



**PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT
PUBLIC MANAGEMENT COMMITTEE**

MENA Regional Financial Management Training Center

FEASIBILITY ASSESSMENT

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MENA Regional Financial Management Training Center

Executive Summary

Background -- The Financial Governance Working Group (WG III) is one of the six groups created to implement the Governance for Development in Arab Countries (GfD) Initiative launched at the Dead Sea Meeting in February 2005. The WG III, in October 2005, supported the proposal made by the Government of Egypt for the creation of a Regional Financial Management Training Center. An earlier version of the present assessment was reviewed by the WG III at its May 2006 meeting.

Needs and Rationale -- The rationale behind the proposed Training Center rests upon: i) substantial needs for trained personnel arising from the ongoing and planned changes in financial governance; ii) the costs and availability advantages it would offer to many countries in accessing scarce skills; iii) the need for an institution to focalize, develop and disseminate skills specific to and immediately relevant to MENA's challenges in financial management.

Most countries in MENA are modernizing their financial governance. Implementing such changes is very demanding on civil servants having to also insure continuity while putting in place and fine-tuning new structures, methods and concepts. The magnitude of the training task can be appreciated by comparison. For 10 new member countries of the EU – with a population less than one third of MENA's -- intense training activities were delivered for more than a decade by the EU, its member countries and international organizations; in many cases efforts continued after accession.

It is clear that the needs in MENA are not going to be filled rapidly. Hence a specialized institution built for the medium and long-term can be an efficient way to address them. First, a regional Center would allow for economies of scale in skills development offerings (greater diversity, higher quality) which would not be available to most individual countries. Second, it could focus on skills shortages and problems which are specific to the region and are not well covered by standard international offerings. Third, the Center could act a rallying point for the development of officials' networks in financial management and thereby accelerate the development and transmission of appropriate techniques and experiences. Fourth, it could develop networks to facilitate updating and continuing personnel development.

Functions, Clients and Specialization of the Center -- The Center will primarily train middle level managers and professionals in implementation techniques and practical skills in financial management.

The general corpus of techniques in budgeting and financial management is universal and internationally available through consulting firms, universities and international organizations. However, support for change and implementation skills addressed to problems, which are tightly meshed into the specifics of national situations, is generally not available from those sources. The key role of the Center is to develop and supply the training required for such MENA specific issues and contexts.

Precedent -- The Center can benefit from the pioneering work and evolution of the Center of Excellence in Finance (CEF), established in Slovenia for South Eastern Europe in order to respond to needs identical to those identified in MENA. Five years after its creation the CEF is continuously expanding and is widely considered a success.

The CEF offerings are quite diverse, eminently practical, and focused on problem solving. It offers workshops on topics ranging from project management to capital budgeting or PPP; it conducts a regional certification programs in public accounting and internal audit; it has developed from specific regional realities a basic course on public finance management. A key to its success has been the ability of the CEF to develop long term partnerships with countries and international organisations to support its programmes.

Its Supervisory Board is made up of the Ministers of Finance of the member countries; its Advisory Board of experts is drawn from the region, donor countries and the international community; the Management Board is appointed by the Slovenian MOF. Its Director and staff are selected by the Management Board, vetted by the Supervisory Board, and paid for by the Slovenian government.

Resources needed -- The resources that would be needed now would fall into two categories. Given that the Egyptian government has generously offered to provide the facilities for the Center in Cairo, the first category of cost would be for the set up investments. These would take about a year and would consist of: i) refining needs and demand analysis to build a realistic business plan; ii) establishing an initial program of studies; iii) finding an efficient delivery system combining in situ, decentralised and distance learning, iv) appointing key managers. These non-recurrent launch costs amount to a minimum of 1.1M\$. This number assumes that the work, up to final documentation and on-line platform installation, is done by a major international consulting firm.

The second category of costs would be those arising in the first year of operation -- necessarily in large part experimental and thus complementary to the launch proper -- and they are estimated to be around 0.6M\$, exclusive of travel and subsistence costs of trainees, assuming 3 events a month (e.g. workshops) and a modest start on one certification program.

Other requirements -- Since the number and type of clients for the Center will depend crucially on MENA governments' decisions about training, substantial consultations and negotiations will have to take place at the political level between member countries. The same goes for the Center's collaboration modes with existing MENA national training institutions in public management.

