though.

Later this year, I will teach macroeconomic forecasting to the trainees coming to the Ministry of Finance directly from the faculty. The technical knowledge and the new perspectives on learning and knowledge sharing that I gained from the SPB workshops will surely help me engage our trainees in a more meaningful way.

Dimitar Točkov
Advisor for Macroeconomic Projections
Department for Macroeconomic and Fiscal Analysis and Projections
Ministry of Finance, Serbia



ACCOUNTING AND AUDITING

Our learning program in accounting focuses on International Public Sector Accounting Standards (IPSAS) and helping countries of South East Europe strengthen their accounting systems by switching to accrual-based accounting. The learning program for internal auditors is based on the Public Internal Financial Control (PIFC). This was developed by the EU to guide

candidate and potential candidate countries in reforming their public internal control systems, or introducing an internal control system across their public sector to ensure good governance and protect public resources. We offer accounting and auditing workshops and certification programs for public sector internal auditors and accountants.

ACCOUNTING AND AUDITING WORKSHOPS

Our 2015 learning program in auditing focused on internal control and audit mechanisms that support good governance, accountability, and efficient service delivery. We specifically examined the role of risk management in relation to public internal control and internal audit function. Moreover, we supported capacity development in different types of audit.

Responding to the needs of auditors in Armenia as part of their PFM reform efforts, we delivered an in-country learning event on Performance Auditing, funded by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) Public Financial Management in the South Caucasus Program.

In accounting, we introduced a new topic – cost accounting – in recognition of its increasing importance regarding better budget practices. To further support fiscal transparency and countries' efforts in introducing accrual elements in accounting, we designed a workshop on Steps Needed to Implement Accrual Accounting in Accordance with the IPSAS. As more countries consider adopting accrual accounting, one of the most complex aspects of PFM reforms, this workshop examines how to sequence the changes, devise required strategies, and foster a culture change for real benefits.

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NUMBER OF PARTICIPANTS:

196



NUMBER OF EVENTS:

8

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EVENTS:

- Cost Accounting
- Steps Needed to Implement Accrual Accounting in Accordance with the IPSAS
- Performance Auditing
- Information Technology Audit
- Statistical Sampling For Auditors
- Financial Audit
- Performance Auditing
- Setting Up Risk Management Processes in Public Sector Organizations

PROGRAM PARTNERS:

- CIPFA, United Kingdom
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
- European Court of Auditors
- International Monetary Fund
- Ministry of Finance, Montenegro
- Ministry of Finance, the Netherlands
- Ministry of Finance, Slovakia
- Ministry of Finance, Slovenia

CERTIFICATION PROGRAMS

Public Accountants Certification Training (PACT)

Our work in facilitating PACT, an internationally recognized professional qualification program, combines theory with practical experience. It is designed by our UK partner, the Chartered Institute of Public Finance and Accountancy (CIPFA), and is run in a local language. We support public accountants as they develop their skills set in financial and management accounting, audit and assurance, public sector financial reporting, and managing finance and organizations. This provides a sound base for the introduction and implementation of accrual accounting. In addition, we build local capacity to ensure sustainable running of the program also after completion of our project.

PACT in Macedonia

In 2015, we successfully concluded training for the third generation of students, issued over 60 PACT certificates, and are now offering training for the first generation of diploma students. To this end, we have trained tutors and translated training materials into Macedonian. The new group started in October 2015 with a public event attended by project partners and donors, and will pursue the studies, aiming for the CIPFA diploma at the conclusion of the training program in summer 2016. We are laying the groundwork for the training program to be run locally in the near future, preparing to hand over the know-how and experience, and ensuring that the curriculum and certification are fully recognized and reflected in national legislation.

PROJECT PARTNERS:

- Central European Initiative
- Ministry of Finance, Macedonia
- SAFE Trust Fund
- The World Bank Group

PACT in Montenegro

In Montenegro, 2015 marked the preparatory phase of our work. By offering training for public accountants, we responded directly to the professional development needs of the Montenegrin public finance administration, as set out in the assessment report of the Ministry of Finance, within a medium-term strategy for transition to accrual accounting, approved by the Government in March 2015. Our activities included selection and training of local tutors, translation of training materials, and establishment of a localization working group. We also prepared a pre-assessment study on the legislative framework for public sector accountants in Montenegro, covering available training programs and findings of a public sector survey on the skills required for the switch to accrual accounting. We enrolled 40 students that will commence with training in 2016.

PROJECT PARTNERS:

- Ministry of Finance, Montenegro
- United Nations Development Programme



Cooperation between the UNDP and the CEF was initiated in the framework of the Public Finance for Development programme funded by the Slovak Ministry of Finance and implemented by the UNDP Regional Hub for Europe and the CIS. Starting from providing contributions to participation of program recipients at CEF trainings, it developed into more systematic cooperation to strengthen public accounting practices of the government and professional community in Montenegro.

The partnership initiative between the UNDP and the CEF was launched in 2015 and continues in 2016 through the delivery of the Public Accountants Certification Training program by the CEF in cooperation with CIPFA. We believe that joining efforts with the CEF will support the achievement of a broader impact of the UNDP's and the Slovak Ministry of Finance's project on capacity development in public sector accounting and reporting in Montenegro. Knowledge sharing, networking and sustainable capacity building are our shared goals in the project implementation and the main factors that will drive cooperation with the CEF also in the future.

Alena Šranková

Programme Manager
Public Finance for Development
Programme
UNDP Regional Hub for Europe and the
CIS



Training of Internal Auditors in the Public Sector (TIAPS)

Our constituency has expressed a need to strengthen public sector internal audit systems. We are responding to this need by facilitating introduction of the internationally recognized professional qualification program TIAPS that is run in a local language. We designed the curriculum in partnership with CIPFA with a special focus on the requirements of EU accession processes. The topics covered include national legislation and taxation, internal audit fundamentals, public sector accounting, financial reporting, and governance and control (at certificate level); advanced internal auditing, auditing management performance, and managing internal audit function (at diploma level). In addition, we build local capacity to facilitate sustainable running of the program once we have completed our project.

TIAPS in Macedonia

In October 2015, we awarded 29 CIPFA certificates to a third generation of internal auditors that had enrolled in the program in autumn 2014. Simultaneously, we started training of the fourth generation by enrolling 19 students. Successful implementation of the program is of great importance for Macedonia in the context of its bid for EU accession and strengthening skills in public administration. The training will continue until autumn 2016, during which we are preparing to equip the key beneficiary – the Ministry of Finance – with guidelines for the gradual institutionalization and localization of the program. We are working closely with the ministry’s representatives throughout the process to ensure effective transfer of knowledge on the organization and implementation of the training course as a precondition for its sustainable running in the future.

PROJECT PARTNERS:

- Ministry of Finance, Macedonia
- Ministry of Foreign Affairs, Slovenia
- USAID

TIAPS in Montenegro

The third generation of started their training in April 2015 and will continue throughout 2016.

The results are already visible, as shown by the improved quality of audit reports and issued recommendations through the quality assurance program. More effective and transparent financial management and internal audit systems are enabling the Montenegrin government to make important steps towards EU accession and successful conclusion of the chapter on financial control.

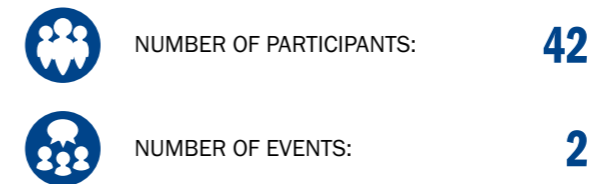
PROJECT PARTNERS:

- Ministry of Finance, Montenegro
- German Federal Foreign Office
- Ministry of Foreign Affairs, Slovenia

OTHER PFM TOPICS

Our PFM learning program in 2015 included also other topics such as:

- Instrument for Pre-accession Assistance (IPA II)
- Public Sector Classification and Debt Statistics (The workshop was prepared and delivered by IMF, as part of the project “Improve Capacity for Government Finance Statistics in Southeastern European Countries,” which is supported by SECO.)



PROJECT PARTNERS:

- Eurostat
- International Monetary Fund
- Ministry of Finance, Slovenia



The Ministry of Finance of Montenegro has adopted the legal and institutional framework for the establishment and development of an effective internal audit system. We are together with the donors implementing the TIAPS with the aim to strengthen the capacities of public sector internal auditors.

Data on the internal audit function in the public sector for the last four years clearly show the success of this program and the commitment of the Government of Montenegro to manage the taxpayers’ money responsibly and transparently. In 2011, 60 % of total budget spending was covered by the internal audit function, while today this ratio is over 96 % and the number of auditors, audits and recommendations has grown too. Through the quality assurance program we have recognized improvement in the quality of internal auditors’ reports as well as the recommendations of auditors. In 2011, approximately 40 % of the given recommendations were implemented, while in 2014 this ratio stood at around 80 %.

So far 27 program participants successfully finished the program in the first year and 17 in the second year, which shows that both the trainees and the general public sector consider the program to be important and needed. We hope that in the third year of the training program Montenegro’s public sector will gain 40 new certified internal auditors.

Ana Krsmanović
 Director General
 DG for Central Harmonization
 Ministry of Finance, Montenegro



Tax Policy and Administration

Our Tax Policy and Administration program supports governments in collecting taxes as effectively and efficiently as possible, adopting modern approaches and setting policies on what taxes to levy, in what amounts, and on whom.

Many of the region's tax administrations are introducing procedures to deliver tax compliance risk management through the European Commission framework on Compliance Risk Management Guide for Tax Administrations and Fiscal Blueprints. Our work helps these administrations successfully adopt changes with supportive policies to address compliance challenges and contribute to long-term growth.



We remain committed to enhancing the efforts of tax officials across South East Europe to comprehensively deal with different aspects of modern approaches to tax compliance. In doing so, we work closely with IMF FAD Revenue Administration Advisor for South East Europe, who is based at the CEF, and the CEF Associate Fellow, both of whom deliver many of the tax courses, contributing content that is strongly informed by their missions throughout the region.

In 2015, our learning program consisted of nine cross-country participatory and experience-based learning initiatives. At the request of the Indonesian Directorate General of Taxes, and with the support of the World Bank Office in Jakarta, we delivered an Employing Compliance Risk Management in Tax Administration technical workshop in Indonesia in March.

In 2015, we also launched a project Supporting Capacity Development of Tax Administrations in South East Europe, enabling the introduction of the specific procedures needed to deliver tax compliance risk management. The project is supported by the Dutch Ministry of Finance, the IMF and Expertise France.

