PEMPAL Treasury Community of Practice

Plenary Meeting

May 23-26, 2023

Almaty, Kazakhstan

Introduction and opening

The 2023 PEMPAL Treasury Community of Practice (TCOP) annual plenary meeting was held from 23-26 May 2023 in Almaty, Kazakhstan. This was the first face-to-face meeting of the TCOP after the pandemic. The main objective of the meeting was to deepen the understanding of the latest trends in evolution of the role and functions of national treasury institutions in member countries with a particular focus on treasury controls, risk management and use of information technologies. The event also provided an opportunity for participants to re-establish face-to-face communication after an extended period of virtual mode of operation of the COP and to inform the development of the TCOP action plan for the next year. The meeting was attended by 79 participants, including officials from 16 TCOP member countries (Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Montenegro, North Macedonia, Romania, Serbia, Tajikistan, Türkiye, and Uzbekistan) as well as speakers and observers from Hungary and 5 PEMNA[1] countries (Indonesia, Mongolia, the Philippines, Republic of Korea, and Vietnam). The Treasury Committee of Kazakhstan was represented not only by officials from its central office but also by a big group of staff from the regional offices[2] which was the first such experience for a TCOP meeting. The meeting was facilitated by the World Bank team, including Ms. Elena Nikulina, TCOP Resource Team Leader, Ms. Yelena Slizhevskaya (who participated remotely), Ms. Galina Kuznetsova (TCOP advisors), Mr. Mark Silins, TCOP Thematic Advisor, and Ms. Naida Carsimamovic, PEMPAL Advisor. Logistical support was provided by the PEMPAL Secretariat including Ms. Tetiana Shalkivska and Ms. Anara Tokusheva.

[1] The Public Expenditure Management Network in Asia - a peer-learning network of public financial management officials and experts in the Asia-Pacific region, https://www.pemna.org

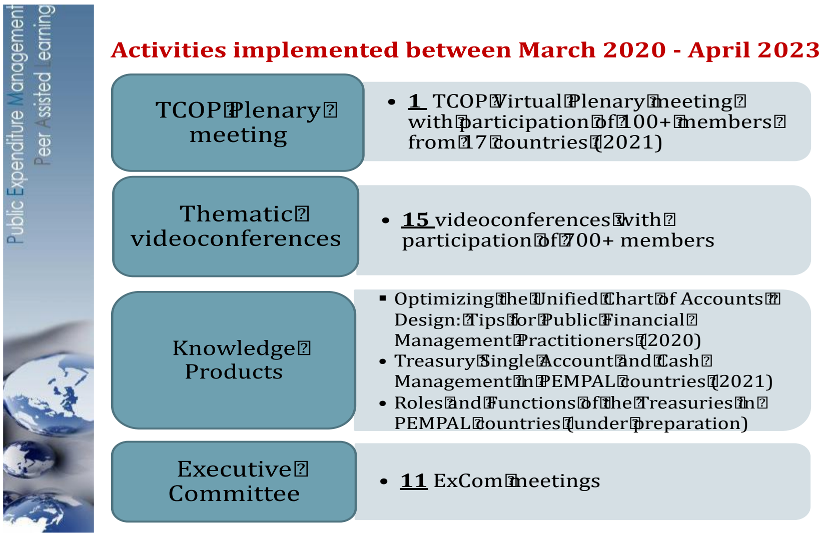
2 Heads or deputy heads of the 22 regional treasury departments

The plenary meeting was opened by **Mr. Dauren Kenbeil, the Vice Minister of Finance of the Republic of Kazakhstan,** who welcomed the participants on behalf of the hosts. He noted the progress made by the Kazakhstan Treasury in improving its performance based on using modern technology and stressed the importance of such peer exchange. **Mr. Andrei Mikhnev, Country Manager, the World Bank,** welcomed the participants on behalf of the World Bank. He thanked the Ministry of Finance and the Treasury Committee of Kazakhstan for coming up with the initiative to host this first face-to-face meeting of the TCOP since late 2019 when COVID-19 forced the community into a virtual format. It has been a tough period for all countries in the world, including increased demands on the treasuries which has been central in responding quickly to the crisis, particularly ensuring the disbursement of much needed payments while still ensuring adequate accountability. Technology has been key to the success for most countries. Mr. Mikhnev also thanked the Bank team for its efforts in ensuring the event could take place which has been a major undertaking.

Mr. Arman Vatyan, PEMPAL Team Leader, the World Bank, joined in thanking the hosts, particularly the Treasury Committee of Kazakhstan, which has been very active in sharing its reforms across the network and inviting PEMPAL to Almaty. Mr. Vatyan noted that PEMPAL is one of the most successful networks of its type, and this was reinforced recently when the donor partners supported the extension of the program through to 2025. He noted that the success of the network was up to the contributions of the participants, and strongly encouraged everyone to take the opportunity to share their reforms with peers and to actively participate.

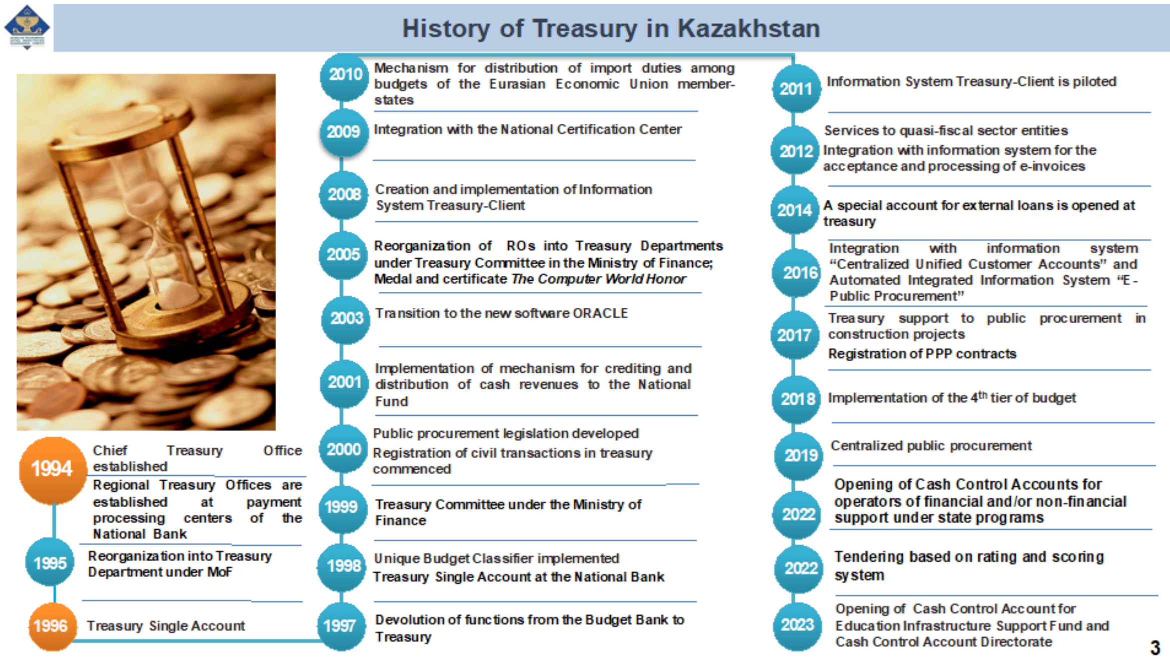
Mr. Rakhat Tokbaev, Chair of the Treasury Committee of the Ministry of Finance of Kazakhstan and the member of the TCOP Executive Committee, thanked the Bank team for organizing and facilitating the event and noted that it was an honor to host the event. The Treasury Committee celebrates its 30th anniversary this year. He reminded that the last event hosted by the Treasury Committee was convened in Astana in 2011. Mr. Tokbaev noted that this plenary meeting agenda was very comprehensive and full of interesting topics which he felt everyone was sure to benefit from.

