

Treasury Committee of the Ministry of Finance Republic of Kazakhstan

PEMPAL treasury community: **Workshop on use
of information technologies in treasury
operations**

Astana, Kazakhstan, September, 27th – 29th





Kazakhstan in figures*

Capital	Astana
Square	2 724 900 km ² (9 th place in the world)
Population	~ 16 million people (Economically active population ~ 8.6 million people)
Currency	the Kazakh tenge (KZT, currency rate: 1\$=147 tenge)
GDP (PPP) Total	\$193.8 billion (53 ^d place in the world)
GDP (PPP) per capita	\$11 805 (69 th place in the world)
Average monthly earnings	\$600 (88 296 tenge - June, 2011)
Internet users	5.3 million (~ 34% of population)
Number of functional public institutions	12 770
Number of nationalities and ethnic groups	Over 100



*The data are valid as of August 1st 2011

References:

<http://www.stat.gov.kz>

<http://ru.wikipedia.org/wiki/Казakhstan>

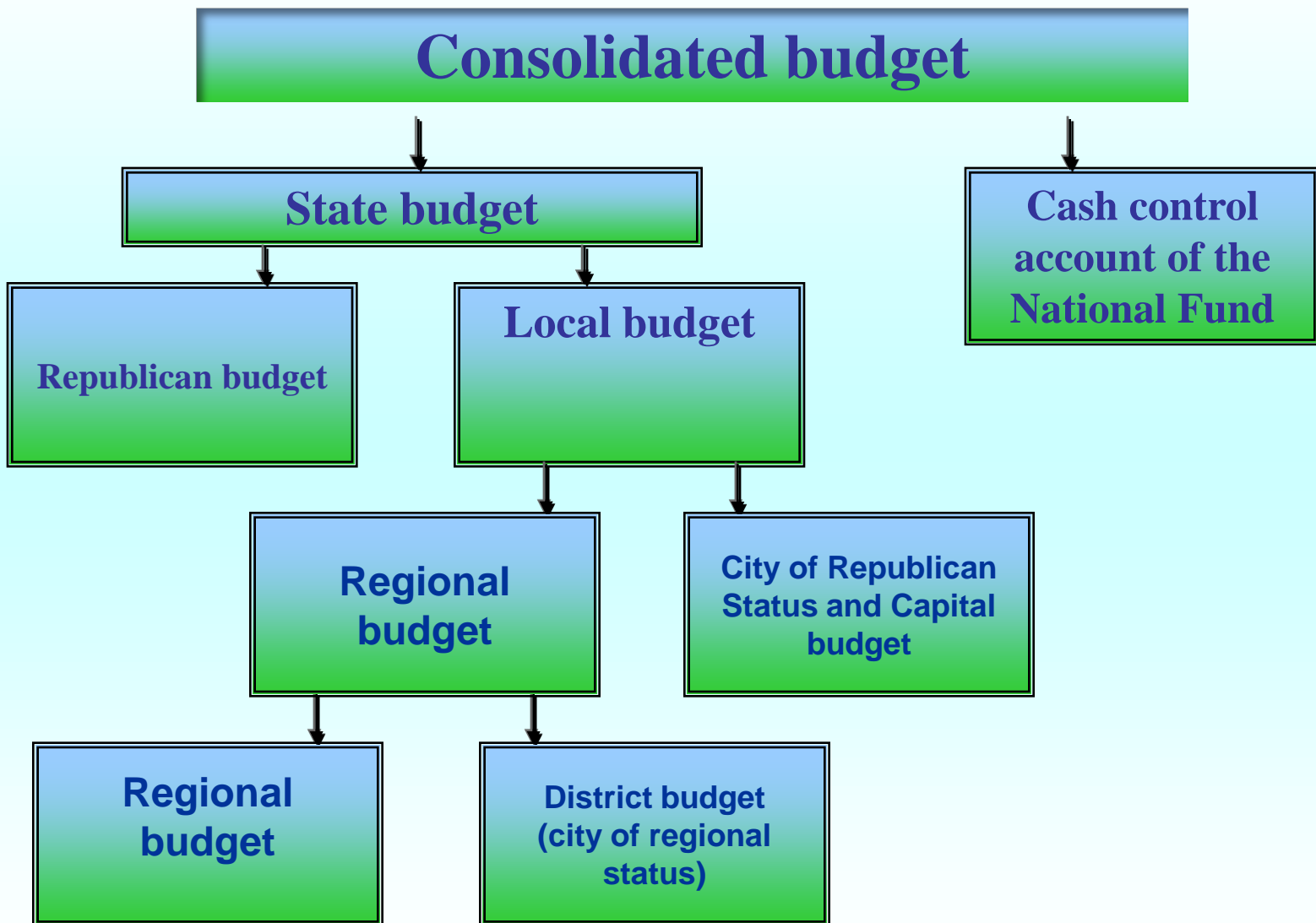
<http://ru.wikipedia.org/wiki/Казнет>

<http://www.internetworldstats.com/stats3.htm>



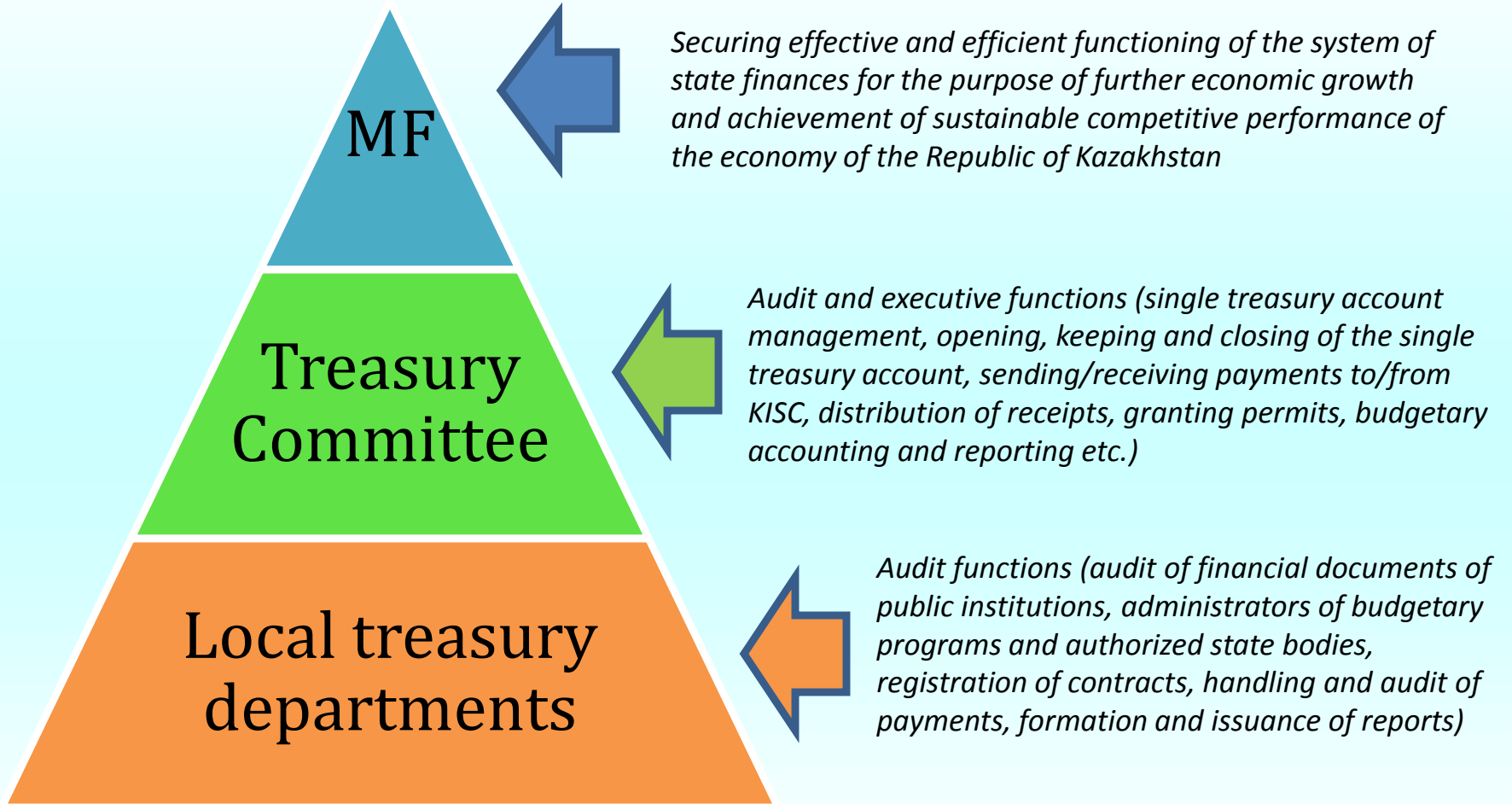


STRUCTURE OF BUDGET OF THE REPUBLIC OF KAZAKHSTAN





ROLE OF TREASURY IN BUDGET MANAGEMENT





TREASURY COMMITTEE OF THE MF RK

Treasury Committee (TC)