Our events were well attended and received. They brought together tax officials from several countries for an innovative and unique international learning experience where they were encouraged to actively share their competences and insights with others and identify opportunities for applying the knowledge gained. The underlying idea is to offer tax officials easily accessible profiles of countries' tax systems and of the policies adopted to improve these systems, which could inspire reforms at home.

The results we have achieved so far are testimony of the CEF's growing ability to bridge existing knowledge gaps, improve capacities, and help develop required skills in tax administrations. We are further expanding our regional footprint by also showcasing the reform efforts of our constituency, and identifying individuals who can play an effective role in bringing about the needed change.

	NUMBER OF PARTICIPANTS:	187
	NUMBER OF EVENTS:	9

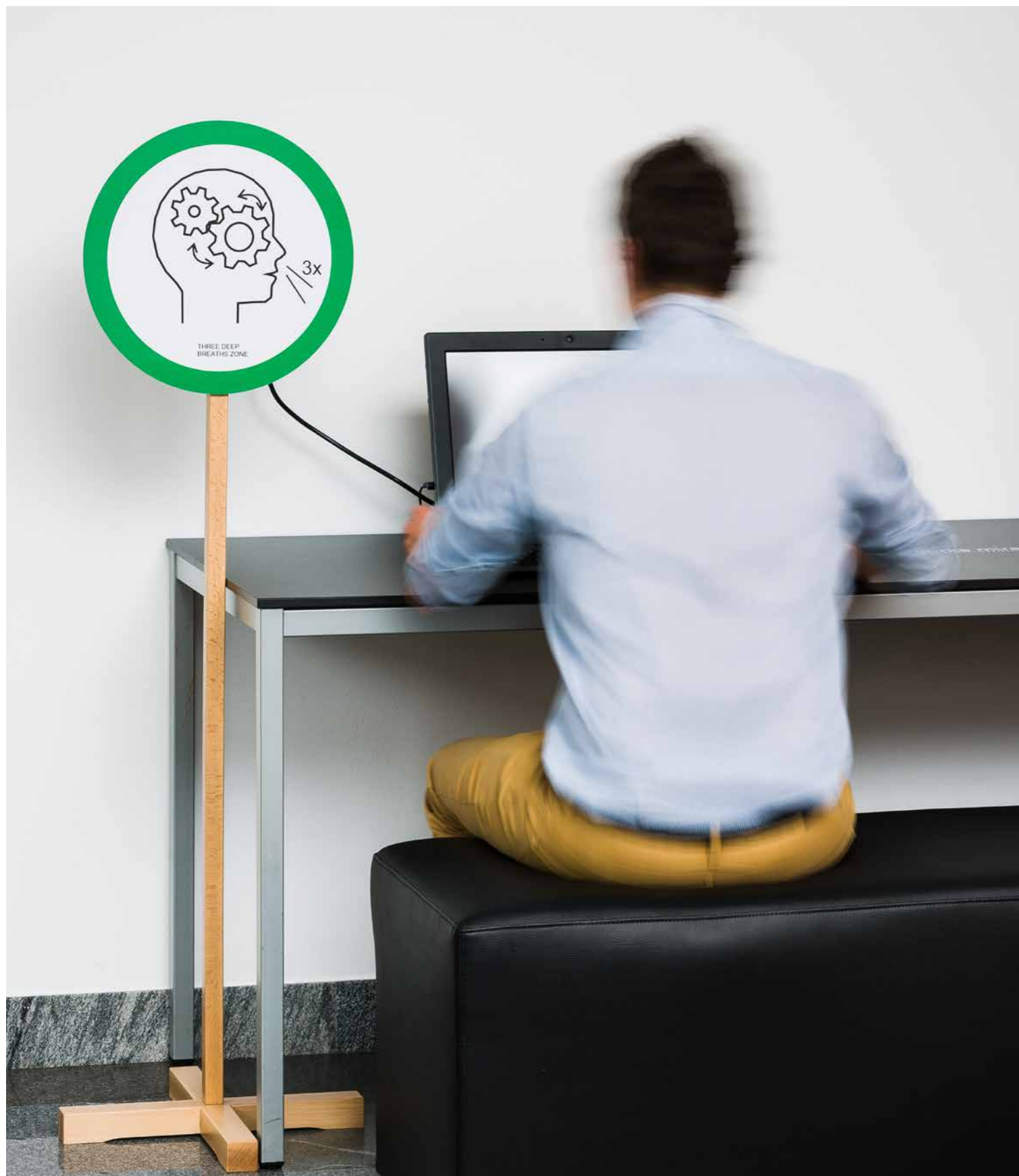
EVENTS:

- Market Value-Based Taxation of Real Property: Lessons from International Experience
- Tackling Tax Evasion and Avoidance*
- Developing an Effective Taxpayer Audit Program*
- Modern Approaches to Tax Compliance*
- Combating Value Added Tax (VAT) Fraud*
- Modernizing Property Taxation in CEE Countries
- Principles of Transfer Pricing, Methods and Recent Developments*
- Strengthening Management Skills in Tax Administration Reform Processes*
- Working with Large Business Taxpayers*

* Learning initiatives delivered under the Supporting Capacity Development of Tax Administrations in South East Europe project.

PROGRAM PARTNERS:

- Expertise France
- International Monetary Fund
- International Property Tax Institute, Canada
- Lincoln Institute of Land Policy, USA
- Ministry of Finance, the Netherlands
- Ministry of Finance, Slovenia



SUPPORTING CAPACITY DEVELOPMENT OF TAX ADMINISTRATIONS IN SOUTH EAST EUROPE

This is a two-year learning and networking project that builds on our learning program in taxation, carefully linking individual activities into a coherent annual training plan. Through this project we contribute to strengthening beneficiary institutions' capacity to follow EU recommendations on the implementation of tax compliance risk management.

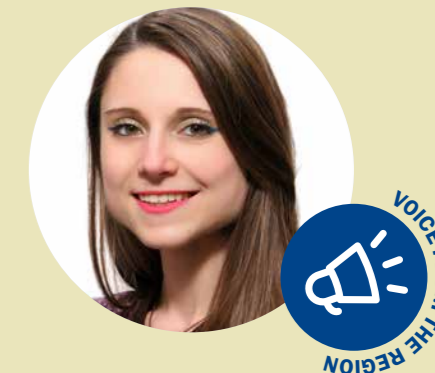
THIS PROJECT IS SUPPORTED BY:

- Expertise France
- International Monetary Fund
- Ministry of Finance, the Netherlands



Close cooperation between the Dutch Ministry of Finance and the CEF extends to many areas of interest to the region. A perfect example is the comprehensive program in taxation where we team up with the CEF and the IMF. Workshops on different topics are performed by experts of the Dutch Tax Administration. Their training approach is interactive and hands on, and includes presentations of case studies by participants – among them also colleagues from countries we share constituencies with at the IMF, the World Bank and the EBRD. The Dutch experts highly value cooperation with the CEF staff. Together they create a professional training atmosphere where both participants and experts get inspired.

Angelique van Haasteren
TA Coordinator
Ministry of Finance, the Netherlands



At the CEF workshop Developing an Effective Taxpayer Audit Program, I had the opportunity of getting to know the positive practices and methods that are being used in the Dutch tax and customs administration as well as in the countries of the other workshop participants. One of the most important lessons was the part devoted to compliance management in the Netherlands. We learned about the practical approach of our Dutch colleagues in improving voluntary tax compliance and tackling tax evasion. Working as a younger assistant in the department of planning audits, it was beneficial to gain knowledge of actual performance of audits, and better understand the need for all the data, papers, efforts and time that is necessary for preparing and performing external audits.

I shared my experience and lessons learnt with colleagues in my own department and in the working group for compliance management. Furthermore, we took the initiative of implementing some of the positive practices of other countries in the area of audit selection, and making use of the OECD report for 2014 "Compliance management by design" to address voluntary tax compliance in Macedonia.

Anamarija Radulovska
Junior Assistant for Planning of Audits
General Tax Department of the Public
Revenue Office of Macedonia



The Center of Excellence in Finance is an international organization with the key mission to support capacity development for finance officials in South East Europe through learning. I attribute great importance to this vital mission – transfer of knowledge and, in particular, transfer of specialist financial knowledge.

In 2016, the Bank of Slovenia will support implementation of specialist trainings in central banking. The latest developments in the world economy have additionally reshaped the position and role of central banks, affirming the importance of their functions, especially supervisory function. Central banks are and will stay key players in maintaining and ensuring financial stability and growth of national economies. They are facing many challenges as new rules and practices are being established in many fields of central banks' operations. This is why sharing expert knowledge and skills is crucial.

The Bank of Slovenia as a partner to the Center of Excellence in Finance shares its goals and fully supports its efforts. On behalf of the Bank of Slovenia, I would like to thank to all who fulfill the CEF's mission, for their efforts and for strengthening the institution, which is working in a field extremely important for all of us.

Boštjan Jazbec
Governor
Bank of Slovenia

Central Banking

Our work with central banks and financial supervisory agencies is designed to support coordination in favor of financial stability, soundness of the banking system, and contribution of monetary-fiscal policy mix towards long-term growth.

Recognizing the importance of a supportive financial infrastructure, the central banking learning program opened with two workshops on payment systems, covering retail and wholesale systems. The workshops were carried out in cooperation with the Dutch Central Bank and the Bank of Slovenia. Setting the stage for increasing attention to banking supervision issues in the recovery from the global financial crisis, and having heard from our constituency on what they valued most, we also reintroduced the workshop on prudential regulation and supervision, in collaboration with the National Bank of Belgium and the Bank of Slovenia. A new workshop delivered by the IMF on cross-border position statistics offered a successful conclusion to our learning program in central banking in 2015, paving the way for closer cooperation with the IMF in the area of statistics.

Our exchanges with partners at the Advisory Board in late 2015 and close consultations with coordinators and advisors from our constituent central banks are driving this thematic area to a new realm. We have made a substantial step forward in designing the scope and content of future learning initiatives, striving to sharpen relevance, operational focus, and practical application. We devote considerable attention to the content and objectives of the program, which is based on our in-depth desk research of country-by-country priorities and backed by extensive stakeholder consultations. Throughout this process, our partnership with the Bank of Slovenia has been of utmost importance, as reflected in their increased financial support and substantive involvement in the program, and their sponsorship of a central banking expert on special assignment from the IMF.