Day One: Roles and Structures of the Treasuries



The event started with an overview of the TCOP activities over the last three years which was presented by **Ms. Elena Nikulina, the TCOP Resource Team Leader**. Due to the pandemic this has all been virtual but there has been a significant number of activities that connected the participants and enabled them to benefit from continued peer exchange. There were also two knowledge products produced during this period and work on a new paper on the roles and functions of the treasuries commenced and is ongoing. The TCOP Executive Committee members continued to virtually meet throughout this period assisting with scheduling events and developing their agendas. Ms. Nikulina added that the external evaluation of the PEMPAL program was performed during the pandemic which confirmed the importance and value of the network, and with the continuation of the PEMPAL program earlier mentioned by Arman, the participants of this meeting are invited to share their preferred topics and the types of events they would like to see in the future program. Elena's presentation also included a significant tribute – sadly, the former and longstanding Chair of the TCOP, Ms. Angela Voronin, passed away in 2020. Angela was a major contributor since PEMPAL began operation and was a valuable colleague and supporter for all members. It was noted that her loss was significant, not just for her immediate family, but also for PEMPAL.

The thematic agenda of the meeting started with a presentation by **Ms. Aliya Baigenzhina, Deputy Chair of the Treasury Committee of the Ministry of Finance of Kazakhstan, who familiarized the participants with the functions and tasks of the Treasury**. Ms. Baigenzhina touched upon the evolution of the Treasury and its functions since inception 30 years ago. It was clear that despite technology being utilized to make many activities more efficient, the role and staffing profile of the Treasury has grown in recent years. The treasury processes over 14 million transactions every year and has a three-tiered structure to support clients at four levels of government. Importantly special accounts for development partner financing were integrated into the Treasury in 2016. In 2017 public procurement and registration of Public Private Partnerships (PPPs) were added as new responsibilities. Initially the Treasury Committee was only responsible for support of procurement in construction projects, but this was expanded to include all procurement in 2019. Also, PPPs were first registered on paper, but this has now been automated.



Public sector accounting and financial reporting has also been a significant reform area for Kazakhstan, including the requirement for all public institutions to prepare accrual financial statements since 2013. The Treasury Committee also prepared consolidated financial statements for the first time in 2019. This was expanded to look beyond the current year to report on the impact of current programs for the future three years. The evolution of financial reporting can be seen in the below slide.

Improvement of the reporting system

Past achievements

- ✓ 2010-2013 – methodology is prepared to shift to accrual-based reporting
- ✓ 2012-2013 – information system is developed to collect and prepare reporting
- ✓ 2013 – financial reporting of public institutions shifted to accrual basis
- ✓ 2013-2014 – budget reporting has been made more efficient
- ✓ 2013-2018 – assets and liabilities unaccounted by cash method were recovered
- ✓ 2014-2018 – development of methodology and implementation of revenues-side accounting
- ✓ 2019 – consolidated financial reporting is prepared for the republican budget, local budgets and state budget
- ✓ 2020 – audit of consolidated financial reporting is conducted, and audit recommendations fulfilled
- ✓ 2018-2020 – budget autonomy is implemented down to the level of villages or townships
- ✓ 2020 – development of forward-looking consolidated financial reporting was initiated
- ✓ 2022 – analytical report is prepared about fiscal risks and long-term sustainability of public finance
- ✓ 2022 – Public Finance Management Concept Note until 2030 is developed which includes, inter alia, gradual transition to consolidated financial statement of the country

PROGRESS IN THE REFORM OF ACCOUNTING AND REPORTING IN THE GOVERNMENT SECTOR IN THE REPUBLIC OF KAZAKHSTAN

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There was a lot of interest in the presentation:

- Azerbaijan queried how the function of public procurement was assigned to the Treasury Committee. Aliya responded that originally it was delivered by a separate Committee, but for efficiency reasons and since the public procurement is part of the budget execution process it was completely transferred to the Treasury in 2019.

- Ms. Nikulina sought further information on the three-year budget process and the registration of multiyear contracts. Kazakhstan indicated that where contract volume remains the same, the obligation rolls forward into the forward year, however, when the volume changes the addendum to the contract is submitted for additional registration by the Treasury.

- Croatia sought clarification on the nature of ex-ante controls in the Treasury. Representatives of the Kazakhstan Treasury indicated that such controls are present starting with financing plans that determine the cash and the limits up to which spending is approved, further to the commitments registration and payment processes to ensure compliance. Such controls include compliance with the budget law, proper use of budget classification, formulation of contracts provisions, including in regard to advances, etc. Technical experts also need to determine whether key milestones have been met for large procurement processes such as capital investment. It was also noted that since the Treasury services bank accounts it also performs respective ex-ante controls.

- Ms. Nikulina was interested to hear about the role of Kazakhstan's sub-national treasury offices. Representatives of the Treasury Committee explained that the Treasury Single Account (TSA) covers all four tiers of budget and all the revenue proceeds of about 2.500 budgets are accumulated on the TSA - the Treasury Committee distributes these proceeds between the budgets according to established norms/ratios, and the regional offices keep records of the respective budgets' proceeds. The regional offices service subnational budgets and enter their financing plans into the information system. Main tasks of the regional offices also include commitment registration and payments processing (ex-ante controls). Oblast level treasury offices prepare and submit to the Treasury Committee subordinated budgets financial reports. With automation of the report consolidation function regional offices no longer do the consolidation of reports – they just sign the reports electronically and all further consolidation is done by the information system.

The event continued with **Mr. Silins delivering a presentation summarizing the results of the 2022 TCOP Survey on the Role and Functions of the Treasuries in PEMPAL countries.** The objective of the survey was to update internal COP information on the main functions performed by the national treasuries of the member countries and document recent changes in the scope and content of the functional responsibilities of participating institutions. The survey structure reflected the themes of priority interest for TCOP members and included blocks on payment processing, cash management and forecasting, accounting and financial reporting, internal controls and risk management, administration of IT systems and technology support. It was an expanded version of a similar survey conducted by TCOP in 2016. The survey was circulated in 2022 with 12 countries originally submitting responses, a summary of the early findings of the survey was presented at a TCOP videoconference in March 2023.[3] Since then a further six countries provided responses, making a total of 18. The survey responses will be interpreted in a report which is scheduled to be completed by the end of the calendar year, meanwhile the participants had a chance to review their responses and provide updates during or after the plenary meeting. Some of the survey findings included:

- Most treasuries are part of the MoF's control environment – 13 out of 18.
- 12 of 18 treasuries have subnational offices, with 8 of the 12 having two tiers. This is somewhat surprising given the developments in many countries towards end-to-end automation.
- Staffing levels vary considerably from a low of 36 to a high of 5000. Where regional offices exist, ratios between central and regional staffing are at least 1:4 and as high as 1:25.
- There are some clear core functions in the Treasury with 15 of 18 countries reporting six of the surveyed functions: authorization and processing of payments; management of government bank accounts; budget execution reporting; cash forecasting; cash management; and consolidated financial reporting. All 18 countries have two essential functions: managing payments on behalf of government and managing government bank accounts. The other functions[4] are less common across the treasuries, and this partially explains the difference in staffing profiles across the treasuries of the PEMPAL countries.
- One of the common trends illustrated by the survey was the expansion of the types of funds and entities serviced by the treasuries. Speaking of the functions that diminish in importance three countries indicated that the ex-ante control function of the Treasury is likely to be eliminated in coming years.

The evolving role of the Treasury was a core focus of the discussion that followed. This is particularly relevant for subnational treasuries as automation is shifting payment processing from these offices, where traditionally it was undertaken semi-manually, to an automated model of processing through the financial management information system. Following the presentation, the meeting formed into three smaller groups. Each group discussed the same questions seeking clarification on the situation in each country and to verify some of the survey responses. Box 1 summarizes the results of discussions reported by the groups at the end of the day.

[3] https://www.pempal.org/events/tcop-thematic-group-evolution-role-and-functions-treasury-0

[4] Such as debt management, public sector accounting policy and methodology, management of the government's information system (treasury system, financial management information system, other), IT support, provision of training and education.

