Ministry of Finance of the Republic of Azerbaijan
State Treasury Agency

Digitalizing the Treasury Function in PEMPAL Countries

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Vienna

Evolution of Digitalization

Digital Treasury (2021-2025)
Expanding treasury coverage use of big data, analytics and AI.

Step 5

IFMS (2016-2020) – Creating API` s for integrating with budget planning, procurement, tax and customs revenue, etc.

Step 4

FMIS (2011-2015) –Paperless submission of required documents, online reporting and consolidation.

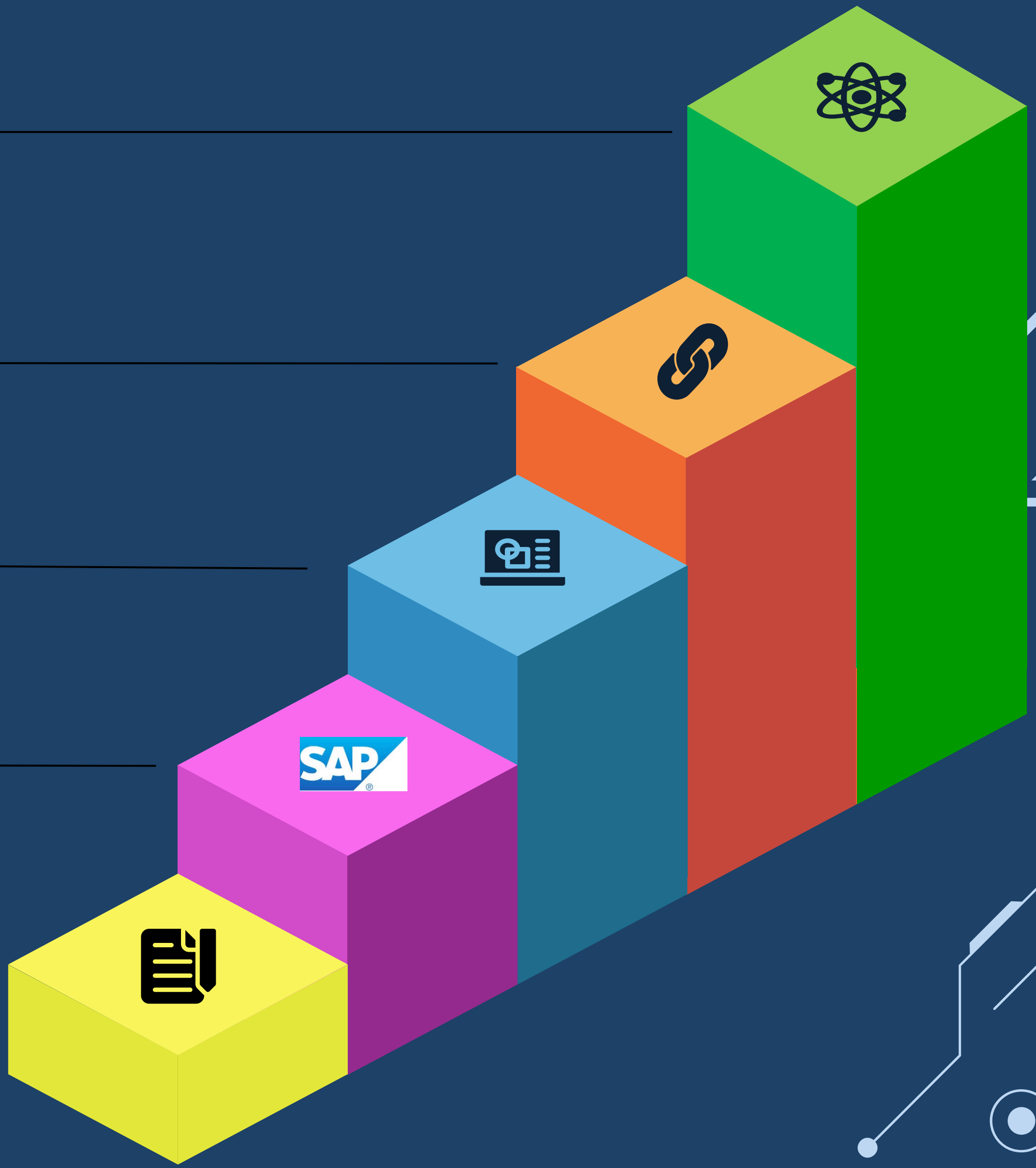
Step 3

Centralized system (2006-2010)
Automated processes, daily reporting and consolidation. SAP-all the treasury operations are committed in a single system and consolidated at the end of each business day.