- A legal entity with the legal organization form of a public office;
- An authority under the MF which performs its audit and executive functions within the competence of the central executive authority administering the republican and local budgets of the National Fund of the Republic of Kazakhstan;
- TC has its regional departments that are also legal bodies with the legal organization form of a public office, established and abolished by the Government of RK, which comprise the following: Treasury Departments (on regional levels and in cities of Astana and Almaty), those belonging to districts, cities and other regions within the treasury's competence;
- Local units are subordinated and accountable to the Treasury Committee.





LOCAL TREASURY DEPARTMENTS



The Treasury Committee has its regional departments that are legal bodies with the legal organization form of a public office, established and abolished by the Government of RK, which comprise the following: Treasury Departments (on regional levels and in cities of Astana and Almaty), those belonging to districts, cities and other regions within the treasury's competence, which are subordinated and accountable to the Treasury Committee.





STAGES OF DEVELOPMENT OF TREASURY

1994-1999

- 01.1994 - Establishment of the Main administration of Treasury within the MF RK
- 10.1995 - Cash processing centers of the National Bank are passed under the control of the Treasury
- 07.1996 - Opening of the single treasury account at the National Bank
- 12.1996 - A new classification of income and expenditure based on the IMF's methodology is elaborated and implemented on the level of the republican budget.
- 01.1997 - The Treasury begins to submit reports about expenditure to the central executive bodies
- 01.1998 - Abolition of the Budget Bank. cash management of the budget is handed over to the regional treasury departments

2000-2007

- 2000 - elaboration of legislation on public procurement. Treasury begins to register contracts of state institutions.
- 08.2000 - Establishment of the National Fund of the RK.
- 2001-2004 - The integrated Treasury information system is elaborated and implemented throughout the territory of Kazakhstan.
- 07.2006 - A new approach to savings is applied to the National Fund management. The National Fund becomes a part of the consolidated budget.