MENA Regional Financial Management Training Center

Background and Introduction

1. The Financial Governance Working Group (WG III) is one of the six groups created to implement the Governance for Development in Arab Countries Initiative (GfD) launched at the Dead Sea Meeting of February 2005.
2. At its first regional meeting of member countries (Cairo, October 1-3, 2005) the WG III supported the proposal made by the Government of Egypt for the creation of a Regional Financial Management Training Center. This Training Center would serve to enlarge the pool of trained mid and higher level civil servants available to governments in order to carry out efficiently the modernization of their financial governance. To allow for a more complete discussion of the proposal, the WG III requested that the OECD Secretariat carry out a feasibility assessment. A preliminary version of the present assessment was tabled at the May 7-8 meeting of the WG III in Cairo.
3. The present document deals in succession with the rationale for the Training Center, its focus and mission, its governance structures and the resources needed for i) its launch investment; ii) its first year of operation. This assessment relies partly on the experience of successful international training facilities in financial management, in particular the Center of Excellence in Finance (CEF), created in Ljubljana in 2001 for civil servants of South Eastern Europe (SEE).

Needs and Rationale

Lessons from Experience

4. Most countries in the Middle East and North Africa (MENA) region are undertaking substantial modernization of various aspects of their financial governance, from budget reform to revamping controls to transforming their tax and tariffs administrations. Indeed the GfD initiative is design to help and accelerate these transformations.
5. Implementing such changes is very demanding on civil servants having to insure the continuous functioning of governments while testing, putting in place, and fine-tuning new structures, methods and concepts. Governments the world over have experienced how difficult, lengthy, and costly such changes can be: for instance Canada took 10 years to finalize a form of accrual accounting; France's new budget law took more than 5 years to implement after being enacted because it involved costly efforts in design, information dissemination, and systems upgrades. In all cases, massive training and retraining had to take place. All the more so because in public sector financial management, a substantial part of the skills and knowledge required are specific to the public sector and cannot be imported from private firms. Knowing accounting is useful in implementing a new tax collection system but it is no more than a starting point; the same goes for economics vis-à-vis program budgeting or performance management.
6. The quantum of training needs which will be required from governments in the MENA region can be appreciated by comparison with the situation faced by the 10 new member countries of the European Union. For a population less than one third of MENA's, intense training activities were offered for more than a decade by international organizations such as the IMF, the World Bank, OECD, by most individual Western European countries, and by the EU itself. Even after accession of most countries to the EU, two institutions remain in full operation to finish the task: the Joint Vienna Center in Austria and the Center of Excellence in Finance in Slovenia, each with its specific focus but both offering training in financial management and public economics.

7. As was the case in former command economies, the needs in MENA are not going to be filled rapidly, given the ambitious nature of the changes sought by governments, fully supported in their diagnoses and plans by international organizations such as the IMF and the WB. As well, the experience in both OECD countries and in Central and Eastern Europe clearly indicate that such training and transformations are more difficult and take substantially more time than was thought even a few years ago.

8. Consequently, for MENA, a training institution built for the medium and long-term could be an efficient way to address the needs identified for financial governance modernization.

Specificity of the MENA Region and Its Needs

9. A second aspect of the rationale for this Center has to do with the specifics of the MENA region.

10. First, given the wide disparities in income and in country sizes, a regional Center would allow for economies of scale in skills development offerings (greater diversity, higher quality) which would not be available to individual countries, particularly small ones. It would facilitate the full participation of these countries in the modernization of their financial governance. Similarly, even for medium sized countries, pooling resources would insure that in the case of highly specialized skills the required training could be carried at lower cost and/or in a more timely fashion.

11. Second, a regional center would be able to act as an organiser and manager of programmes that could be delivered in individual countries to a common standard, such as professional audit (internal and external) and accountancy training, and with economies of scale through the use of common learning materials and assessment arrangements.

12. Third, such an institution could focus on skills shortages and problems which are of particular relevance to the region. For instance, for the economies in transitions of the '90s, substantial resources were expended in training in such matters as local taxation, unified budgets, statistical reporting, and pricing problems, which were especially acute in the transition from command to market economies. At its first meeting, WG III identified some problems affecting many countries in the MENA region. Those challenges differ from the ones encountered in former command economies and are not very familiar in OECD countries. Among them were the excessive size of the wage bill, the difficulties in privatization given the cost of compensating affected workers, challenges to budget comprehensiveness originating from investment banks, state-owned enterprises (SOEs), and social funds. A stable framework such as the Center can offer an efficient venue to address specific MENA problems such as those, both in developing relevant solutions and disseminating them.