Box 1. Summary of Day 1 Group Discussions

The survey revealed significant variations in the numbers of clients serviced by central and regional treasuries in PEMPAL countries. The first part of discussions in small groups focused on clarifying the definitions of the clients and the underlying reasons for the data variation across countries, including that:

- Some countries have all budget users as direct clients in their systems (Albania, BiH (federal level), North Macedonia, Serbia), while others differentiate between direct and indirect users with the latter having accounts with and serviced by commercial banks (Croatia, Montenegro). This often is related to the different approaches used by the countries to fund selected types of spending units, the typical example is schools or hospitals which in some countries are serviced directly by the treasuries (Moldova, etc.), while in others these receive funding from the state but are serviced by commercial banks (hospitals and preschools in Kazakhstan, state schools in Georgia, etc.).
- In Turkey, spending controls and payments are decentralized although strong central controls are maintained through line-item allocations. From a cash management perspective, clients are largely ministries or their equivalents.
- Many countries reported special categories of the clients in addition to the regular treasury clients (Hungary has 15,000 clients for consolidated reporting; in Romania in addition to 14,000 clients managed by the Treasury each of the 200 regional treasuries has its own clients, including companies providing services to the government; Kazakhstan has large number of quasi-fiscal entities among the treasury clients; Moldova has about 670 institutions that receive national budget subsidies as clients of the treasury).
- There are different approaches to the distribution of clients serviced by the central and regional treasuries. There are countries where central treasuries mostly service spending units financed from the central budget, while regional treasuries service ones financed from the local budgets (Kyrgyz Republic, Uzbekistan, Tajikistan). In other cases, clients are mostly serviced by the regional treasury offices with central treasury having a limited role in this process (in Azerbaijan central treasury only services selected budget holders; in Kazakhstan the functions of the central treasury in regard to the clients are mostly limited to maintaining their financing plans and financial reports consolidation, while all the payment processing is done by the regional treasuries; Moldova has only 5 regional offices with one of them servicing central budget clients).
- Some countries closed their regional treasury offices and local government authorities became treasury clients of the central treasuries (Armenia, Georgia).

The second question discussed in the groups touched upon distribution of the roles and functions between the central and regional offices (where the latter exist), and the background or plans for elimination of the regional treasury offices. Main takeaways are summarized below:

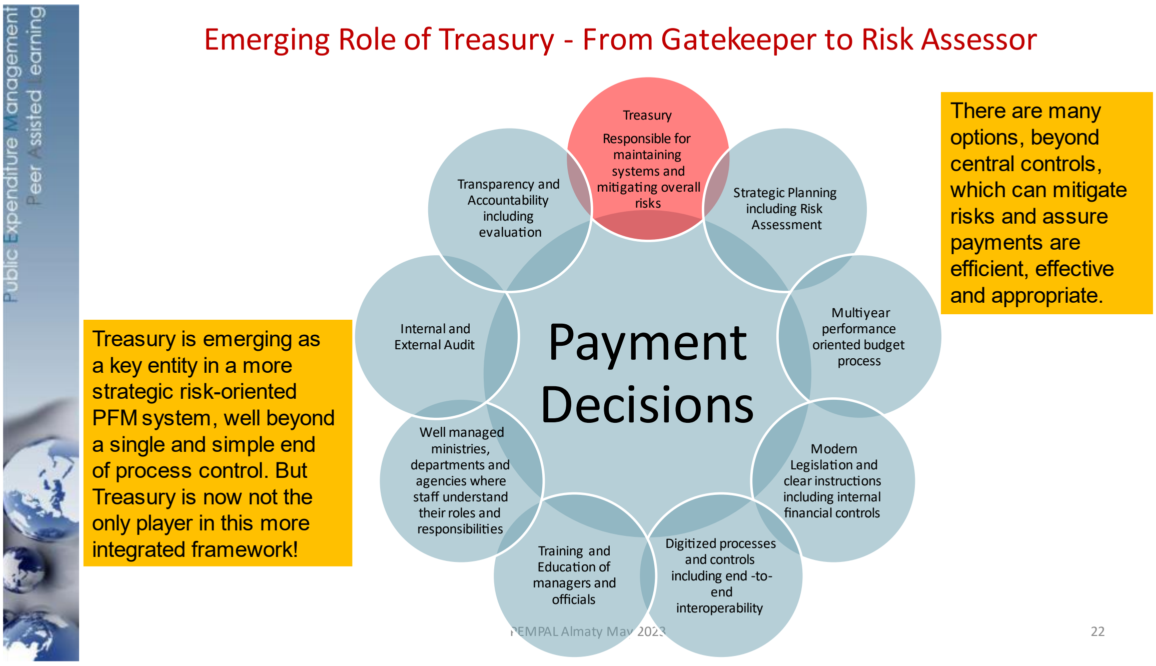
- Main functions of the central treasury offices include cash (and/or debt) management, payment system management, consolidated reporting, FX operations, etc. The regional offices are mostly directly involved with the clients, in ex-ante control of payments and transaction processing, but automation is challenging this role (Albania, Romania).

- Transition to the electronic documents processing enabled elimination of the regional treasury offices in Armenia and Georgia. Both experienced initial resistance from the clients which shortly transformed into appreciation of the easier user experience (including due to build-in system controls). In Georgia the released treasury staff was promptly absorbed by local public entities as highly skilled and experienced.
- Turkey is akin to an anglophone model where financial management information systems are in the ministries and payment processing is completely decentralized leaving no regional role. However, the revenue collection service which is not part of the Treasury is highly centralized and has regional offices.
- Several countries plan to further decrease the number of subnational treasury offices. Azerbaijan is considering organizing subnational offices by sector (one office servicing health and education, another servicing quasi-public sector, etc.). Moldova is considering consolidation of all subnational offices into the Chisinau office. Hungary also sees opportunities for reduction of the regional offices over time following the automation of the processes, currently their regional offices provide settlements and payroll services.
- The participants agreed that automation allows operation without subnational treasury offices, especially in smaller countries. At the same time, larger countries (like Kazakhstan), or countries with hard-to-reach areas (like Uzbekistan, Kyrgyzstan, Tajikistan) and/or risks of power outages / electronic service disruption benefit from having the regional network. Treasury offices in remote areas are usually very small and deal mainly with payments and contract registration.

Day Two: Treasury Controls and Risk Management

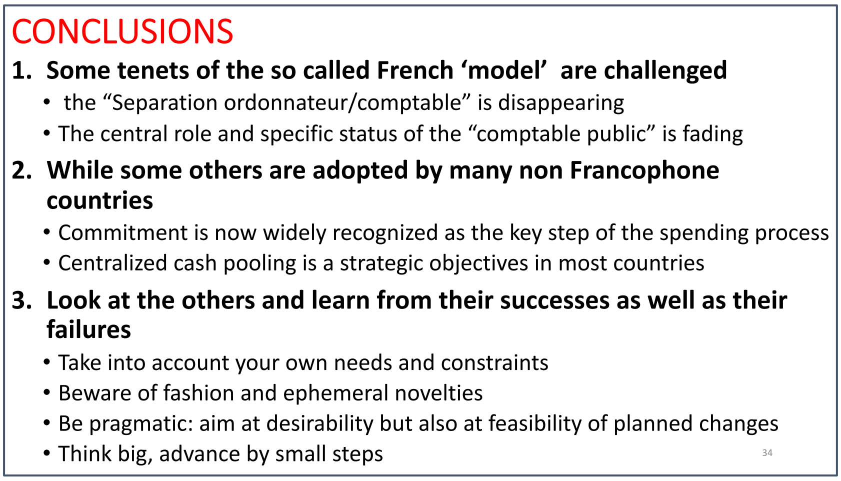
The second day was devoted to a deep dive into treasury control models and risk management. The concept of controls has a particular significance in the context of TCOP countries given that most of them historically emerged from an environment dominated by strong centralized controls which shaped their administrative and budget systems. Over the years many countries moved in the direction of greater devolution of responsibility for routine expenditure controls towards ministries and agencies and a more risk-based approach to the exercise of centralized expenditure controls, however the progress is uneven. This explains a strong interest among TCOP members to deepening the understanding of risk-based approaches to treasury operations.

The **day commenced with Mr. Silins providing an overview of how treasury controls and risk management have evolved.** This was important as the survey responses from several countries revealed some uncertainty regarding the concepts of internal control and internal audits and the management responsibility for controls and risk. In the past Treasury was primarily a gatekeeper responsible for approving payments immediately before they were due to be paid. However, technology has provided an opportunity for that role to become more sophisticated providing guidance and policies on how to improve controls within an overall risk management framework.