2008-2012

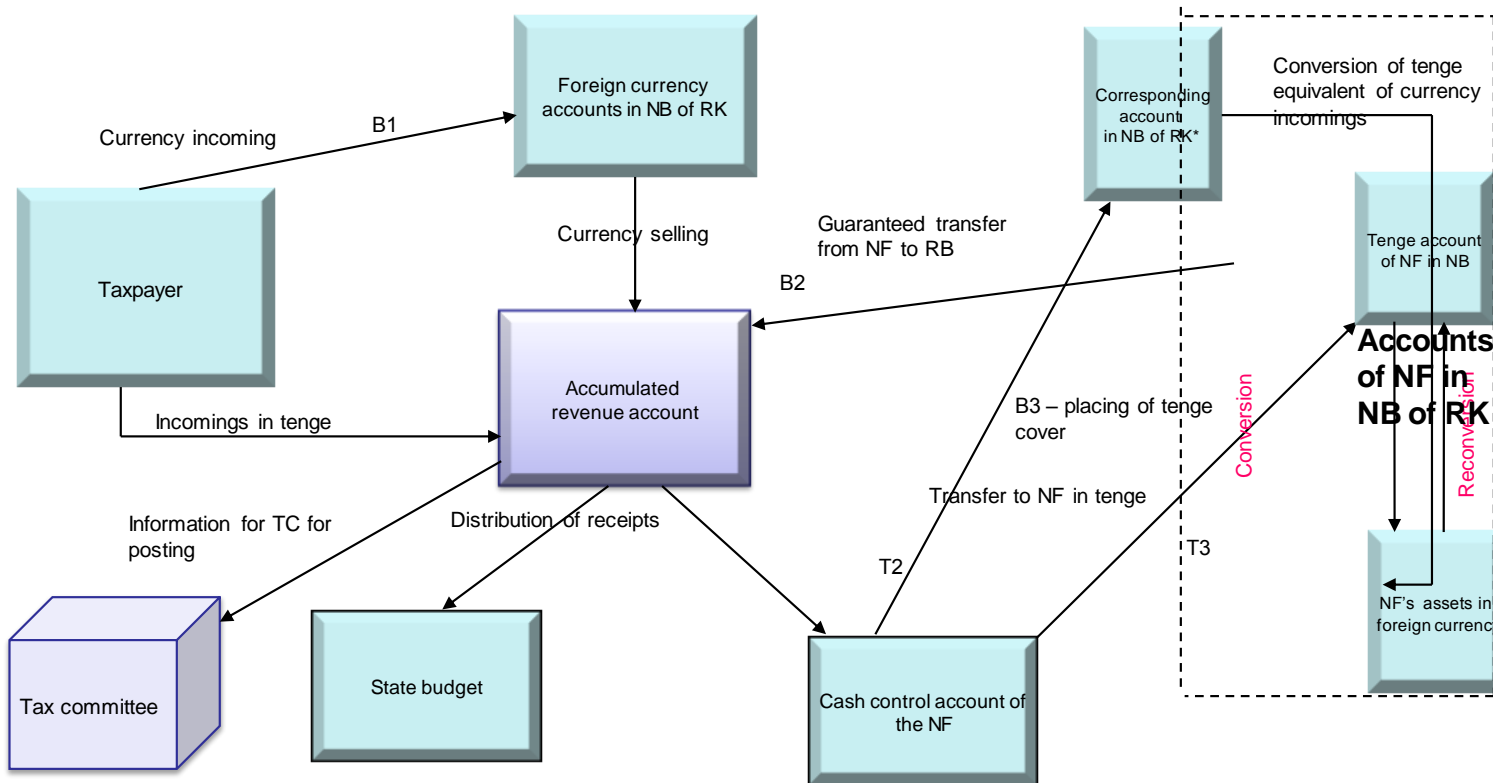
- 2008 - Modernization of the hardware/software solutions applied in the Treasury system.
- 2008-2011 - Elaboration and modernization of the "Treasury-Client" EDMS. Experimental operation is currently in progress.
- 2010 - Integration of the "Treasury-Client" element with the National Certification Authority of the RK.
- 2010 - 2012 - Continuing development of mechanisms allowing interaction of the Treasury Information system with the Integrated automated information system E-minfin.





TRANSACTIONS TO THE NATIONAL FUND

Схема перечисления средств в Национальный фонд с отражением в бюджетах



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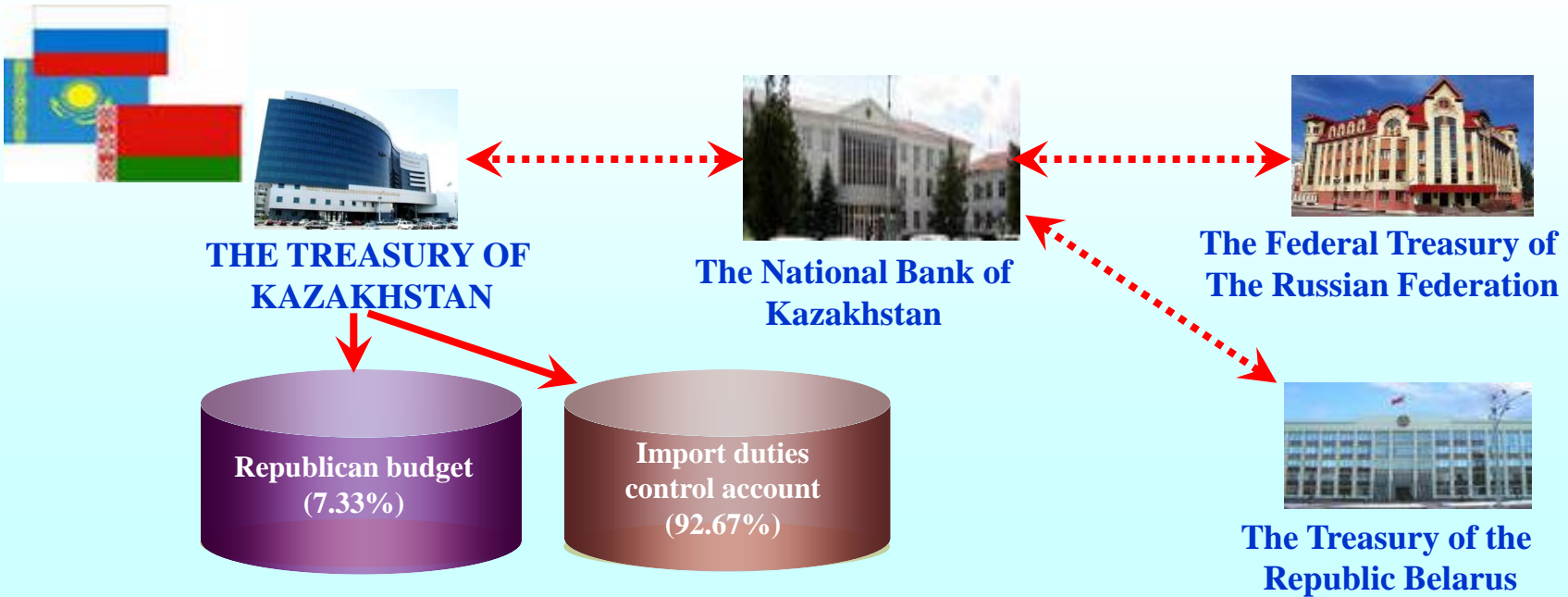
T – incomings from taxpayers in tenge