NUMBER OF PARTICIPANTS:

61



NUMBER OF EVENTS:

4

EVENTS:

- Retail payments
- Wholesale Payments and Securities Settlement Systems, Oversight, and Monetary Policy Framework
- Cross-border Position Statistics
- Prudential Regulation and Supervision (Basel III and CRD IV)

PROGRAM PARTNERS:

- Bank of Slovenia
- De Nederlandsche Bank
- International Monetary Fund
- Ministry of Finance, Slovenia
- National Bank of Belgium

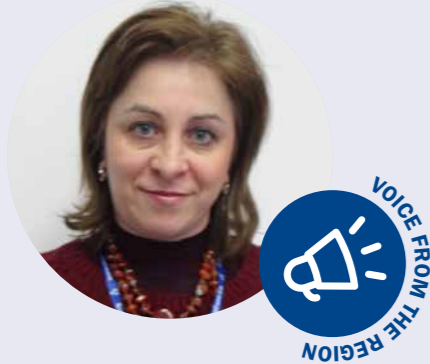


It has been my pleasure to cooperate with the CEF for all these years, to participate in its programs in various capacities, and to see it grow and develop the way it does. People working for the CEF, their attitude and competence coupled with goals and organizational structure, have made a significant impact on upgrading the level of field-specific knowledge and awareness in the region of gaining and innovating knowledge throughout the entire career of employees.

The CEF's most relevant trait is that they have their own experts and they network with other institutions and experts, with donors and beneficiaries of their services, organizing meetings, conducting polls, doing research, studying reports on the needs to develop administrative capacities and developments in the region, and delivering a good product.

Central banking courses, as well as the other training programs, have been designed on the basis of reported needs, in close cooperation with central banks and their experts, to cover the areas where there are new regulations and processes to be introduced and studied. Their soft skills programs and certificate programs, like the one in the field of internal audit, are assessed equally highly by our employees who have participated in them or plan to do so.

Stanka Vizi
Director of Human Resources Department
Central Bank of Montenegro
CEF Coordinator



My involvement with the CEF learning initiatives dates back a few years ago. The Training of Trainers (ToT) workshop that I attended in February 2015 has had a significant impact on my professional activity. I learned, under the guidance of CEF facilitators and an international expert on social learning, the essential features of effective communication and how to give powerful presentations.

This experience was very important for me, as I am responsible for training activities on budget planning issues and I often have to give presentations to my colleagues from the ministry and other public authorities. After attending the ToT event in February 2015 I feel more confident in delivering presentations.

In my opinion, the CEF plays an important role as a knowledge hub in South East Europe and I think it could even extend its role in the region in future. I am looking forward to attend other events at the CEF.

Viorica Neclea
Senior Consultant
Ministry of Finance, Moldova

Leadership for Managing Reforms

We see change as a long-term, often slow process that has to be carefully designed and customized to fit the needs of an institution and its country. While many of our learning initiatives center on technical knowledge, we know that finance officials also require “soft” skills to introduce and implement reforms. Based on our experience, reforms are successful in countries where there is a firm political ownership of the reform agenda and key staff members have strong leadership and management skills to convene a team, encourage cross-team cooperation, and act as role models for colleagues.

In 2015, our leadership program offered opportunities for finance officials in the region to hone their oral and written communication skills, strengthen management skills, and generally sharpen their knowledge and abilities to manage change. In addition to the general program for the region, we also offered customized learning events to interested institutions.

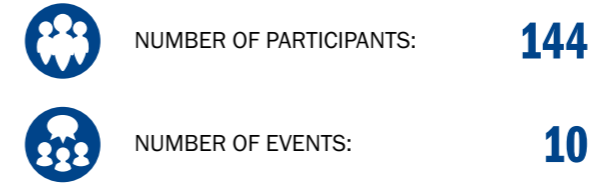
Being committed to our unique role as a knowledge hub, we pay particular attention to identifying individuals who can build upon and replicate the knowledge acquired at our learning initiatives. In this regard we carried out our own Training of Trainers course to introduce our approach to learning to change agents in the region, so that they can share their knowledge with others.



“ The staff of the Ministry of Finance attends learning events at the CEF with great interest. The workshops are always carried out professionally, and the acquired knowledge and skills help participants perform their jobs even more effectively and efficiently, and thus contribute to better results and operational excellence.

We at the Ministry of Finance are aware that adequate leadership of individuals and teams also requires knowledge of the so-called soft skills. Leadership tasks are becoming more demanding, so our capacity development plan in 2016 includes courses, where senior public servants will consolidate and upgrade their knowledge in this important area by discussing what it takes to be a professional and successful leader, learning how to create an environment supportive of true and effective interpersonal relations, and getting familiar with how to act in different protocol situations. We will be glad to cooperate with the CEF also in this regard.

Andrej Verhovnik Markošek
General Secretary
Ministry of Finance, Slovenia



EVENTS:

- Training of Trainers*
- Strengthening Management Skills
- Planning and Leading Organizational Change (two workshops)
- Planning and Leading Organizational Change (Bank of Slovenia)
- Writing Strategic Documents
- Writing Strategic Documents (IMAD, Slovenia)
- Communicating Reforms
- Communicating Reforms (Bank of Slovenia)
- Communicating Reforms (Ministry of Finance, Slovenia)

* The event was delivered under the Strategic Planning and Budgeting project.

PROGRAM PARTNERS:

- European Union
- Ministry of Finance, Slovenia
- The World Bank



EU STRATEGY FOR THE DANUBE REGION

Together with the City of Vienna, we have been coordinating the priority area of the EU Strategy for the Danube Region for institutional capacity and cooperation since 2011. Through this aspect of our activities we are addressing a wide array of challenges concerning public administrations, urban agenda, financing and involvement of civil society.

In 2015, we organized the meetings of the steering group and the advisory committee of the Danube Region capacity development platform, and a region-wide conference Reinforcement of e-Government: Government Innovation and Digital Agenda in the Danube Region.

We shared our macro-regional experiences with stakeholders of the EU strategies for the Adriatic Ionian and Alpine regions. Throughout the year we continued to actively contribute at the Danube Financing Dialogue in Zagreb, the Annual Forum of the EU Strategy for the Danube Region in Ulm, and governance meetings of priority area coordinators, national coordinators, Danube Transnational Programme and Danube Strategy Point.



NUMBER OF PARTICIPANTS: **178**



NUMBER OF EVENTS: **4**

PROJECT PARTNERS:

- European Union



PEMPAL

We served as the secretariat for Public Expenditure Management Peer Assisted Learning (PEMPAL), a World Bank supported and well-regarded network of practitioners in public financial management across Eastern Europe and Central Asia.

In the first half of 2015, we provided support services for nine PEMPAL face-to-face meetings and two video-conferences that aimed to improve the efficiency, effectiveness, and transparency of public expenditures in countries of the region.

We were also involved in drafting quarterly and annual performance reports and took care of the network's communications, promotion activities and online presence.

Successful and long-standing cooperation between the CEF and the World Bank within the PEMPAL framework concluded upon expiration of the contract in July 2015.



NUMBER OF PARTICIPANTS: **318**

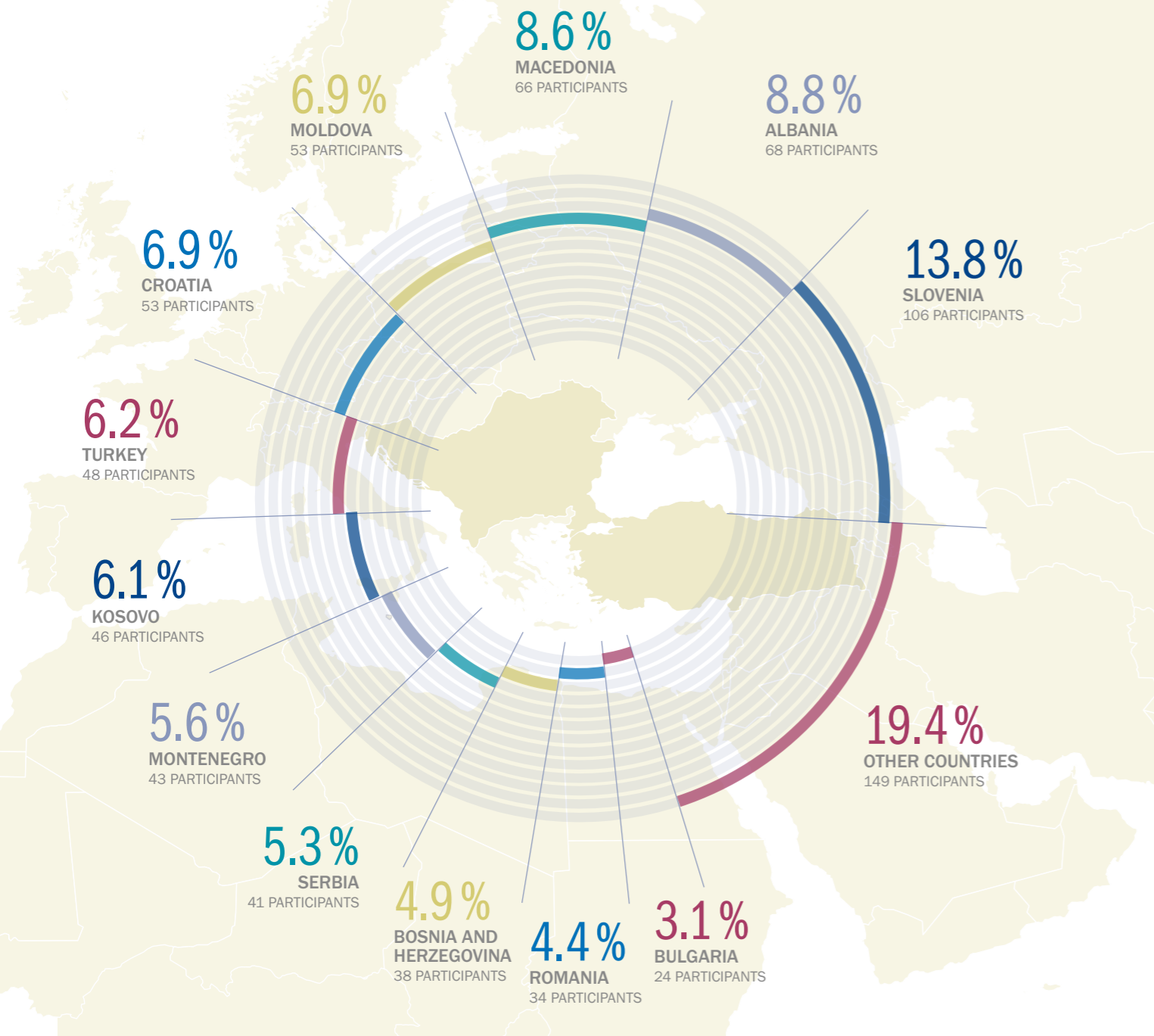


NUMBER OF EVENTS: **14**

PROJECT PARTNERS:

- The World Bank

Participants at Workshops and Seminars



TOTAL: 769

OTHER COUNTRIES:
Armenia, Azerbaijan, Cyprus, Czech Republic, Denmark, Estonia, Georgia, Germany, Greece, Hungary, Jordan, Latvia, Lithuania, Mongolia, Poland, Russian Federation, Slovakia, Ukraine

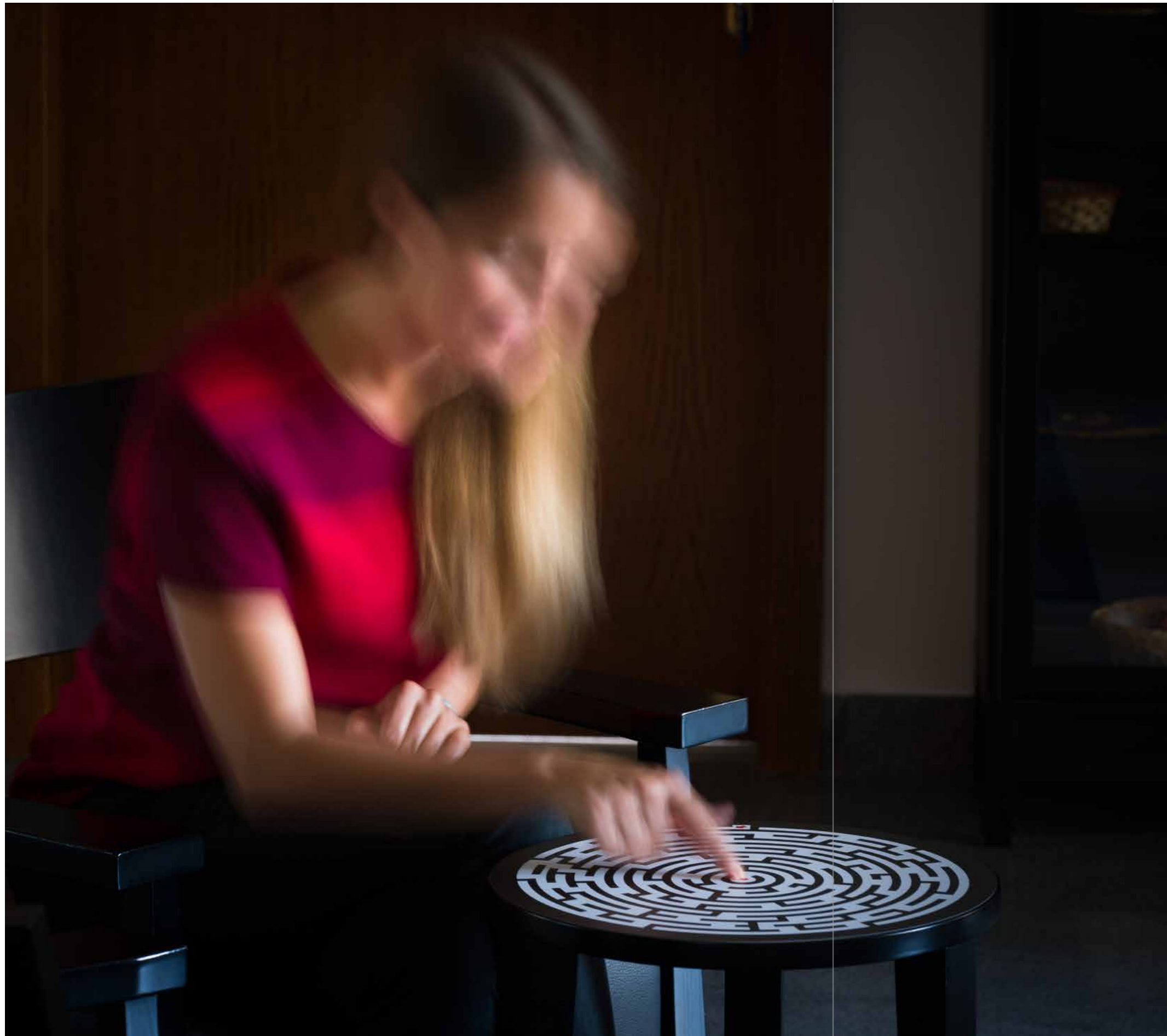
PARTICIPANTS

The 769 participants who attended CEF workshops in 2015 accumulated a total of 2239 participant days. Most of the participants were financed by a sponsoring institution, i.e. an employer or bilateral donor. Costs are estimated at EUR 200 per participant per day, plus EUR 500 for airfare. Participation by Slovenians and participants that were financed through the CEF is estimated at nil cost.

COUNTRY	All Participants		Participants sponsored by sending institution		
	Number	Days	Number	Days	Estimated costs in EUR
Albania	68	236.00	36	104.00	38,800
Bosnia and Herzegovina	38	114.50	10	28.50	10,700
Bulgaria	24	62.00	8	21.00	8,200
Croatia	53	147.50	24	67.00	25,400
Kosovo	46	142.00	29	87.00	31,900
Macedonia	66	185.00	29	77.50	30,000
Moldova	53	171.75	7	22.25	7,950
Montenegro	43	112.00	16	40.00	16,000
Romania	34	93.50	19	56.00	20,700
Serbia	41	140.25	18	58.25	20,650
Slovenia	106	252.75	102	246.75	0
Turkey	48	136.00	36	100.00	38,000
OTHER COUNTRIES	149	445.75	67	209.25	75,350
TOTAL	769	2,239.00	401	1,117.50	323,650

OTHER COUNTRIES:

Armenia, Azerbaijan, Cyprus, Czech Republic, Denmark, Estonia, Georgia, Germany, Greece, Hungary, Jordan, Latvia, Lithuania, Mongolia, Poland, Russian Federation, Slovakia, Ukraine