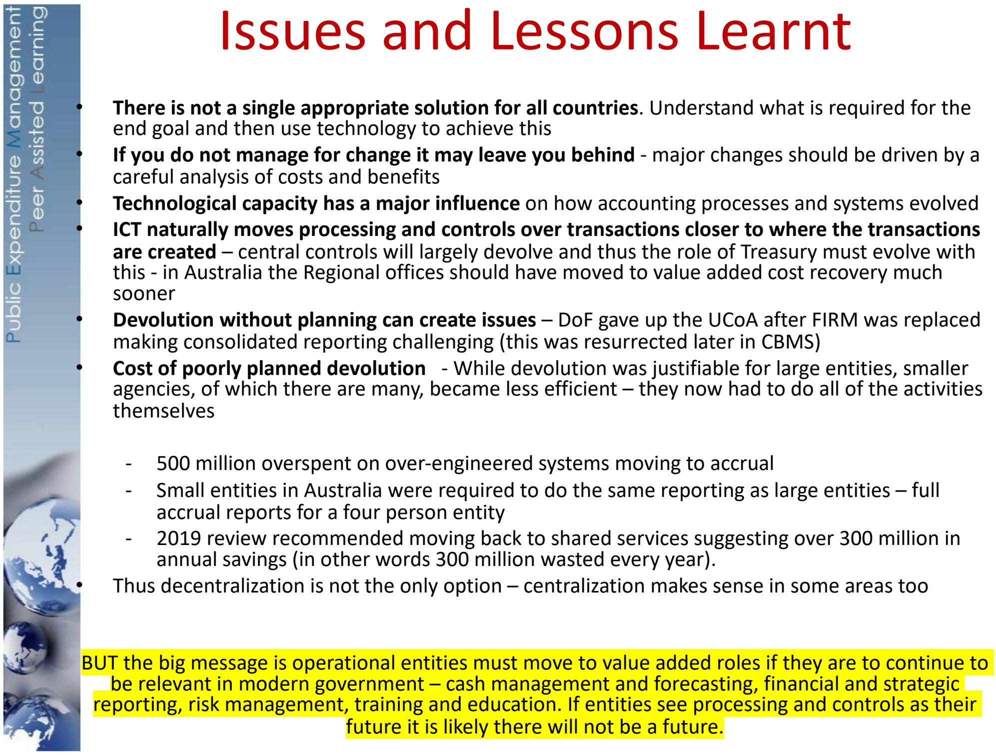
The session continued with two presentations that reminded the participants about the differences in approaches to budget execution and treasury controls in francophone and anglophone systems. The former is more familiar to many of the participants given that it historically served a prototype for the functional model of many of the treasury institutions of PEMPAL countries in the initial period of their development.

Mr. Benoit Chevauchez, World Bank consultant, presented how the role of the Treasury has changed over time in France, including due to automation through the Chorus financial management information system. He also noted the major contribution by the French to improved financial control is through the concept of commitments, which is now a core focus in many countries at the procurement stage. The major feature of Chorus was the decentralization of transactions to line ministries and the elimination of the traditional ex-ante controls over payments which was undertaken by the Finance Offices (successor to Treasury) of the French Treasury. He provided a historical view on the evolution of the Treasury and also noted that implementation of the Treasury Single Account provided France with much greater certainty regarding cash forecasting along with improved cash management. He noted that the focus on ensuring controls occurred earler than just at the payment stage was accompanied by a shift to managing for results. In concluding he emphasised that while France has many features which are applicable elsewhere, it is important for countries to assess their own situation . One major feature of the French approach is the very significant costs implementing its information systems, both the capital and recurrent costs. Not every country will be in a position to afford this.

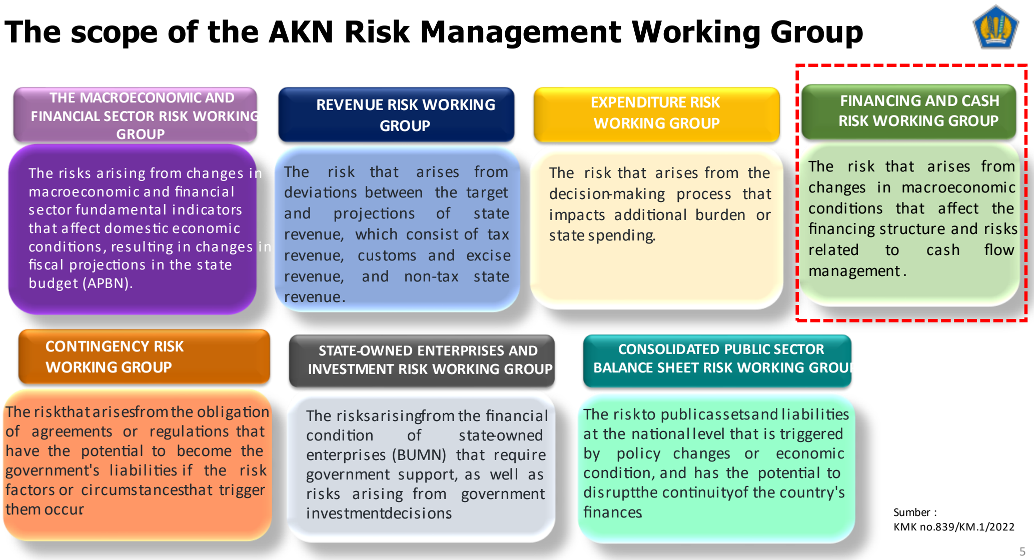


As expected, there was a strong interest in the French model, given its relevance to most attending countries with a number of questions posed to Benoit regarding the current arrangements. Firstly he clarifed that the 4000 accountants mentioned in his presentation are central government officials that support both, the central and local, budget entities. There are also dedicated officials within each budget entity too. Indonesia noted that automation is also seeing a decline in the processing role for Treasury and sought guidance on a new role for these officials. Mr. Silins felt that training and education were important and also integrating different elements of the PFM system for example procurement, as has occurred in the host country Kazakhstan.

Mr. Silins delivered the next presentation, providing insights into how the Treasury function evolved in Australia. Australia as a country was established in 1901, with sub-treasuries following soon after in 1904. Early on central control was a feature of both the sub-treasuries and the legisation - perhaps due to the fact that Australia was formed by six colonies (now the states) with a history of operating independantly. Indeed each state continues to have significant autonomy including their own laws and parliaments. However, over time this model shifted to a more decentralized approach which is typically seen as the anglophone approach. At the federal level technology had a significant impact on the role of the Treasury and the control and risk framework in place. From the 1970s four generations of government systems were implemented. As each system was replaced controls and processing shifted, eventually resulting in the complete devolution of payments to departments and agencies. In 1996 this resulted in Finance Regional Offices (sub-treasuries) being permanently closed. While the decision was partially political, the traditional processing role for these offices had completely disappeared, and the new role of training on public financial management had not fully evolved. Mr. Silins noted that the big lesson for other countries is that technology is largely eliminating the need for centralized controls and processing and that more sophisticated value added functions should become the new focus if Treasury is to continue to be relevant in the future. See the slide below on more issues and lessons learnt.



Mr. Adi Vibriyanto, Head of Economic Research and Strategic Development Section, Ministry of Finance of Indonesia, explained how the risk management and treasury control is organized in Indonesia. He provided detail on the approach Indonesia takes to risk management including the establishment of working groups which separately focus on seven key areas of risk for government (see the slide). The Treasury leads the group on financing and cash risk and is a member of all other six working groups. Indonesia had taken specific steps to institutionalize risk assessment into the overall decision-making processes. Standard risk registers and maps are used to assess risks and develop key performance indicators to manage and mitigate risks.



The final presentation of the morning session was delivered by Ms. Danagul Elubaeva, Head of Internal Control, Treasury Committee of the Ministry of Finance of Kazakhstan. Kazakhstan has implemented a risk assessment process based on the COSO[5] framework. Kazakhstan has undertaken a comprehensive risk assessment process including development of a risk register and a risk map. Given resourcing constraints the map groups risks into low, medium and high – most effort and attention is given to those risks assessed as high. It was explained that the risk scale is based on the type of violation rather than the value. The speaker indicated that their goal is to move to preventative controls and away from reactive measures. The Internal Control is a separate unit in the Treasury Committee and has subnational staff in twenty locations.