13. Finally, the very existence of such a Center would favour the development of officials' networks in financial management and accelerate the transmission of techniques, experiences and knowledge within the region. This networking is presently relatively weak in MENA. Building it up is also a long term proposition requiring the type of continuity associated with a stable and active institution. Both the Vienna Joint Center and the Center of Excellence in Finance explicitly target the creation and animation of their regions' networks. Moreover, in MENA, countries are at quite different stages of their financial governance modernization; such networks would be especially helpful in speeding up convergence.

14. To sum up, the rationale behind the proposed Training Center rests upon: i) substantial needs arising from the ongoing and planned changes in financial governance; ii) its costs and availability advantages for many countries in accessing scarce skills; iii) for all MENA countries, the continuous development, including updating and dissemination of expertise specific to and immediately relevant for the region.

Functions, Clients and Specialization of the MENA Regional Financial Management Training Center

Clientele and Skills

15. The Center will train middle level financial managers and professionals. This target clientele corresponds to the most acute needs identified at this point as well as the proper level to address in view of the intended specialization of the Center.

16. This clientele specialization will complement its sharp focus in training objectives: the program will be heavily tilted toward *change implementation skills and practical techniques in financial management*. In major reforms, in any organization private or public, the middle managers and professionals are the key actors on whom the success of these endeavours depends. Hundreds of reforms planned and launched failed largely because implementation personnel on whom the key burden fell were inadequately prepared or motivated.

17. The focus on implementation of modernization in financial management follows from the needs identified for both practicality and specificity.

Positioning the Center and Its Modus Operandi

18. The corpus of skills and techniques in budgeting and financial management is basically universal. MTEFs, program budgeting, single account cash management, internal auditing or accrual accounting, for instance, are the same in principle from New Zealand to Finland. Consequently the relevant training on the nature and theoretical underpinnings of the basic best practices is readily available from a wide variety of sources: consulting firms, universities, international organizations. If the proposed Center were to focus on this type of training, its comparative advantages would be difficult to identify. This said, it is unavoidable that training in such basics will occupy a place in a regional institution, but it will not be a dominant one.

19. The international availability of training expertise is much less when it comes to implementation skills required to deal with problems and reforms which are tightly meshed into the specifics of regional or national situations. For instance, controls systems and the qualifications, effective power and ethos of the controllers depend largely on the institutional settings and traditions they operate under. The same can be said about the exact nature of budget comprehensiveness problems, which in practice differ substantially for their remedy according to their institutional sources. For instance, insuring budget comprehensiveness will take different types of reforms when the problems stem from the independence of SOEs with authority to borrow vs. cases of SOEs whose actions are directly influenced by political processes operating outside the budget circuits vs. cases of social funds tied to entitlements and/or operating from ear-marked taxes. One key role of the Training Centre is to develop the training required to address such specific issues which, as identified by WG III, are especially important in MENA.

20. In the training envisaged as the primary focus of the Center, the substantial commonalities of institutional set-ups and traditions within the region will guide the design of curricula and modus operandi of the institution. These commonalities exist even when fully recognizing that the countries in MENA differ substantially in many respects. However, institutions inherited from geography or a common past are clearly visible in a few major sub-groups as are the similarity of modernization problems encountered, even if some countries are farther along resolving them than others.

21. These facts have led members of WG III to suggest that the Training Center, at some point, looks at the possibility of branching out, of establishing facilities in more than one site. In planning and setting up the Center, this suggestion will warrant a full examination. The Slovenian Centre of Excellence in Finance,

only 5 years after its creation in a much smaller region, is already doing that. Of course, given the progress in communications and the cost of travel in MENA, it is already clear that distance learning and web-based instruction/participation will constitute key features of the Center' delivery system and could substantially alleviate the costs and complications associated with a dispersion of physical facilities. Indeed once the basic web platform for instruction/participation exists, it is cheap and easy to shift instruction locales as the dispersion of skills and competencies warrant. However, for some programmes, such as those where improving judgement and discrimination are the main objectives, web based training will need to be accompanied by "face to face" tuition.

22. If the positioning of the Center is already clear vis-à-vis training offered by universities, consultants and international organizations, work remains to be done in designing its modes of collaboration with and its specificity vis-à-vis existing national institutions in public management. Those are very unequally spread across the region; many of them have a long and distinguished history, some were created very recently. Determining the relationships between existing institutions and the Center will require in-depth consultations between relevant member countries to establish an efficient division of labour. This will be an integral part, at the political level, of the launch investment.

A Useful Example: the Center of Excellence in Finance

23. The Center can benefit from the pioneering work of the Center for Excellence in Finance (CEF), established in Slovenia for South Eastern Europe to respond to practicality and specificity needs very similar to those identified for MENA countries. Only 5 years after its creation the CEF is continuously expanding and is widely considered a success.