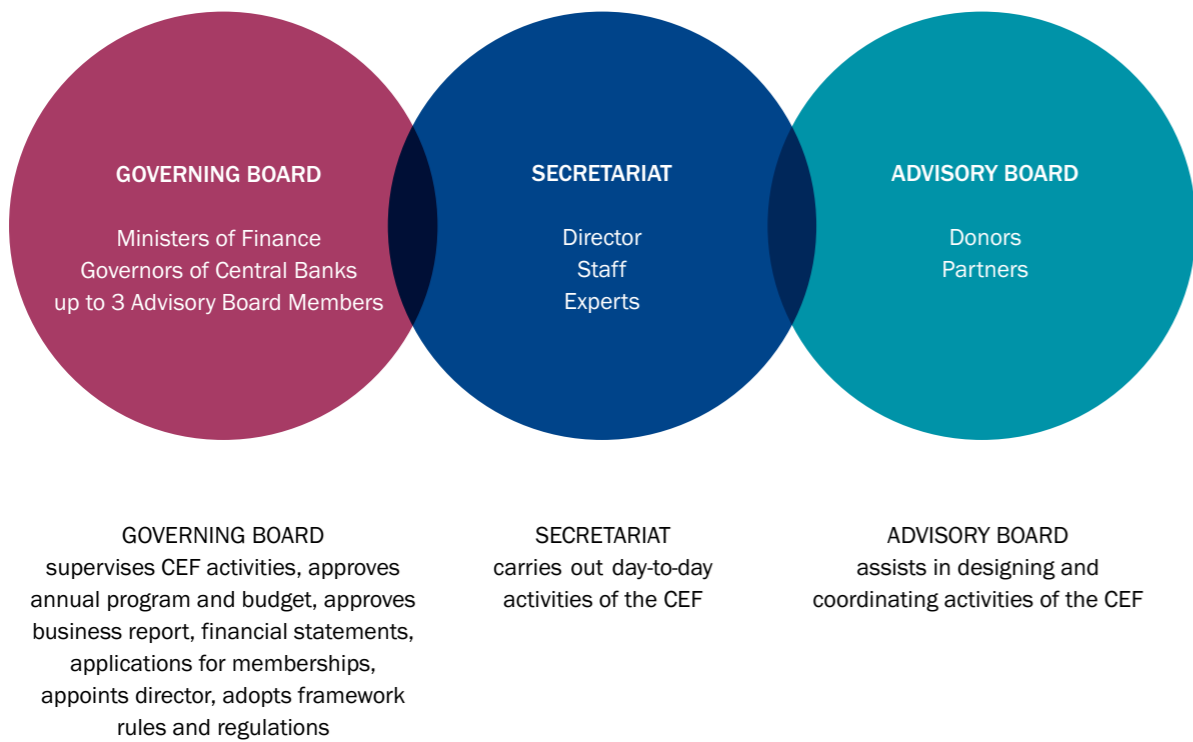


GOVERNANCE

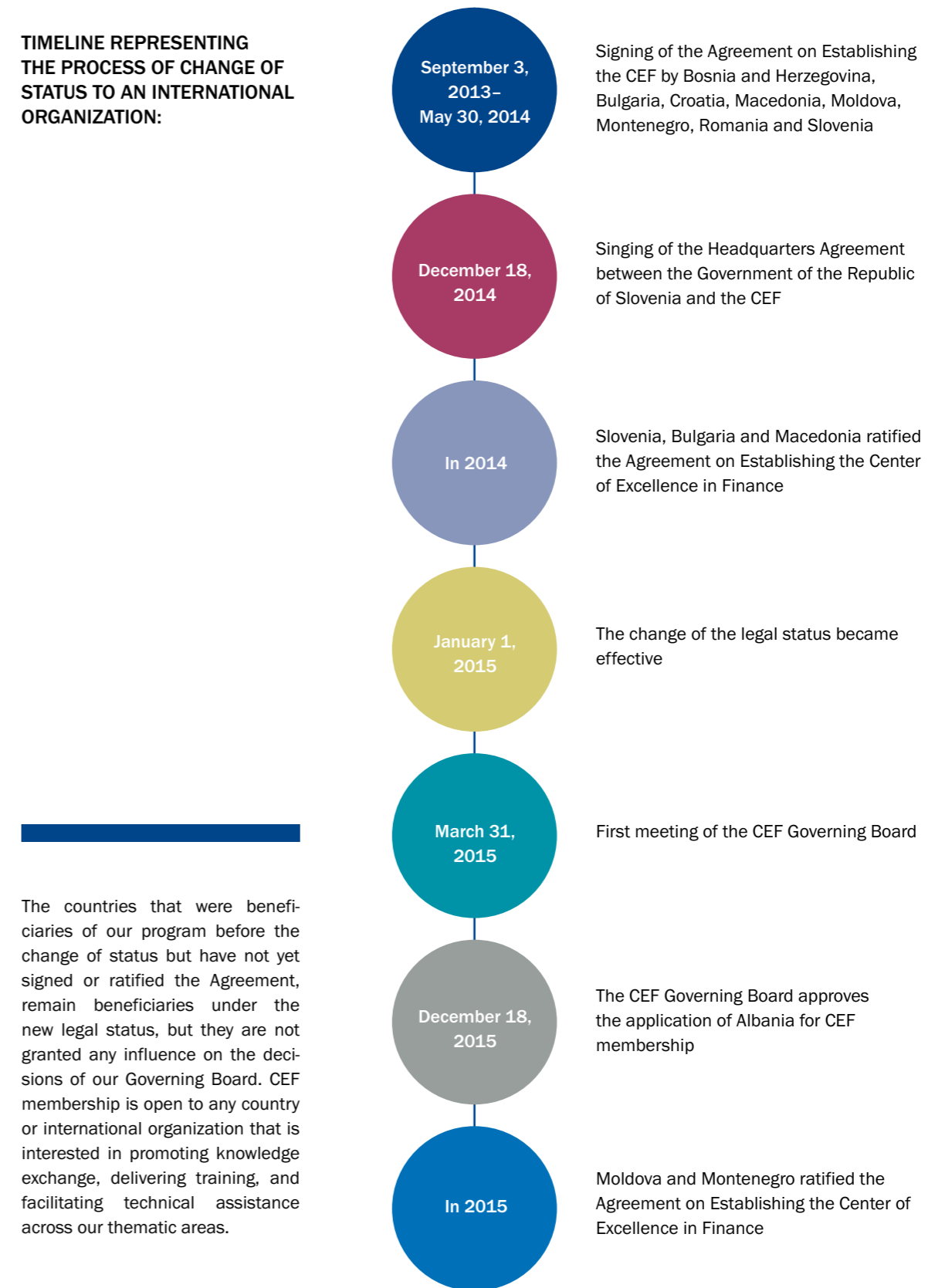
Our governance structure consists of the Governing Board, the Advisory Board, and the Secretariat. The governance bodies have distinct and complementary goals and responsibilities. We believe that cooperation with the stakeholders is important for the delivery of a high-quality capacity development program. We also work closely with the Coordinators – representatives of our member institutions responsible for human capacity development.

GOVERNANCE STRUCTURE

With the change of the CEF's legal status to an international organization in 2015, our governance structure was slightly adjusted to merge the former Supervisory and Management Boards into the current Governing Board. The role of the Advisory Board remained unchanged.



TIMELINE REPRESENTING THE PROCESS OF CHANGE OF STATUS TO AN INTERNATIONAL ORGANIZATION:



Governing Board

The Governing Board is the key decision-making body of the CEF. It confirms our work program, annual report and financial statements, reviews our progress relative to the objectives we have set, and deliberates on all other relevant issues.

Members of the Board comprise ministers of finance and governors of central banks from the countries that ratified the Agreement. The Governing Board also includes up to three representatives of the Advisory Board. In 2015, the Board was chaired by Dušan Mramor, Minister of Finance of Slovenia.

We convened the first meeting of the Governing Board in Ljubljana in March 2015, and two additional meetings were conducted by correspondence.

MEMBERS OF THE CEF GOVERNING BOARD AS AT DECEMBER 31, 2015

Dušan Mramor, Minister	Ministry of Finance, Slovenia (Chair)
Boštjan Jazbec, Governor	Bank of Slovenia
Vladislav Goranov, Minister	Ministry of Finance, Bulgaria
Zoran Stavreski, Minister	Ministry of Finance, Macedonia
Dimitar Bogov, Governor	National Bank of the Republic of Macedonia
Octavian Armașu, Minister	Ministry of Finance, Moldova
Dorin Drăgutanu, Governor	National Bank of Moldova
Radoje Žugić, Minister	Ministry of Finance, Montenegro
Milojica Dakić, Governor	Central Bank of Montenegro
Sanja Štiglic, Director General	Ministry of Foreign Affairs, Slovenia
Focco Vijselaar, Director	Ministry of Finance, the Netherlands
Xavier Hawia, Advisor	National Bank of Belgium



2015 marks the first year of the CEF as an international organization. During this period the Governing Board focused on the adoption of the key framework rules to ensure the CEF's smooth transition to a new legal status. I am pleased to note that our work was successfully accomplished.

In 2015 the CEF also put forward a new five-year learning program. Prepared in close cooperation with the constituency members and donor partners, it tries to address the region's needs in the most optimal and efficient way. I am confident that such a learning approach will allow for even more effective support to capacity development for finance officials in South East Europe.

I find it heartening that the number of full-fledged members of the CEF is steadily increasing. Following Bulgaria, Macedonia, Moldova, Montenegro, and Slovenia, Romania has also successfully concluded the ratification procedure of the Agreement on Establishing the Center of Excellence in Finance and joined the CEF family. We will warmly welcome other members from South East Europe once their internal procedures for accession to the Agreement are concluded. Going forward, the CEF membership is open to any additional country or international organization interested in promotion of knowledge exchange, delivery of training and facilitation of technical assistance in public financial management, central banking and other areas of public administration.

In conclusion, I would like to reiterate the commitment of the Government of Slovenia to continue supporting the CEF. I look forward to our future cooperation.

Dušan Mramor
Minister of Finance, Slovenia
Chair of the CEF Governing Board



“ The CEF has an extensive network of donors and partners representing the Advisory Board. Through its annual meetings and direct consultations, the Advisory Board complements and strengthens the CEF and its Governing Board. In December 2015, the Advisory Board meeting participants discussed the focus of the CEF program until 2020. It was encouraging to deliberate on concrete initiatives where the CEF and its partners plan to join forces providing a platform to coordinated donors' efforts to assure optimal use of financial and human resources for the needs of finance officials in South East Europe.

Mitja Štrukelj
Ambassador
Ministry of Foreign Affairs, Slovenia
Chair of the CEF Advisory Board

Advisory Board

The CEF Advisory Board is the representative body of our donors and partners. It assists us in designing and coordinating the delivery of our activities. Up to three representatives of the Advisory Board are also members of the Governing Board. The Advisory Board meets annually. The chair of the Board is Mitja Štrukelj from the Slovenian Ministry of Foreign Affairs.

By working closely with the partners gathered in our Advisory Board, we ensure the financial sustainability of our work and its continued relevance, in complementarity to the programs of other providers. We collaborate with strategic partners who share our long-term approach to reforming public financial management, tax policy and administration, central banking and leadership reform efforts in South East Europe. Our partners are institutions with particular interest in the promotion of knowledge exchange, delivery of training, and facilitation of technical assistance.

PARTICIPATING INSTITUTIONS AT THE ADVISORY BOARD MEETING IN 2015:

- Bank of Slovenia
- De Nederlandsche Bank
- Embassy of Germany in Ljubljana
- European Central Bank
- Deutsche Gesellschaft für Internationale Zusammenarbeit
- International Monetary Fund
- Intra-European Organisation of Tax Administrations
- Ministry of Finance, the Netherlands
- Ministry of Finance, Slovenia
- Ministry of Foreign Affairs, Slovenia
- National Academy for Finance and Economy, the Netherlands
- National Bank of Belgium
- Organisation for Economic Co-operation and Development
- Undersecretariat of Treasury, Turkey
- UNDP Bratislava Regional Centre
- Embassy of the United States in Ljubljana

Our Partners

BILATERAL PARTNERS



REPUBLIC OF SLOVENIA
MINISTRY OF FINANCE



MEDNARODNO RAZVOJNO
SOĐELOVANJE SLOVENIJE
SLOVENIA'S DEVELOPMENT
COOPERATION



BANKA
SLOVENIJE
EVROSISTEM



Ministerie van Financiën



De Nederlandsche Bank
Eurosystem



NationalBank
OF BELGIUM
Eurosystem



USAID
FROM THE AMERICAN PEOPLE



Federal Foreign Office



EXPERTISE
FRANCE

MULTILATERAL PARTNERS



INTERNATIONAL
MONETARY FUND



OECD



EUROPEAN CENTRAL BANK
EUROSISTEM



WORLD BANK GROUP



EUROPEAN UNION



CEI
CENTRAL EUROPEAN INITIATIVE



UN
DP

KNOWLEDGE INSTITUTIONS



CIPFA
The Chartered Institute of
Public Finance & Accountancy



LINCOLN INSTITUTE
OF LAND POLICY

University of Ljubljana



PEER ORGANIZATIONS AND NETWORKS



learn4dev
JOINT COMPETENCE DEVELOPMENT



GDLN



ITC
International Training Centre



ReSPA
Regional School
of Public Administration



Joint Vienna Institute

PARTNERS' IN KIND CONTRIBUTIONS TO OUR PROGRAM

Financing in cash is recorded and reported in the CEF's financial statements in the currency of the accounts, i.e. in euros (EUR). Only contributions in kind that are not recorded and reported in the financial statements are reported below.

Several partner institutions and donors sponsored lecturers (travel expenses and lecturing fees) and materials for the courses. For the purpose of this report, a session of a lecturer (a half-day lecture) is estimated at EUR 500 and travel expenses at EUR 1,500 per lecturer, as appropriate.

Partner institution	Number of Sessions	Estimated costs in EUR
Bank of Slovenia	2.0	1,000
CIPFA, United Kingdom	5.0	4,000
Council for Budget Responsibility, Slovakia	0.5	250
De Nederlandsche Bank	20.0	17,500
European Union	2.0	4,000
European Court of Auditors	5.0	2,500
EUROSTAT	3.0	3,000
IMF	80.0	49,000
International Property Tax Institute, Canada	4.5	6,750
Lincoln Institute of Land Policy, USA	45.0	30,000
Ministry of Finance, Montenegro	0.5	250
Ministry of Finance, the Netherlands	107.0	86,500
Ministry of Finance, Slovakia	2.0	1,000
Ministry of Finance, Slovenia	2.5	1,250
National Bank of Belgium	4.0	5,000
The World Bank	12.0	6,000
USAID	5.0	2,500
Total	300.0	220,500



Secretariat

The Secretariat is composed of the director, staff, and experts who carry out the day-to-day activities of the CEF. As at December 31, 2015 we counted on a team of 23 staff members and an expert led by the director. In addition, two IMF regional technical assistance advisors and their interpreter work at the CEF, as the IMF's Fiscal Affairs Department continues to rely on us as a hub for regional TA delivery. CEF also collaborated with four Affiliated Experts.