In the afternoon of the second day the participants of the plenary meeting separated into three groups to exchange their experience in treasury controls and risk management. Country cases of Albania, Uzbekistan and Vietnam were presented (one in each group) to kick off the discussions. The key points from the group discussions are summarized in Box 2 below.

Box 2. Summary of Day 2 Group Discussions

Discussions revealed that participating countries continue to focus on the traditional payments processing role and ex-ante controls. There is an interest and common understanding of the benefits to decentralize controls but there are several factors that prevent the countries from moving away from central treasury controls.[6] Among the factors mentioned were poor management of funds, lack of qualified staff, corruption risks, etc. Romania is one of the countries that managed to blend both, Anglophone and Francophone, approaches - financial control for all transactions done at the ministry/department level and high value transactions additionally examined by the Ministry of Finance's Budget Controller.

Nevertheless, the advances in information technologies allow for automation of the treasury controls and simplification of the processes as part of the risk management approach. Here are just few examples shared by the plenary participants:

- *"Green corridor" (simplified processing of selected types of transactions).* Has been in place in Georgia since 2014, covers salaries, utility payments and payments to specific suppliers. Similar approach was introduced in Moldova in 2017 for salaries, housing and utilities, subsidies to state-owned enterprises. It was also piloted by Kyrgyzstan in 2019-2020, currently covers salaries and social benefits, plans to include utility payments; estimated savings of Treasury staff time – around 15%. Kazakhstan uses its variation of a green corridor - simplified payment mode for utility payments (without registration of contracts and supporting documents) and transactions below a certain threshold. The approach is also being considered for implementation in Azerbaijan.
- *Widespread use of integrated information systems to control the expenditures.* In Bosnia and Herzegovina, Montenegro, Croatia, Macedonia and Serbia all payments

[5] Committee of Sponsoring Organizations, www.coso.org

[6] The exception was Indonesia, where Anglophone system replaced the Francophone controls in 2004. Now Indonesia only checks budget allocations but even that maybe automated too.

are made through information systems in which there is no possibility of entering an order that is not in accordance with the annual budget and financial/operational plan; responsibility for payments rests with budget users.[7] Since the launch of Tajikistan IFMIS in 2016 salaries and pensions are processed directly by spending units, starting 2017 the same approach is used for utility payments; a Unified Portal maintains primary documents and allows to perform checks.

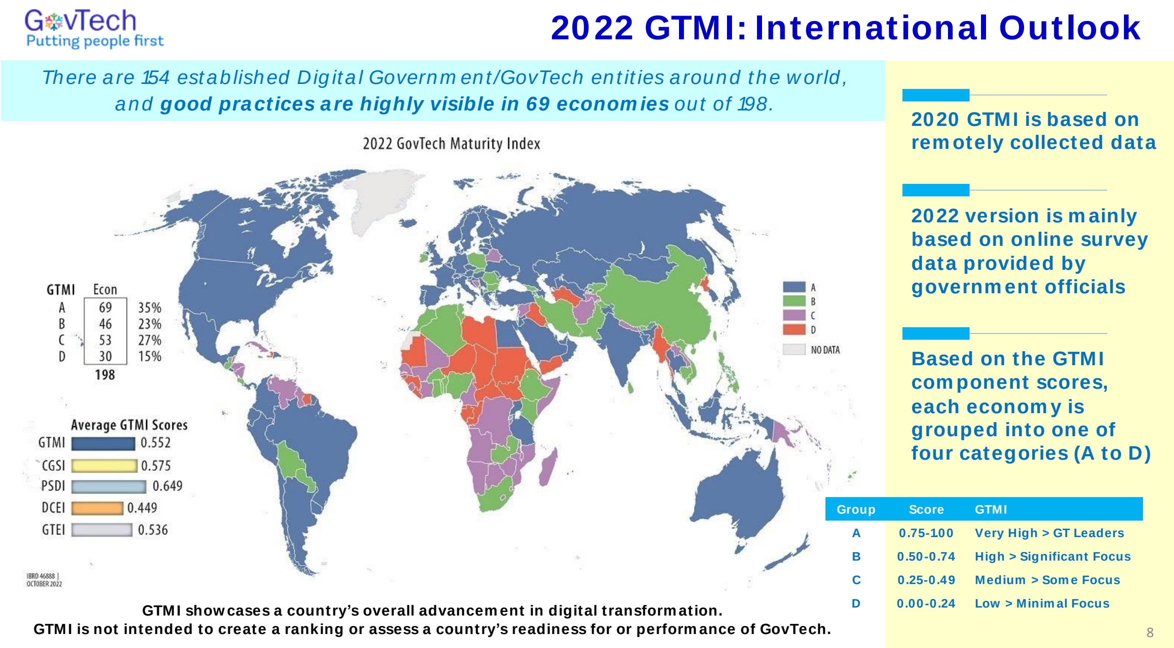
- *Risk registers* were established as part of the risk management strategies in Bosnia and Herzegovina, Montenegro, Croatia, Macedonia, and Serbia that identify risks, their probabilities, ways to eliminate/mitigate them. Most countries have experienced recently force majeure circumstances (earthquakes, floods, cyber-attacks) in addition to COVID-19 which have revealed the need for additional controls. The most acute current risks primarily relate to information systems, while operational and process risks are mitigated and largely automated.

Day Three: Use of Information Technologies in Treasury Operation

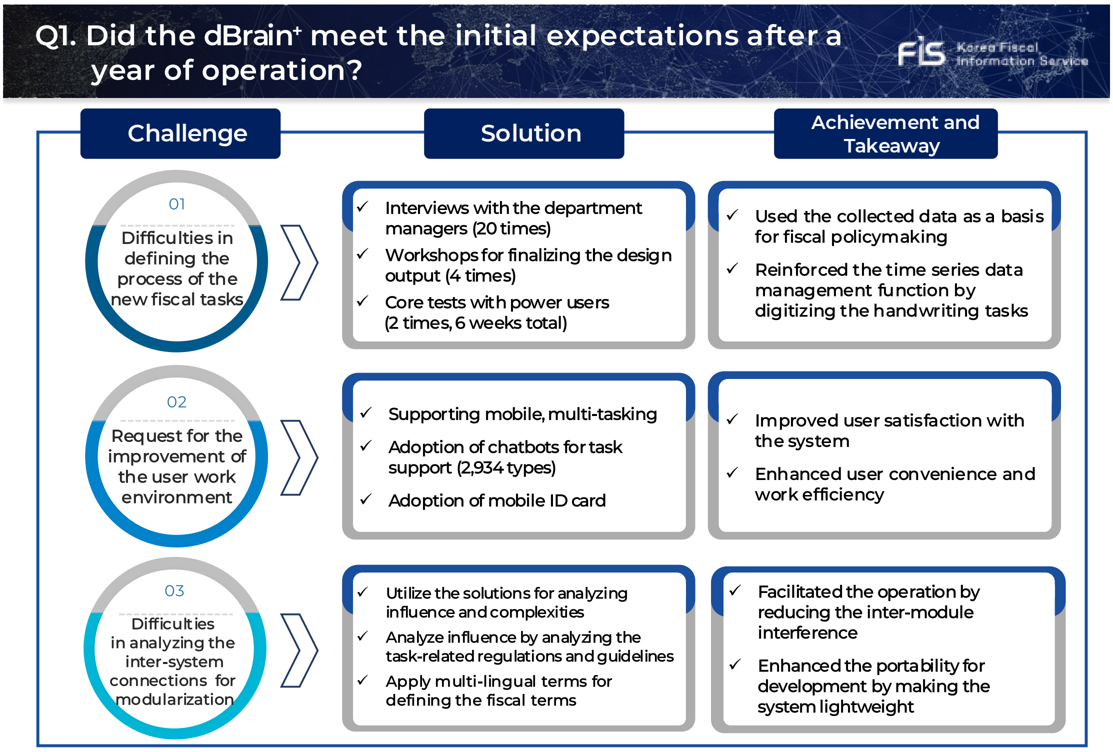
Opening the day Mr. Silins provided some general comments after the group presentations summarizing the previous day discussions. He noted that most countries would not envisage a move to a more decentralised (anglophone) model. This is not a surprise, but it does appear that the gatekeeper control role continues despite advances in technology. Mr. Silins noted that even in France, despite the huge investment in information technologies, the shift in reforms continues with some elements of the gatekeeper role. It is important that proper risk assessments are undertaken in all countries ensuring that business processes are modified according to these assessments and treasury controls and respective benefits should be focused at the beginning of the payment process (not at the end as a gatekeeper).