24. The CEF offers workshops on topics ranging from project change management to capital budgeting, tax administration controls, and public-private partnerships (PPPs). It also conducts a regional certification program in public accounting and one for internal auditors, which of course requires much more sustained efforts from participants than workshops. It has developed from specific regional realities a basic course on public finance management which has been offered in various cities as well as online, and it is training mentors in various countries. In addition, the CEF has managed the translation in local languages of quite a few manuals and international publications devoted to financial management. The CEF had 523 trainees in 2005.

25. Its governance structure combines elements designed to insure accountability, openness and feedback to stay on course and evolve. The Supervisory Board is made up of the Ministers of Finance of the countries of the region; the Advisory Board includes experts from the region, donor countries and the international community; the Management Board is made up of appointees from the Slovenian MOF. The managers and support staff are selected by the Management Board, vetted by the Supervisory Board, and paid for by the Slovenian government.

26. The CEF central staff is very small. To run its workshops, the CEF draws on the resources of the Slovenian government (money, facilities and expertise), donors, and member countries. International organizations' experts and even more senior practitioners from OECD countries have featured in a substantial part of its workshops -- most often free of charge. Assistance has been received from the IMF and the WB, bilateral and multilateral funding has supported various initiatives. For instance the certification program in public accounting has received grants from the UK and Ireland, early on quite a few trainees had their travel and expenses paid for by the WB or bilateral partners, etc.

27. Of course, if the path blazed by the CEF is useful for the Center, some problems faced by South Eastern Europe differ markedly from those of MENA.

28. Immediately apparent differences which will require innovative thinking and solutions in the case of the MENA Center include:

- The much larger size and the greater diversity in income, governance problems and institutions in MENA could make the Center a bigger operation to build and run with ultimately more diverse courses offerings.
- Distance constraints are much more severe in MENA and will probably dictate an earlier start of investments in distance and decentralized learning than was the case for the CEF.
- Language problems are much less of a constraint in MENA than in South Eastern Europe thereby reducing the costs of making international material available.
- The specialized schools and training programs in public management in some MENA countries are better established with a longer history than was the case in SEE, making it more complex to effect a correct division of labour.
- The commonalities of problems, needs, experiences is more affirmed in SEE given the common recent history of the countries and the beacon provided by their planned accession to the EU. This common reference point does not exist in MENA. It will mean that more resources will have to be devoted at the outset to assess clientele and determine offerings.

29. Even keeping in mind these differences in situations between MENA and SEE, the CEF costs and funding strategies provide useful preliminary reference points for the resources needed for the Center, once it becomes an on-going concern. Over-all expenses for 2005 came to 1.070M\$; the Slovenian government contributed 0.571M\$; donors 0.188M\$ and participating countries 0.311M\$. Participating countries' contributions dealt essentially with travel expenses of trainees and local events; donors (OECD countries and international organizations) supplied resources in kind for workshops, and cash to finance special programs like the one in Public Accounting Capacity Building as well as the resident IMF regional PFM advisor.¹

30. It is worth noting that even as an on-going concern, the CEF has to spend substantially for program preparation and management: 0.25M\$ in 2005 alone. This indicates that the launch costs for the MENA Center, as detailed in the next section, constitute basic minimum estimates. All the more so since course design and precise identification of clients demands will be more complex in MENA than in SEE, as noted above.

Resources Needed to Launch the MENA Training Center in Financial Management

31. The estimates provided in this section should be interpreted as preliminary approximations. The orders of magnitude suggested are considered as minimums for an effective launch.

Launch Investments

32. Given that the Egyptian government has generously offered to provide the facilities for the Center, the initial investments required are human resources intensive. The outcomes to reach are: a well constructed program of studies, an initial clientele of satisfied trainees upon whom the Center's reputation will be born, governments happy with the contributions that their trainees are making. This will require: a thorough analysis of diverse needs, selecting/building up the courses to be given, structuring the programs for the different clienteles, getting staff and contacts with clearly demonstrated competencies and, last but not least, designing an efficient governance structure for the Center which allows for flexibility, efficiency and active participation of the countries which are expected to send their civil servants to the Center. The key to success will lie in appointing a visionary, dynamic, practical manager as the Center director.

33. Building a sound and attractive program of studies will require a substantial investment in time and resources. As mentioned above, general expertise on most subjects in budgeting, accounting, financial control or tax administration is pretty standardized and reasonably available. This part of the curriculum design should not pose particular problems, except in determining the weight such training should have and the division of labour between the Center and national/international institutions in such matters. The relative importance of such general training is an issue that CEF has had to revisit regularly. Of course, even on those relatively clean cut topics, detailed discussions with potential client countries will be needed to assess and reconcile their specific needs. It is probably there that the issues surrounding the division of labour between specialized national institutions and the Center will have to be decided.