B – incomings from taxpayers in foreign currency





CREDITING AND DISTRIBUTION OF IMPORT DUTIES



1. Participants of foreign trade activity remit the import duties to the accumulated revenue account (to the same account as all the other budget contributions) in tenge.
2. The mechanism of crediting and distributing of import duties within the Treasury Committee is carried out by means of opening of a cash control account in the Integrated Information System of Treasury (IIST) for further distributing the funds among the members of the Customs Union in accordance with the set norms and regulations.
3. The treasury of Kazakhstan transfers the amounts of distributed import duties to other parties on the next working day to the tenge accounts opened by the Central Bank of Russia and the National Bank of Belarus in the National Bank of Kazakhstan.
4. The treasuries of the Parties communicate on a daily basis.





FORMATION OF THE TREASURY SYSTEM

At an early development stage the technological basis of the treasury system consisted of the following software tools:

- *BASK-M which was used as a cash processing tool for state budgets;*
- *General Ledger which was used as a financial accounting solution.*



Due to the increasing demands in the sphere of financial management the then used software solutions could not provide the required and adequate technological basis of the treasury system.





DRAWBACKS OF BASK-M SOFTWARE SOLUTION

Impossibility of centralized accounting;

2-3 days' delay in indication of receipts and expenditure of the republican budget on the single treasury account;

Insufficient control over the proper use of budgetary funds;

Impossibility of centralized reporting budget Implementation;

BASK-M did not support three-digit budgetary classification codes;

BASK-M did not ensure sufficient transparency of accounting procedures

Outdated communication platform.





IIST: PROJECT TASKS

To create and modernize the system based on the budget legislation of the Republic of Kazakhstan.

To ensure transparent implementation of budgets at all levels

To ensure smooth-running operation of the system with a timely indication of all budget administration processes

To execute efficient control by implementation of budgets at all levels

To ensure total security of the Integrated Information System of Treasury





IIST: EXPECTED RESULTS

Adherence to the principles of proper use of budgetary funds.

Increase in control over the republican and local budget administration at all levels.

Evaluation, analysis, planning and prediction calculations for the purpose of state and state-guaranteed borrowings management, management of government debt and government (budgetary) loans portfolio.

Complex analysis of budget administration by means of comparison of projected, planned and actual budget indicators.

Collecting feedback from ultimate recipients of budget funds (public offices) based on the principle «from the bottom upwards».

Implementation of a unified regulatory and legal framework.