The third day of the plenary meeting provided the participants an opportunity to discuss the latest developments in information technologies (IT) and systems supporting operation of the treasuries. The series of presentations was opened by **Mr. Cem Dener, Lead Governance Specialist & Global Lead for GovTech, the World Bank, who presented the GovTech Maturity Index and trends in Digital Governance.** The below slide shows the results of the survey and how the index is reflecting the maturity of GovTech in different countries. 154 countries have already established entities with responsibility for GovTech however the focus on a whole of government approach is still developing. According to the 2022 GTMI Regional Outlook, the ECA region is the most mature region in the GovTech domain - 10 out of 16 GovTech Leaders represented in group A of the Index are PEMPAL member countries.

[7] Though in Montenegro, Bosnia and Herzegovina, and Macedonia payment orders are additionally approved/signed by the minister/prime minister (collective or individual orders)



The second presentation of the day was by the Korea Fiscal Information Service (KFIS) team on the progress with the dBrain+ system. It was a follow up to the on-line presentation delivered by the same service for TCOP members in November 2021. DBrain redevelopment work commenced in 2013 with the final new system launched in 2022. dBrain+ added 11 new tasks to the existing dBrain capabilities, expanding to include 24



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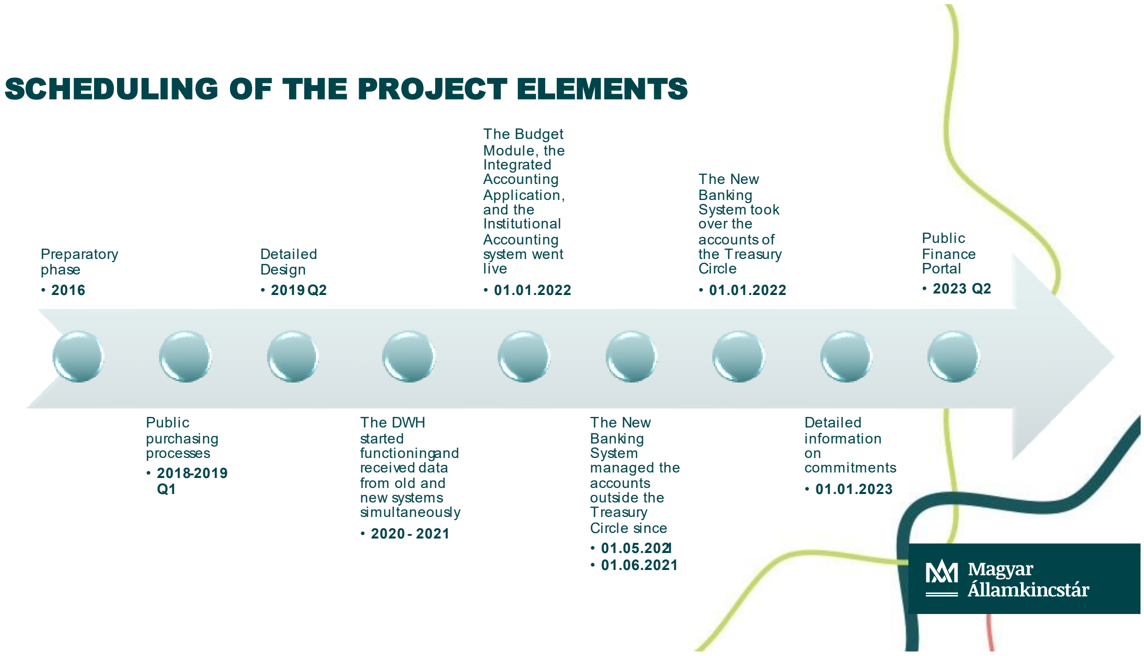
different modules. KFIS emphasised that the new system was designed only after extensive client consultation. Clients were also involved in testing and in post implementation evaluation. The new system is now also multilingual, servicing over 45,000 clients. The new system goes well beyond being just a finance system, also providing key fiscal indicators and allowing beneficiary information across different systems to be accessed in a more integrated and client friendly manner. Korea is also experimenting with artifical intelligence (AI) to provide enhanced information and improve the accuracy of forecasting. The slide below summarizes the challenges with developing dBrain+, solutions and main takeaways after the initial year of its full operation.

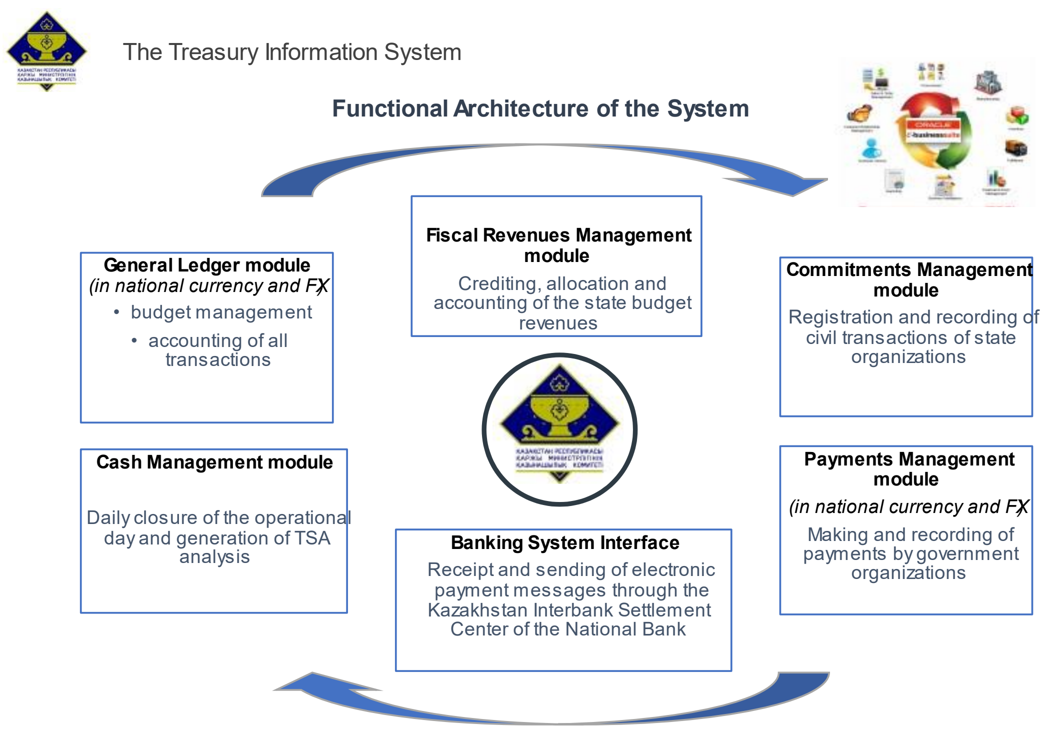
During the question and answer session it was clarified that almost 300 developers were engaged in developing the system which costed around USD100 million. The recurrent annual costs include salaries of staff as well as additional USD10 million for system maintenance.

Mr.Tamás Pál Török, Hungarian State Treasury, delivered the next presentation on foundations of an Integrated Financial Management Information System, implemented in Hungary. Tamas highlighted that while the Treasury was a relatively young institution formed in 1996, the software in place in many cases was a similar vintage, making it high risk and no longer fit for purpose. Preparation for the new system commenced in 2016, with the first element of the new system, a data-warehouse, in place in 2020. In 2023 the final element, a public finance portal went live in the last few weeks. One of the biggest changes has been to Hungary’s reporting capabilities which is now all delivered through the data warehouse.