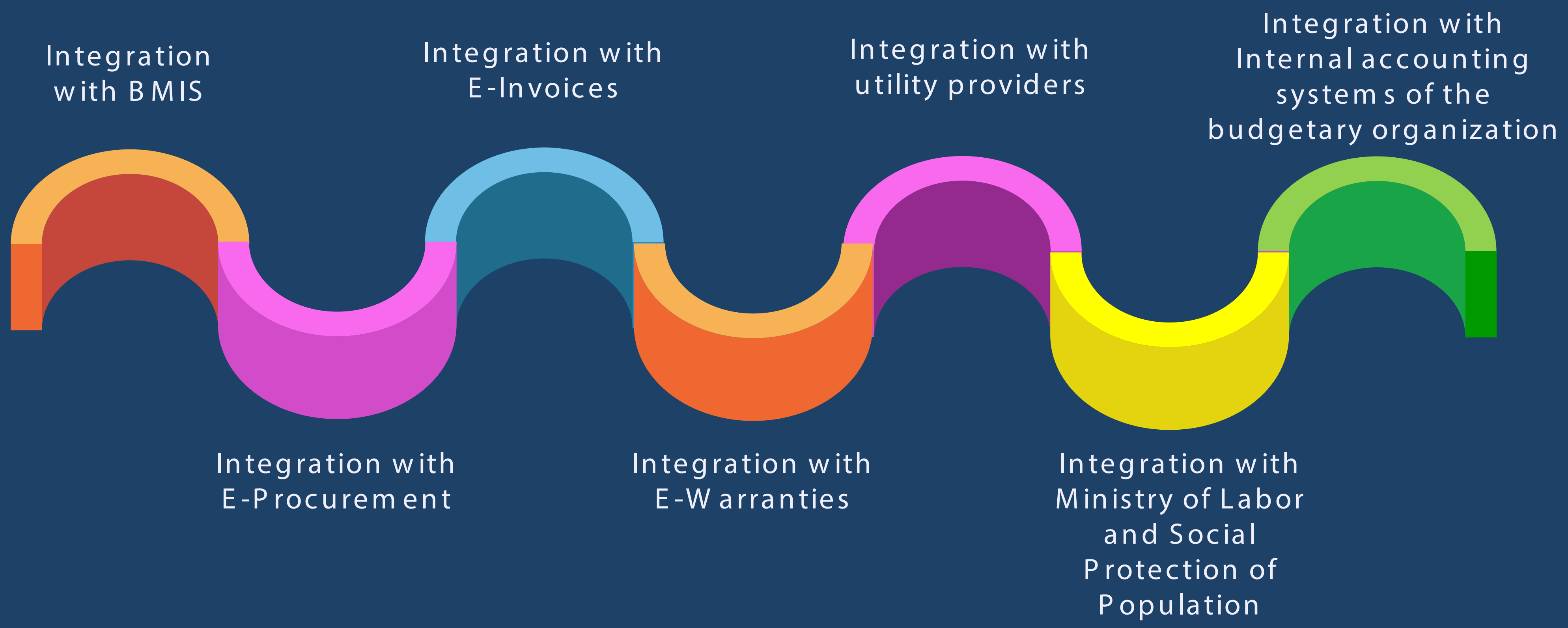
Step 2

Decentralized system (2000-2006)
Treasury operations processed in the decentralized fashion. Weekly or monthly consolidation. Heavy manual processes.

Step 1



Steps toward Digital Treasury



Expanding Treasury Coverage

Full treasury coverage of investment projects

Controlling government procurement processes from start to finish

Active cash and liquidity management

Defining the KPI`s and measuring effectiveness

Enhancing Treasury Management Through System Integration

Integration with Tax and Customs System	Improves the accuracy of revenue projections, ensuring better forecasting of inflows into the Treasury Single Account (TSA)
Integration with Debt Management Agency	Facilitates timely and effective debt policies, enhancing the management of government lending and borrowing.
Integration with Sovereign Oil Fund	Provides more accurate forecasts of foreign currency inflows into the TSA, supporting fiscal stability and liquidity planning.

Improving Financial Security and Efficiency

Mitigation of fraudulent transaction

- Integration with tax and customs
- Integration with procurement systems
- Acquisition of electronic bank guarantees
- Acquisition of electronic bank guarantees to replace paper-based guarantees, reducing risks of forgery and fraud.
- Real-time monitoring and flagging of suspicious transactions using AI and data analytics.
- Strengthening authentication processes through digital signatures and multi-factor authentication.

Improved payment timelines

- Automation of payment approvals through integrated financial management systems (IFMIS).
- Enhanced coordination between government agencies, financial institutions, and vendors.
- Implementation of electronic invoicing and digital payment tracking.
- Introduction of AI-driven predictive analytics to forecast
- cash flow.
- Adoption of blockchain for secure and transparent payment processing.

Innovative steps in Treasury Information Management System

The Changing Role of the Treasury in the Era of Digitalization

Key Trends Shaping Treasury Functions:

1. Transition to Strategic Roles:
    - Automation of payment processes reduces the focus on routine operations.
    - Treasury's new priorities include cash flow forecasting, reporting, and providing financial data to support decision-making.
2. Treasury as a Service Provider:
    - Treasury evolves into a hub for critical financial data, supporting a broader set of users across government entities.
    - Enhanced data sharing and transparency cater to new demands for accurate and timely financial insights.
3. Insights from Turkey and Indonesia's Practices:
    - Turkey:
        - Daily forecasting using historical data and a mix of top-down and bottom-up approaches.
        - Maintaining a cash buffer to optimize costs and mitigate risks.
    - Indonesia:
        - Implementation of advanced data science techniques, including dynamic dashboards and machine learning.
        - Projects like revenue trajectory modeling and optimization of cash buffers.
        - Open data initiatives to facilitate transparency and decision-making for stakeholders.

Azerbaijan's Experience and Innovations:

- Inspired by international best practices:
    - Introduction of the green corridor (following Georgia's example).
    - Ongoing exploration of AI-driven forecasting methods, drawing on Turkish and Indonesian experiences.
    - Leveraging dynamic dashboards to improve transparency and operational efficiency.

Future Directions and Opportunities

- Strengthening interagency cooperation for enhanced treasury modernization.
- Expanding the use of AI and data analytics in treasury operations.
- Promoting knowledge-sharing and collaboration across PEMPAL countries.
- Increasing flexibility in treasury operations through digital transformation.

Final Takeaways

- Digitalization is reshaping treasury functions across all PEMPAL countries.
- The shift from transactional processing to strategic financial management is crucial.
- Collaboration, technology adoption, and data-driven decision-making will define the future of treasury operations

Thank you for Attention!