IIST: BASIC REQUIREMENTS

A common information environment unifying treasury departments of the Republic of Kazakhstan and other users of IIST

Fully automatic performance of all treasury functions

Introduction of new technologies

Compliance of implemented projects with the international standards

Optimal centralization

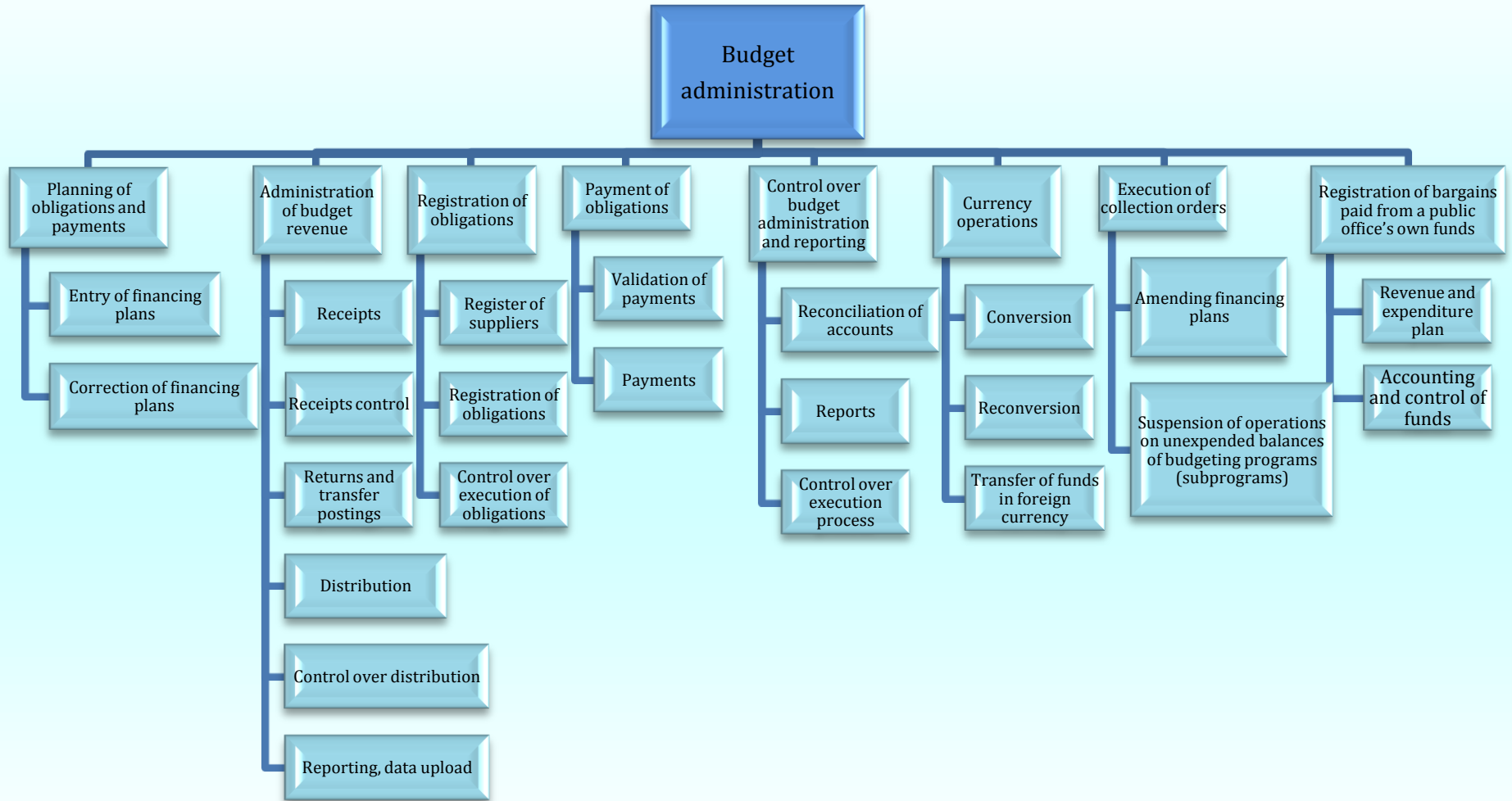
System openness

System safety in accordance with the international standards



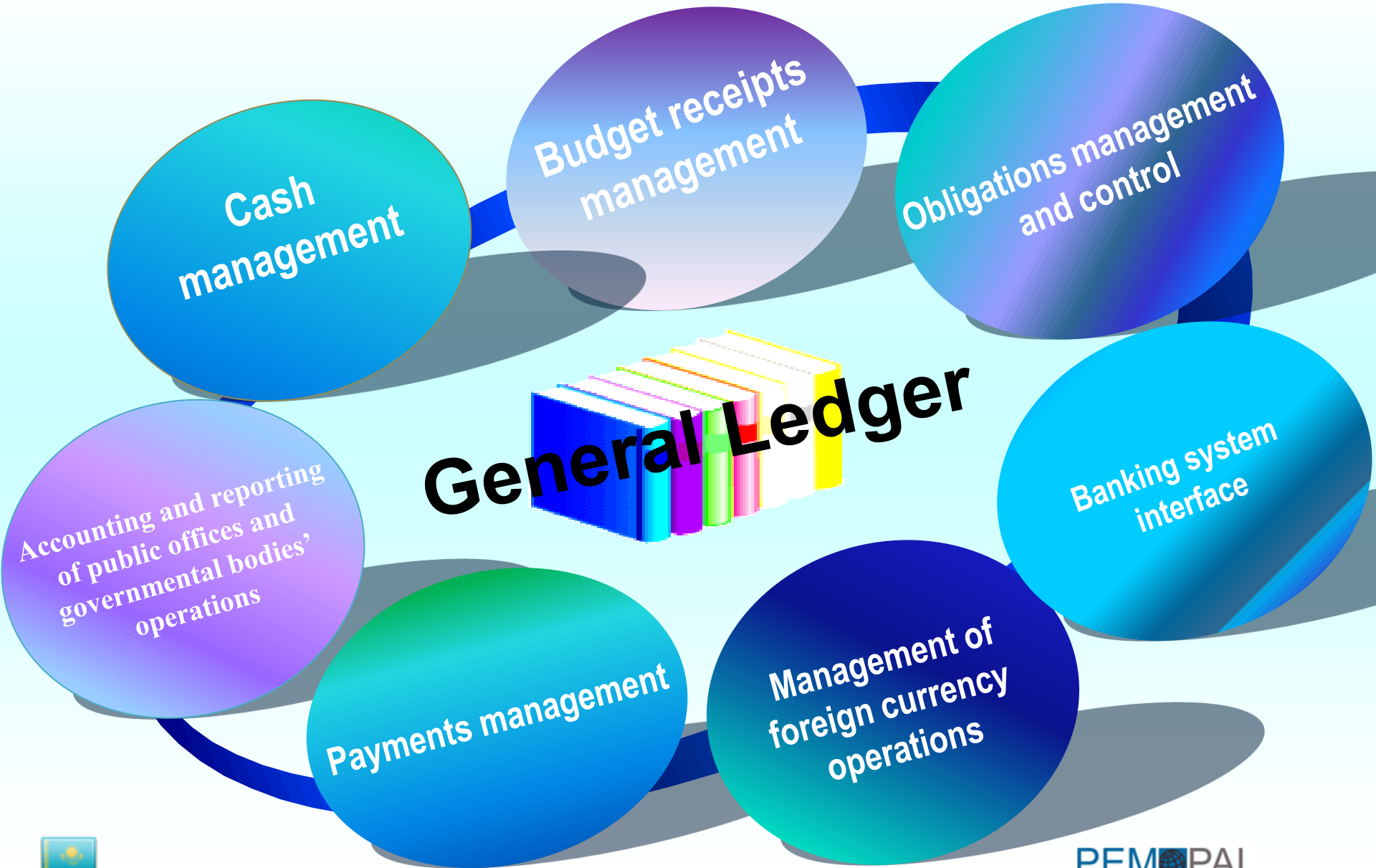


KEY PROCESSES IN KAZAKH BUDGET ADMINISTRATION





IIST FUNCTIONAL MODULES





1

General Ledger

- Administration and optimization of budget
- Accounting chart management
- Administration of financing plans on obligations and payments
- Accounting records of all operations





2

Budget revenue management

- Placing receipts on the single treasury account;
- Distribution of receipts among budgets of different levels and the National fund of Kazakhstan and transfer of the funds to the corresponding cash control accounts;
- Distribution of receipts among the budgets of Customs Union member states and transfer of the funds to the corresponding cash control accounts;
- Transfer of receipts from cash control accounts of the National fund to the accounts of the Kazakh Government at the National Bank of Kazakhstan.
- Transfer of receipts from Customs Union's cash control account to the accounts of member states at the National Bank of Kazakhstan;
- Preparation, validation and sending of reports to all authorities concerned.