34. As developed above, the hallmark of the Center will be its focus on implementation skills, on practical approaches and techniques needed for the modernization of financial governance in the specific conditions faced by MENA countries. Such training material and expertise does not exist at present in anywhere the extent it does for universal methods and so-called "best practices". Consequently the initial investment in curriculum planning will involve designing training material capable of advancing the objectives of practicality and specificity of the Center. Finally the very rapid advances in distance learning all over the world and its necessity in the region mean that investment in selecting a robust platform, calibrating it and acquiring the competencies for maintaining it will have to take place very early on.

35. All in all, assuming little or no additional investment in structures, getting from the present proposal to a fully operational Center would almost certainly require a launch investment of at least 1.1M\$ spread over one year. The following table gives an illustrative breakdown of these launch costs. The costs of a first year of operation, necessarily experimental and thus complementary to the launch proper, will add .6M\$ to this number.

36. For the launch costs, the estimates (1.1M\$) assume that the whole of the technical issues from needs and clientele assessment and training contents to final documentation production is done by a major international consulting firm.. However, since the number and type of clients for the proposed Center will depend crucially on member governments' policy decisions about training and their decisions on using the Center, a parallel substantial effort of consultations and negotiations will have to take place at the political level between member countries. Of course, this kind of work cannot be farmed out to consultants and its costs will be in addition to those described in the table.

Illustrative Breakdown of Launch Costs for the Center

Tasks	Costs Components	Costs (in 000s of USD)
Needs assessment, interview potential candidates and relevant authorities (all countries)	58 sc days 100 interviews	85
First draft of overall training plan	15 sc days	24
Design of specific MENA problem courses (e.g. wage bill, comprehensiveness, etc.)	20 sc days	30
Search, contacts, analysis of support institutions (region and beyond)	35 sc days report to sponsors	51
Running panel survey on draft training plan and exploiting the results		70
Adjustments to training plan, decisions on final contents	22 sc days	32
Case building, evaluation methods, exams, student paths determination	38 sc days	56
E-training platform (bought off the shelf and installed)		200
Design, and architecture of platform and specific development	60 sc days and support	225
Producing documentation, course contents,	70 days	100
Graphics, final edit, printing and disseminating the documentation		72
Travel and subsistence	25 trips	55
Design a staffing structure and prepare job descriptions	15 sc days	24
Unforeseen and misc.		76
TOTAL		1.100

NB: this breakdown is only illustrative of the type and likely magnitude of costs of these investment activities at present, assuming a major consulting firm would run the whole exercise. Real costs could be higher or lower depending on the specifics of the real call for bids. The present breakdown assumes a mix of short workshops and longer certification type programs. These launch costs are one-time investments.

sc: Senior Consultant time and support

Resources needed for the first year of operation

37. Resources will be needed for the first year of operation, which will necessarily be partly experimental in nature. This is why this assessment treats it as strictly complementary to the one-time investments of the launch proper.

38. Assuming 3 training events per relevant month and on-going adjustments to programs during the year, the running costs of the first year could amount to around 0.0M\$\$ for the Center itself. This

approximation is compatible to the costs incurred by the CEF at the relevant stage of its development. It assumes that travel and subsistence costs of trainees are borne by their respective governments, not by the Center.

Conclusions

39. This preliminary assessment sets out the parameters for properly launching the Center.

40. It seems clear that needs exist — indeed that improving knowledge and skills will condition in part the success of the financial governance dimension of the GfD initiative. As well, given the nature of these needs, the specificities of the region and the time required to effect changes, setting up a regional institution makes eminent sense.

41. Getting to a successful Training Center will require careful planning and adequate investments on the technical side. In particular, the key next task lies in assessing needs precisely in all their diversity in order to determine — in many cases produce — training offerings which their intended consumers will actually demand and use. On the supply side, fully using the existing expertise lodged in some institutions of the region and insuring capability for distance learning appears to be the two crucial initial investments tasks.

42. Finally, beyond technical considerations, obtaining a clear common understanding of the role and modus operandi of the proposed Center among member countries will be necessary both to have the required flows of trainees and to insure a governance structure which will be supportive of a dynamic, independent management for the institution.

¹ All details about the CEF financing and expenditures can be found on:
<http://www.cef-see.org/ar05.pdf>