2015 was a year of three significant changes for the CEF. First, the CEF changed its legal status from a Slovenian to an international organization. Second, we restructured the staff to support our increased focus on the subject matter and methodology, while also assuring that the CEF's program has stable financing and can be delivered at the highest level. Third, we designed a five-year program for the first time in the CEF's history. These changes support the CEF to remain a very stable institution with significant potential to grow.

Jana Repanšek
Deputy Director
Center of Excellence in Finance

Coordinators

Coordinators are the cornerstone of our close collaboration with our constituency. They are the regional representatives who are directly involved in capacity development and strategic management of human capital within their respective institutions. As human resources professionals they focus on strategic personnel retention and talent development. The Coordinators meet periodically with us to discuss our program for the upcoming year. They help us identify the capacity development priorities in the region and set the way forward.



The CEF is a relatively new and an important institution supporting the capacity development of the institutions in the countries of South East Europe on the issues related with both central banking and ministry of finance. As the Central Bank of the Republic of Turkey, we deem the CEF's training program relevant and significant for our staff, so we distribute the CEF's training catalog and other related information to all of our departments. Our Audit and Accounting Department has shown particular interest in the training courses, and have acquired new skills and knowledge that has improved their performance in our bank. We appreciate the CEF and its valuable staff for providing services that benefits our bank.

Cafer Kaplan
Deputy Executive Director
Central Bank of the Republic of Turkey
CEF Coordinator

CEF COORDINATORS

Gelardina Prodani	Ministry of Finance, Albania
Gramos Kolasi	Bank of Albania
Vlatko Dugandžić	Ministry of Finance and Treasury, Bosnia and Herzegovina
Vildana Zečević	Central Bank of Bosnia and Herzegovina
Galina Tzekova	Ministry of Finance, Bulgaria
Stoyan Bozhkov	Bulgarian National Bank
Nada Zrinišić	Ministry of Finance, Croatia
Rabije Kryeziu	Ministry of Economy and Finance, Kosovo
Vjollca Tërbunja	Central Bank of the Republic of Kosovo
Gordana Susuleska Itić	Ministry of Finance, Macedonia
Hristina Lozanoska	National Bank of the Republic of Macedonia
Eugen Cozmulici	Ministry of Finance, Moldova
Aliona Străjescu	National Bank of Moldova
Nina Vukotić	Ministry of Finance, Montenegro
Stanka Vizi	Central Bank of Montenegro
Malina Marica	Ministry of Public Finance, Romania
Mugur Tolici	National Bank of Romania
Svetlana Ljubičić	Ministry of Finance, Serbia
Bojana Drobnjak	National Bank of Serbia
Urška Zadravec	Ministry of Finance, Slovenia
Sanja Pregl	Bank of Slovenia
Yalçın Yüksel	Undersecretariat of Treasury, Turkey
Cafer Kaplan	Central Bank of the Republic of Turkey



FINANCIAL
REPORT

Balance Sheet

	EUR December 31, 2015	EUR December 31, 2014
ASSETS		
A Non-current assets	480,253	499,532
I. Intangible assets	3,069	6,390
1 Intangible assets and long-term deferred costs and accrued revenue	3,069	6,390
II. Property, plant and equipment	477,184	493,142
3 Equipment	477,184	493,142
B Current assets	1,161,683	1,216,319
III. Trade receivables	287,775	355,963
IV. Cash and cash equivalents	873,908	860,356
C Short-term deferred costs and accrued revenue	33,948	6,753
TOTAL ASSETS	1,675,884	1,722,604
Off-balance sheet		25,399
EQUITY AND LIABILITIES		
A Equity (Founder's funds)	4,398	4,398
1 Share capital (Founder's funds)	4,173	4,173
2 Capital surplus	225	225
B Provisions and long-term accrued costs and deferred revenue	1,377,843	1,233,538
1 Provisions	897,590	734,006
2 Long-term accrued costs and deferred revenue	480,253	499,532
C Operating liabilities	157,919	151,298
2 Trade payables	48,307	65,691
3 Liabilities to employees	95,158	37,611
4 Other short-term payables	14,453	47,996
D Short-term accrued costs and deferred revenue	135,725	333,370
TOTAL EQUITY AND LIABILITIES	1,675,884	1,722,604
Off-balance sheet		25,399



Income statement

		EUR	EUR
		2015	2014
A	Revenue from non-commercial public services	2,380,262	2,935,347
1	Revenue from public finance	880,814	700,723
2	Other revenue	1,499,448	2,234,624
	Revenue from other operations	0	24,385
	Revenue from operations	0	24,385
B	Financial income	10,658	6,399
C	Other revenue	1,267	10
D	TOTAL REVENUE	2,392,187	2,966,141
E	Costs of goods, materials and services	1,470,706	2,128,294
2	Cost of materials	68,548	61,787
3	Cost of services	1,402,158	2,066,507
F	Labor costs	843,572	774,607
1	Wages and salaries	652,076	606,174
2	Social security contribution	105,521	97,095
3	Other labor costs	85,975	71,338
G	Depreciation and amortization costs	44,854	40,039
H	Other costs	28,526	22,922
1	Severences	11,619	4472
2	Other costs	16,907	18,450
I	Financial expenses	4,082	257
J	Other expenses	447	22
K	TOTAL EXPENSES	2,392,187	2,966,141
L	Excess of revenues over expenses	0	0

Notes to the Financial Statements

1. ACTIVITY

Agreement on Establishing the Center of Excellence in Finance (CEF) as an international organization, which was by publication of this Annual Report signed or acceded to by nine countries, entered into force on January 1, 2015. As a result the CEF as of January 1, 2015, changed its legal status from the Slovenian legal entity. However, the CEF has been gradually adjusting its operations to rules of an international organization.

- Rules of Procedures on the Governance were adopted by the Governing Board (GB) on March 31, 2015 and became effective immediately.
- The CEF became tax exempt from VAT and corporate profit tax on April 14, 2015, when Headquarters Agreement between the CEF and the Government of Slovenia entered into force.
- Rules of Employment with Annex I were adopted by the GB on March 31 and September 18, 2015, respectively, and became effective on October 1, 2015.
- Financial Rules and Regulations were adopted by the GB on March 31, 2015 and became effective on January 1, 2016.

No financial impact from the above changes was recorded in 2015, except in recording reserves for severance and VAT (see also C.1.).

2. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

The financial statements were prepared (for the last time) in accordance with Slovenian legal requirements. The CEF is a nonprofit organization and kept its accounting records in line with the Slovenian Accounting Standard No. 36 – Nonprofit Private Legal Entities. The GB—at its 3rd session on November 30, 2015—endorsed postponement of full implementation of the Financial Rules and Regulations to conclude the fiscal year consistently, which will facilitate explanation and quantification of differences between 2015 and 2016 fiscal years.

Taxable activities were recorded in a special set of accounts (until April 14, 2015), as were activities related to projects that were financed with earmarked funds.

3. NOTES TO FINANCIAL STATEMENTS

Balance Sheet entries in 2015 comprise the following assets, equity, and liabilities.

ASSETS

A.I.1. Intangible assets comprise computer software and are recorded at purchase value. A change in position results from investment, and depreciation.

A.I.1. Intangible assets						EUR
	Opening balance December 31, 2014	New investments	Write offs	Depreciation	Closing balance December 31, 2015	
Purchase value	22,610	232			22,842	
Depreciation	-16,220			-3,553	-19,773	
Carrying value	6,390	232	0	-3,553	3,069	

A.II.1. Equipment owned by the CEF is used to run the CEF's activities and comprises office, computer, and other equipment, as well as investments in improvements of business premises. A change in position results from purchases, write offs and depreciation.

A.II.1. Equipment						EUR
	Opening balance December 31, 2014	New investments	Write offs	Depreciation	Closing balance December 31, 2015	
Purchase value	1,065,151	25,343	-1,088		1,089,406	
Depreciation	-572,009		1,088	-41,301	-612,222	
Carrying value	493,142	25,343	0	-41,301	477,184	

New investments comprise electronic equipment (computers, printers, LCD TV for lobby, projector and camera), furniture for additional office, and investment in redesign of the CEF lobby.

There is no financial or other commitments for purchasing equipment recorded in General Ledger as per December 31, 2015.

B.II. Trade receivables in the amount of EUR 287,775 comprise claims from projects and from advance payments, accrued interest on deposits with banks, and other receivables from original documents and without any valuation adjustment. All are recorded and reported without any valuation adjustment.

B.III. Trade receivables		EUR
UNDP - PACT Montenegro		34,129
World Bank - PACT Macedonia (Ministry of Finance (MoF), Macedonia)		90,769
European Union - EU Strategy for the Danube region (EUSDR) and SPB		110,494
Accrued income from deposits		656
Advance payments		117
Other receivables		51,609
Total		287,775

B.IV. Cash and cash equivalents comprise short-term deposits in EUR and USD with UniCredit Bank, Ljubljana:

B.IV. Cash and Deposits		EUR
Cash and Deposits in EUR		787,858
Cash and Deposits in USD		85,722
Cash in hand		328
Total		873,908

C. Short-term deferred costs and accrued revenue comprise of accrued income and expenses that were paid in 2015 and will occur in 2016, such as insurance premiums.

C. Short-term deferred costs and accrued revenue		EUR
Opening balance as at December 31, 2014		6,753
Disbursement		-6,753
Accrued revenue (not yet invoiced) Supporting Capacity Development of Tax Administration in SEE & Auditing projects		24,159
Deferred expenses		9,789
Closing balance as at December 31, 2015		33,948

All accrued revenue in 2014 was disbursed in 2015 in the same amount.

Accrued revenues for the Supporting Capacity Development of Tax Administration in SEE project and auditing workshops relate to costs of events in 2015 that will be reported to the donor in 2016.

EQUITY AND LIABILITIES

A. Equity represents the start-up contribution in the amount of EUR 4,173 and capital surplus (revaluation of capital in 2001) in the amount of EUR 225.

B.1. Provisions represent provisions for reserves for investments, general reserves, fund to finance CEF projects and provisions for severance pay to employees and anniversary awards.