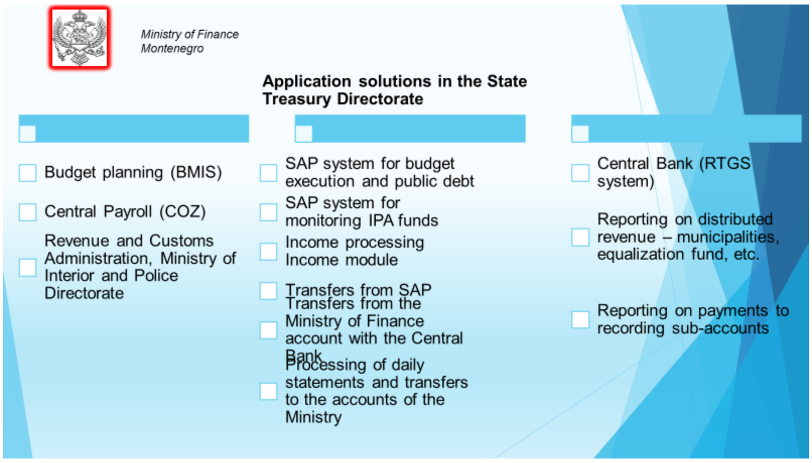
The session continued with a presentation by **Ms. Naranzul Tsaschikher, Coordinating Consultant, Treasury Department, Ministry of Finance of Mongolia, who shared Mongolia's experience of the digital transformation in treasury operations**. Mongolia Treasury is enhancing its way of operating through utilization of web-based tools to support digital trasnformation. A treasury portal replaced manual documents with e-documents and linked the different stages for payments both down and upstream, including linking to the procurement system and at the end for payments directly into the banking system. The time taken to process payments has been significantly reduced and revenues can now be collected in many different ways, including electronically. Mongolia also has a transparency portal where all budget entities are required to publish regular fiscal data. 60% of all of the data published is now available electronically. Along with the publication of a range of other regular fiscal documents and a citizens budget booklet this has seen Mongolia increase its Open Budget Index score from 46 in 2017 to 60 in 2021.

In the next presentation Mr. Erkebulan Musarov, Head of Information Technology Department, Treasury Committee of the Ministry of Finance, provided an overview of the information technologies used in treasury operations in Kazakhstan. He started by providing an historical view of the systems development. Not only has there been a continual improvement in software but processes have been streamlined and shifted from manual to digital over time. Further improvements are planned including development of risk

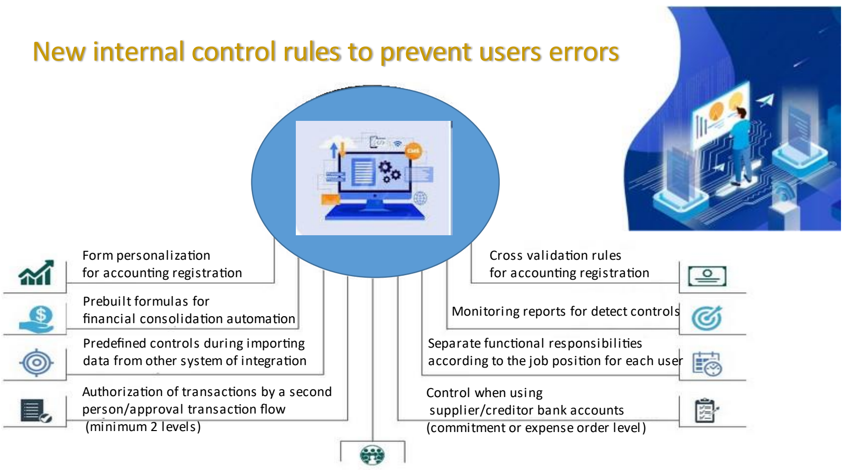


management software.

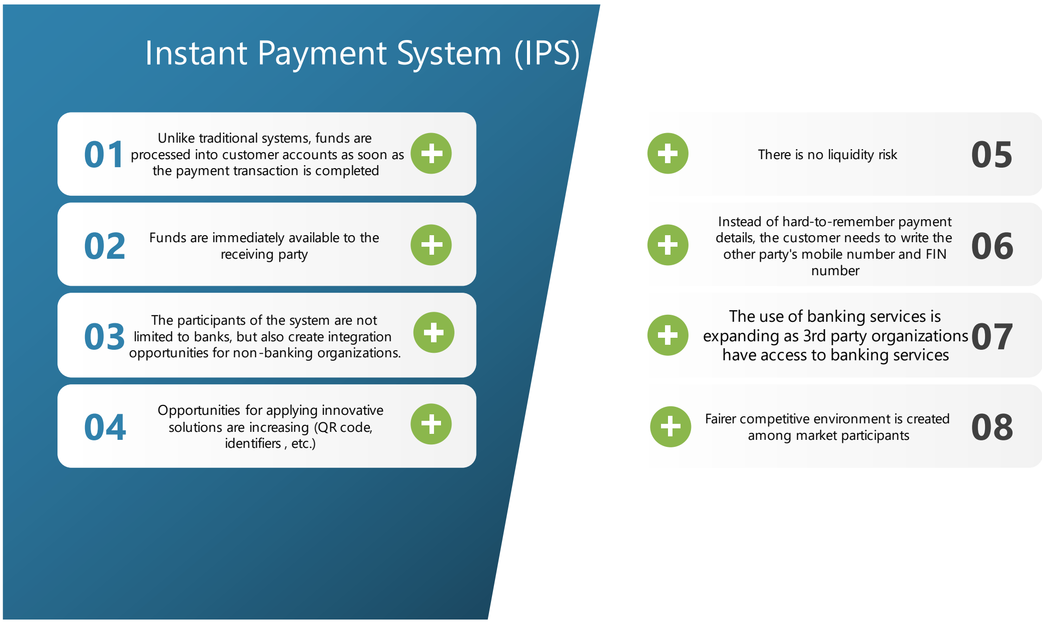
The next presentation was delivered jointly by Zorica Tadic, Head of SAP and Other Information Systems Support Department of the State Treasury, and by Svetlana Vukicevic, Director General of the State Treasury Department on Information System of the State Treasury Directorate, from the Montenegro Ministry of Finance. The Treasury of Montenegro was formed in 2002 and comprises six directorates, five operational entities and one to support the IT systems. The hardware and software configuration in place was described in detail as were the business processes for payments and the collection of revenue. Montenegro is going to prioritize automation of each stage in its processes as they still have some manual forms. After this the focus will shift to integration. It was noted that there are no digital signature capabilities yet.



Ms. Mirela Venetiku, Expert of the General Directorate of Treasury, Ministry of Finance and Economy of Albania, continued the session with the presentation on the Albanian Government Financial Information System (AGFIS). As already discussed at the earlier TCOP events the AGFIS is the core of the highly integrated public finance management solution of Albania (AFMIS) that enable the government to plan, execute and monitor the budget. The aim of the AGFIS is to reduce time and effort to produce accurate public finance information. The objectives of the AGFIS include: monitoring and managing government liquidities; budget execution and accurate accounting of all transactions of central and local government; establishing common Internal Financial Control Framework; and preparation of consolidated financial reports for the Albania Government. The AGFIS has already been integrated with several systems in public finance and beyond and this process continued with the recent integration with Human Resource Management Information System of the Department for Public Administration. New internal control rules to prevent user errors are being developed.