B.1. Provisions					EUR
	December 31, 2014	Disbursement	Formatting	December 31, 2015	
Fund to finance CEF projects	234,893			234,893	
World Bank / Pension Reforms Conference	8,351			8,351	
Funds for development of accounting and auditing profession in Slovenia	33,389	-33,389		0	
Reserves for severance pay	6,654		11,619	18,273	
Reserves for investment	116,744			116,744	
General reserves	333,975		185,354	519,329	
Total	734,006	-33,389	196,973	897,590	

In 2014 the CEF also delivered training and certification program for accountants and internal auditors in the public sector in Slovenia, for which the CEF received an authorization from Ministry of Finance/Budget Supervision Office. The program was self-financed by tuition fees; financial result from this program was recorded in "Funds for development of accounting and auditing profession in Slovenia". With the change of status of the CEF to an international organization this program was not taken over by CEF and the Fund for development of accounting and auditing profession in Slovenia in the amount of 33,388,83 EUR was excluded from the CEF's balance sheet as of January 1, 2015.

Reserves for severance pay were requested by Slovenian legislation and by Rules of Employment with Annex I. They are formatted annually to equally distribute future liabilities to employees taking into account length of interim period until envisaged pay for each employee.

The CEF is a nonprofit legal entity that finances its operations with earmarked funds. As such, it records surplus from its operations in Funds to finance CEF projects and/or General reserves. On this basis, EUR 185,354 was transferred to general reserves to be used when current revenues will not be sufficient to cover all expenses of future projects.

B.2. Long-term accrued costs and deferred revenue comprise a fund to finance depreciation and amortization and corresponds to the net value of intangible assets and equipment as per December 31, 2015.

B.2. Long-term accrued costs and deferred revenue	EUR
Opening balance as at December 31, 2014	499,532
New investments in 2015	25,575
Amortization and depreciation in 2015	-44,854
Closing balance as at December 31, 2015	480,253

C. Operating liabilities comprise accounts payable (short-term trade payables to suppliers of goods and services, including maintenance services), liabilities to employees (December salary), and other short-term liabilities (other taxes, and lecturers' fees).

C. Operating liabilities	EUR
Trade payables to Slovenian suppliers	44,195
Trade payables to foreign suppliers	4,112
Liabilities to employees	95,158
Other short-term liabilities	14,454
Total	157,919

In Annual Report for 2014 Liabilities to employees comprised only liabilities for net salaries to employees, while liabilities for social contributions and taxes from salaries were included in other liabilities (in the amount of EUR 27,492). In 2015 liabilities to employees comprise all liabilities from salaries, such as net salaries, social contributions and personal income taxes from gross salaries, and contributions on gross salaries.

D. Short-term accrued costs and deferred revenue comprise revenues recorded in 2015 for CEF services that will be delivered in 2016, deferred revenues for earmarked donations—provisions for liabilities that will be paid in 2016, and expenses in 2015 for which invoices have not yet been received.

D. Short-term accrued costs and deferred revenue	EUR			
	December 31, 2014	Formatting	Disbursements/ Transfers	December 31, 2015
Deferred revenues for projects in the region	245,848		-245,848	0
Accrued expenses for projects in the region	0	54,350		54,350
Other deferred revenues	79,000	23,170	-28,000	74,170
Other accrued charges	8,522	5,985	-7,302	7,205
Total	333,370	83,505	-281,150	135,725

Disbursement of accrued expenses represent costs that occurred in 2014 and for which invoices were received in 2015; while formatting represents costs that occurred in 2015 and for which invoices were not received in 2015.

Recording (formatting) deferred revenues from projects in the region represent revenues received in 2015 for the costs that will occur in 2016 and comprise EUR 23,170 for the Supporting Capacity Development of Tax Administration in SEE project. Other deferred revenue comprise EUR 51,000 from the Bank of Slovenia to finance Central Banking expert in 2016.

Accrued expenses for project in region comprise of EUR 47,350 for CIPFA services and EUR 7,000 for lecturers and translation services. Other accrued charges relate to accounting and auditing services.

Principal accounting policies used in the preparation of the **Income Statement** are as follows:

REVENUES

A.1. Revenue from public finance: The Ministry of Finance of Slovenia donated EUR 750,000 to finance CEF operations, and the Ministry of Foreign Affairs of Slovenia donated EUR 103,471 to co-finance TIAPS project, EUR 25,575 was transferred to provisions to finance amortization and depreciation of newly purchased equipment and EUR 44,854 from deferred revenues to finance depreciation (see also B.2.)

A.1. Revenue from public finance	EUR
Donation from the Ministry of Finance of Slovenia for 2015	750,000
Donation from the Ministry of Foreign Affairs of Slovenia to finance TIAPS project in Macedonia	103,471
Other revenue from public finance	8,063
To provisions to finance amortization and depreciation in 2015	-25,575
From provisions to finance amortization and depreciation in 2015	44,854
Revenue from public finance used for operations	880,814

In addition, Government of Slovenia contributed to the CEF by granting free of charge premises (in kind contribution that was not recorded in CEF books) estimated at EUR 12 per sq,m (equivalent of EUR 218,066 per year).

A.2. Other revenue comprises donations from donors other than the Slovenian Government.

A.2. Other revenue				EUR
	Invoiced	Accrued Revenue in 2015	From/To Deferred Revenue	Net Amount
World Bank - PEM PAL	614,644		-4,131	610,513
World Bank - workshops	14,935			14,935
USAID - TIAPS Macedonia	61,743			61,743
CEI - PACT Macedonia	20,000			20,000
World Bank - PACT Macedonia (MoF Macedonia)	90,769			90,769
German Federal Foreign Office - TIAPS Montenegro	100,000			100,000
UNDP - PACT Montenegro	60,339			60,339
IMF - workshop	23,709			23,709
Ministry of Finance, Netherlands - auditing workshops	257,104	24,159		281,263
Ministry of Finance, Netherlands - visiting expert	9,000			9,000
European Union - SPB	300,296			300,296
European Union - EUSDR	30,985			30,985
Bank of Slovenia - central banking expert	19,000			19,000
Bank of Slovenia - workshops	18,960			18,960
Expertise France - workshops	16,831			16,831
Other (EU, GIZ, severances)	26,459			26,459
Transfer to reserves			-185,354	-185,354
Total	1.664.774	24.159	-189.485	1,499,448

Training of Internal Auditors in Public Sector (TIAPS) project in Macedonia financed by USAID generated EUR 61,743 revenues, Co-financing by the Slovenian Ministry of finance is reported in A.1. German Federal Foreign Office co-financed training of Internal Auditors in Public Sector (TIAPS) project in Montenegro with EUR 100,000.

Training of Accountants in Public Sector (PACT) project in Macedonia was financed by Central European Initiative (CEI) in the amount of EUR 20,000 and the World Bank (EUR 90,769). UNDP financed Training of Accountants in Public Sector (PACT) project in Montenegro with EUR 30,985.

Ministry of Finance of the Netherlands financed design and delivery of Supporting Capacity Development of Tax Administration in SEE project and Auditing workshops, as well as participation of public servants at these workshops from seven countries (EUR 281,263) and visiting expert with EUR 9,000. Expertise France co-financed Supporting capacity development of Tax Administrations in SEE project workshops with EUR 16,831.

European Union financed the Strategic Planning and Budgeting project with EUR 300,296 and EUSDR project with EUR 30,985.

Bank of Slovenia co-financed Central Banking workshops with EUR 18,960 (from which EUR 15,000 as a donation and EUR 3,960 as reimbursement of expenses) and Central Banking expert (with EUR 19,000).

IMF financed a workshop with EUR 23,709. PEM PAL project generated EUR 614,644 revenues.

EUR 185,354 was transferred to reserves.

B. Financial income (EUR 10,658) represents interest on deposits and exchange rate changes.

C. Other revenue (EUR 1,267) represents the reconciliation result and reimbursement from insurance company.

EXPENSES

E. Cost of goods, material and services comprise costs of material and services which are allocated to projects only in the case of no doubts as to their allocation (all others are unallocated).

E. Costs of goods, materials and services					EUR
	Costs of materials	Cost of services	Other costs	Total	
Workshops	7,796	106,362	4,343	118,501	
SPB project	1,628	155,445	2,270	159,343	
PEM PAL project	2,245	433,346	18	435,609	
Workshops – Tax Administration & Auditing	1,400	177,596	468	179,464	
PACT Macedonia	1,484	46,551		48,035	
PACT Montenegro		36,859		36,859	
TIAPS Macedonia	1,665	97,714		99,379	
TIAPS Montenegro	211	28,614		28,825	
EUSDR Project		18,594	120	18,714	
Unallocated costs	52,119	301,077	9,688	362,884	
Total costs	68,548	1,402,158	16,907	1,487,613	

CEF does not report cost by cost groups.

Costs of services allocated to programs and projects are the following:

Costs of services					EUR
	Direct Costs of Events	Costs of Authors, Consultants, Translators	Other services	Total	
Workshops	55,118	42,416	8,828	106,362	
SPB project	109,711	27,955	17,779	155,445	
PEM PAL project	324,471	80,605	28,270	433,346	
Workshops – Tax Administration & Auditing	165,670	8,682	3,244	177,596	
PACT Macedonia	4,178	38,982	3,391	46,551	
PACT Montenegro	1,167	29,331	6,361	36,859	
TIAPS Macedonia	6,614	82,420	8,680	97,714	
TIAPS Montenegro	6,256	17,351	5,007	28,614	
EUSDR	9,266	1,495	7,833	18,594	
Unallocated costs	18,590	120,696	161,791	301,077	
Total costs	701,041	449,933	251,184	1,402,158	

Direct costs of events comprise copying and materials for workshops, rent for interpretation equipment and classrooms when workshops are organized outside the CEF and refreshments and complimentary lunches for participants, as well as participation costs, such as travel and accommodation when sponsored by a donor, costs of authors and consultants comprise lecturing, tutoring, preparation of training materials including translation, authors' fees, interpreters' fees, and consultants' expenses.

Costs of goods and services that are allocated to PEM PAL relate to the following events:

PEM PAL Costs of Events	EUR
Unallocated costs	32,465
Budget Community of Practice (COP) in Yerevan	99,485
Budget COP in Pretoria	49,428
Internal Audit COP in Chisinau	16,026
Treasury COP in Seoul	40,259
Internal Audit COP in Hague	17,573
Treasury COP in Tirana	60,321
Budget COP in Warsaw	27,558
Internal Audit COP in Bishkek	92,494
All events	435,609

The PEM PAL project was funded by the World Bank administered Multi-Donor Trust Fund, with major contributors SECO and Government of the Russian Federation. In addition to the events, the Multi-Donor Trust Fund financed the secretariat services performed by the CEF with the amount of EUR 173,668 and bank/transaction fees by EUR 1,236. The contract for secretariat services expired on July 31, 2015.

F. Labor costs: The CEF paid salaries and other labor-related costs to 26 employees according to the Slovenian Law on Civil Servants and Law on Levels of Salaries for Civil Servants until end of September 2015 and according to CEF Rules of Employment with Annex I since October 1, 2015 (EUR 843,572). Average number of employees in 2015 was 25.96, while the CEF payroll on December 31, 2015 comprised 24 employees.

G. Depreciation and amortization costs in the amount of EUR 44,854 are recorded by the method of linear depreciation and amortization.

Depreciation and amortization rates	2015
Software, computer equipment, mobile phones, copy machine	33.33 % to 50.00 %
Investment in premises	3.00 %
Other equipment	20.00 % to 33.33 %

H.2. Other costs (EUR 28,526) relate to severances (EUR 11,619, see also B.1.), students' work (EUR 10,975), administrative taxes (EUR 5,448), and other (EUR 484).

I. Financial expenses (EUR 4,082) comprise interest on financial liabilities and negative exchange rate changes.

J. Other expenses represent differences from rounded amounts paid in cash (EUR 447).

4. EVENTS AFTER THE BALANCE SHEET DATE

There were no events after balance sheet date.

The Financial statements will be submitted to the Governing Board for its next session planned on May 27, 2016.





KPMG Slovenija, podjetje za revidiranje, d.o.o. Telefon: +386 (0) 1 420 11 10
Železna cesta 8a +386 (0) 1 420 11 60
SI-1000 Ljubljana Telefaks: +386 (0) 1 420 11 58
Slovenija Internet: <http://www.kpmg.si>

Independent Auditor's Report

To the Founders and the Governing Board of the International
Organization Center of Excellence in Finance, Ljubljana

Report on the Financial Statements

We have audited the accompanying financial statements of the International Organization Center of Excellence in Finance, Ljubljana, which comprise the balance sheet as at 31 December 2015, the statement of recognised income and expenses for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Slovene Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation, and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the International Organization Center of Excellence in Finance, Ljubljana, as at 31 December 2015, and its financial performance for the year then ended in accordance with Slovene Accounting Standards.

Report on Other Legal and Regulatory Requirements

We herewith confirm that in 2015 the International Organization Center of Excellence in Finance, Ljubljana, in all material respects, used the assets for activities and in accordance with adopted work programme and provisions under the related contracts on financing the programme, concluded with the Ministry of Finance of the Republic of Slovenia and other sponsors.

Information in the Management Report is in conformity with the accompanying financial statements.

On behalf of the auditing company

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Slavica Pečovnik
Certified Auditor

Katarina Sitar Šuštar, MBA
Partner

Ljubljana, 11 April 2016

KPMG Slovenija, d.o.o.
1

APPENDIX:

IMF FAD Technical Advisors' Report

IMF FAD Public Financial Management Advisor

Until June 2015, the resident advisor's activities were funded under Japan's long-standing support to the FAD's technical assistance program in South East Europe. From July 2015 onwards, the FAD's regional activities have been mainly funded under the EU-financed program to support economic governance and public finance management in six pre-accession countries: Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia. Some activities were funded from the IMF's own resources.

Country	Priorities areas	Activities	Comments on progress
Albania	PFM reforms	FAD missions: fiscal rules and MTBF (March) and fiscal transparency evaluation (June). Regional advisor's visits in March, July and October on PFM reforms and legal framework.	PFM strategy and action plan established to guide the reforms. Fiscal rules law drafted along with amendments to the organic budget law aimed at strengthening budget credibility, with adoption expected in 2016. Fiscal transparency evaluation (FTE) report finalized to be published in 2016.
Bosnia and Herzegovina	Macroeconomic and fiscal forecasting	Regional advisor's visit to take stock (April). Short-term expert's visit to Republika Srpska on macro-forecasting techniques (July).	Department for Macroeconomic Analysis and Policy of Republika Srpska has strengthened its capacity to forecast GDP. Common Reform Agenda document adopted in July. PFM reform strategy development expected during 2016.
Bulgaria	No FAD PFM activities during the period under review.		
Croatia	Follow-up on spending reviews and Fiscal Responsibility Law	Desk-based support from the regional advisor on spending reviews and revision to fiscal responsibility legislation	First spending review reports completed. Fiscal responsibility law amended.

Country	Priorities areas	Activities	Comments on progress
Kosovo	Public investment	FAD mission on public investment management assessment (PIMA) with the regional advisor (December).	Measures to strengthen public investment management identified for implementation in 2016.
Macedonia	Fiscal rules PFM reform program	Regional advisor's visit to work with the IMF mission on the special issues paper on fiscal rules (July). Regional advisor's desk review of the draft PEFA report.	Draft constitutional amendment introducing fiscal rules under consideration, and fiscal rules enabling legislation being drafted. PEFA completed and PFM reform program being drafted.
Montenegro	PFM reform program Transition to accrual accounting Public debt and fiscal rules	Regional advisor's visit to take stock and develop a work plan (October). Short-term expert's visit on accounting reforms (November).	Accounting reform plan developed and gap-analysis against IPSAS cash prepared. Fiscal rule on public debt breached in 2015, adjustment plan expected in 2016.
Moldova	No FAD PFM activities during the period under review.		
Romania	Program budgeting Public investment Fiscal reporting Spending reviews	FAD missions: budget, public investment and fiscal reporting (with regional advisor in January) and spending reviews and public investment (June)	2014 fiscal transparency evaluation (FTE) report published in March. Progress made in implementing commitment control and fiscal reporting modules. New arrangement for assessing major infrastructure projects established. Framework for spending reviews to be formally established in 2016.
Serbia	PFM reform program Budget credibility Legal framework Accounting and reporting SOE monitoring	FAD missions with regional advisor: fiscal risks, reporting, and budgeting (February) and legal framework (September). Regional advisor's visits to establish SECO-funded resident budget advisor (August). Short-term expert's visits on accounting reforms (March, April, August, October).	PFM reform program adopted in late-2015. FAD resident budget advisor in place since August. SOE quarterly monitoring started in 2015. Gap analysis against IPSAS established, road map to accrual accounting refined, and accounting standards commission established. PEFA report finalized.
Slovenia	Spending reviews Fiscal rules law	FAD mission with regional advisor on spending reviews (May).	First spending reviews undertaken and annual process established. New fiscal rules law adopted in 2015 with related amendments to the public finance act expected in 2016.

Country	Priorities areas	Activities	Comments on progress
Turkey	Fiscal transparency and fiscal risks	FAD missions: fiscal transparency evaluation (December).	Progress made in implementing program budgeting which FAD advised on in 2014. The fiscal transparency evaluation has encouraged the authorities to publish a fiscal risk statement and to strengthen the central oversight, approval, and disclosure of PPPs.
All countries in the region	CEF workshops and other CEF-led activities	May: FAD-CEF SPB MTBF workshop	Strengthening medium-term frameworks
		June: FAD-CEF SPB fiscal institutions workshop.	Follow-up on fiscal institutions workshops undertaken over the last four years
		September: Regional advisor presentation at CEF-CIPFA roadmap to accrual workshop	Designing and implementing road maps to accrual accounting
		September: Regional advisor and FAD presentations at CEF SPB structural reforms workshop	Enabling fiscal programming of structural reforms in South East Europe
		September: Regional advisor and FAD participation as moderator in CEF SBP high-level event on structural reforms	High-level exchange of lessons from implementing structural reforms in South East Europe

IMF FAD Revenue Administration Advisor

Until June 2015, the resident advisor's activities were funded under Japan's long-standing support to the FAD's technical assistance program in South East Europe. From July 2015 onwards, the FAD's regional activities have been mainly funded under the EU-financed program to support economic governance and public finance management in six pre-accession countries: Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro, and Serbia. The resident advisor on Revenue Administration placed in the CEF in Ljubljana is responsible for Albania, Kosovo and Montenegro. Some activities were funded from the IMF's own resources.

Country	Priority areas	Activities
Albania	Progressive alignment of tax administration organization, governance, business processes, and compliance management with EC Fiscal Blueprint standards	In 2015, the IMF continued a strong program of support for the General Directorate of Taxation (GDT). This included two Headquarters (HQ) missions, several missions by the regional advisor, Steffen Normann Hansen, and a considerable program of short-term advice. The HQ mission assisted the GDT to draft a Corporate Strategy 2015–2019, and the short-term experts' focus was on phasing in a compliance management approach.
Kosovo	Core tax administration functions to be developed to a level that supports correct and timely registration of taxpayers, filing of returns, payment of taxes and fees, and refunds of overpaid taxes	One HQ mission performed a TADAT assessment of the Tax Administration of Kosovo (TAK) and another HQ mission gave advice on merging Customs and Tax Administrations into a new Revenue Administration. A considerable program of short-term experts covered strategic planning and improvement of some core business processes (filing and enforced collection).
Montenegro	Core tax administration functions to be efficient, especially registration and filing, effective management of late stop-filers, and control of tax arrears	A HQ mission performed a TADAT assessment of the Montenegro Tax Administration (MTA) and the regional advisor assisted the MTA in planning future technical assistance to be delivered under the EU-financed program.
	Adopting a Compliance Risk management approach that promotes voluntary compliance and focusing on identifying and mitigating major risks	
Moldova	Implementing compliance strategies based on the CRM approach	A HQ mission reviewed the progress of reforms in the Main State Tax Inspectorate (MSTI).
All countries of the region	CEF training courses and conferences	May: Modern Approaches to Tax Compliance November: Strengthening Management Skills in Tax Administration Reform Process

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About us:

CEF is international organization with the mission to support capacity development for finance officials in South East Europe through learning. We work with our constituency to support their public financial management, tax policy and administration, and central banking reform efforts. We do this through innovative, participatory, and practical learning solutions. The CEF serves as a knowledge hub for the region. We combine topical expertise and in-depth knowledge of countries in the region with a good comprehension of how reforms take place. We know how to nourish and expedite learning among individuals and institutions.

As a learning institution that promotes a participatory approach to learning, we also wanted our facilities to support this approach. The photos in this annual report show our recently renovated lobby and reflect our understanding of learning.

Center of Excellence in Finance (CEF)
Cankarjeva 18
SI-1000 Ljubljana
Slovenia
T.: +386 1 369 6190
F.: +386 1 369 6244
info@cef-see.org
www.cef-see.org

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