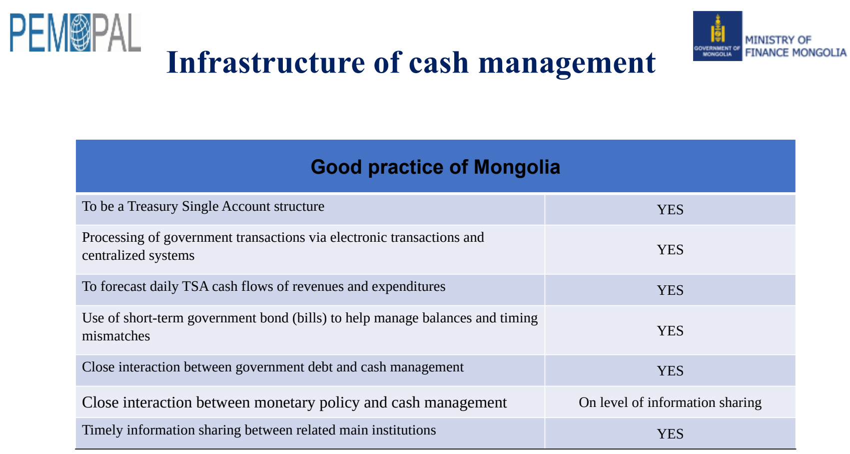


During the final presentation of the day Mr. Nazim Gasimzade, Director of the State Treasury Agency of Azerbaijan, introduced the participants to Azerbaijan system for government payments. The open banking initiative commenced in Azerbajian in 2021. The Instant Payment System (IPS) has been added recently, which is available 24/7. In the previous swift and small payment system they could not confirm that the details of the recipient were correct. This new system includes many APIs that allow to confirm many additional aspects including identity numbers. IPS includes banks but also supports non-banking options including person to person payment. The ability to use the IPS also reduces payment risk as it is possible now to verify who the bank account holder is and match that in the payment system.



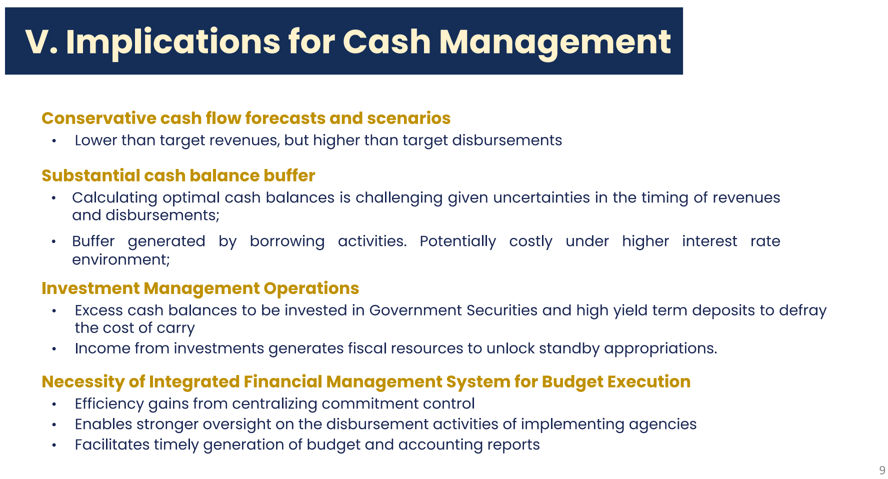
Day Four: News from the TCOP Member Countries and Guests

The first half of day four was devoted to sharing news on other relevant topics. It started with a series of presentations on cash management and forecasting. **Ms. Tsagaantsetseg Boldbaatar, Senior Specialist, Treasury Department, Ministry of Finance of Mongolia, shared her country practices**. Mongolia has improved its cash forecasting capacity and has in place many of the institutional arrangements which are key for ensuring good practice (adjacent slide). It uses bonds to rough tune its cash position and shorter term securities and/or borrowing from the Bank of Mongolia to fine tune its cash position. Since 2017 it has expanded coverage of the TSA, commenced targeting its cash balance and also ensuring idle balances are invested.

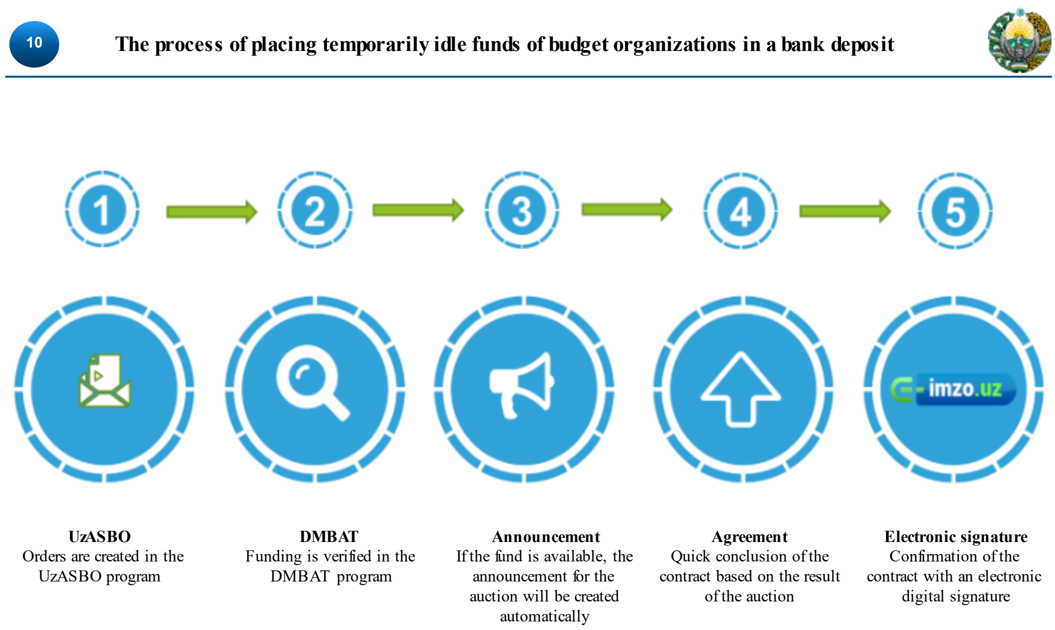


Good practice of Mongolia	
To be a Treasury Single Account structure	YES
Processing of government transactions via electronic transactions and centralized systems	YES
To forecast daily TSA cash flows of revenues and expenditures	YES
Use of short-term government bond (bills) to help manage balances and timing mismatches	YES
Close interaction between government debt and cash management	YES
Close interaction between monetary policy and cash management	On level of information sharing
Timely information sharing between related main institutions	YES

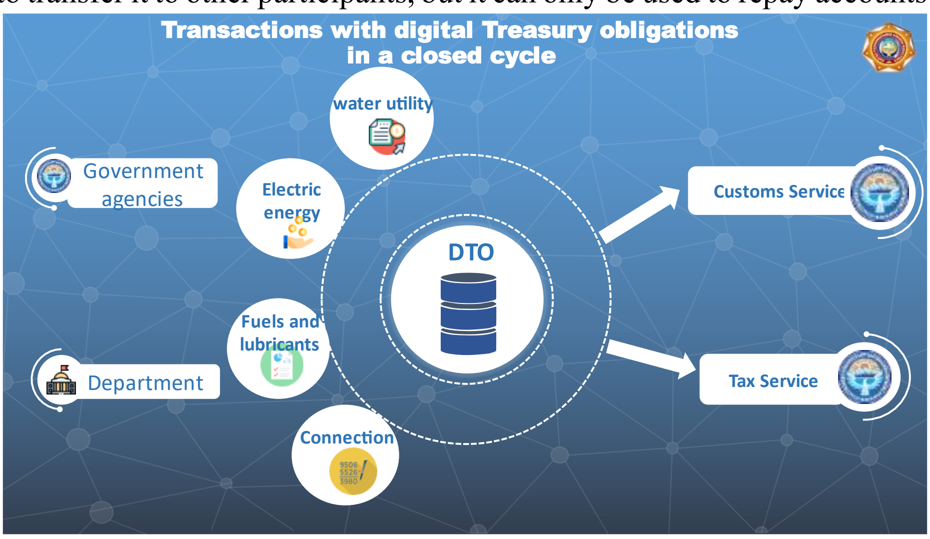
Mr. Kenneth Ian Francisco, Director, Asset Management Service, Bureau of the Treasury, the Philippines delivered the next presentation on cash management and forecasting in the Phillipines. He noted that the Phillipines has a very dispersed revenue collection and payment system which makes forecasting very challenging. There are plans to implement a financial management information system which will improve the available information substantially, but in the interim they have implemented a very conservative forecasting model, with revenues forecasted conservatively and expenditures at the high end, to reduce the risk of cash deficits. This has often resulted in significant cash surpluses. These are invested to ensure good returns for the budget.



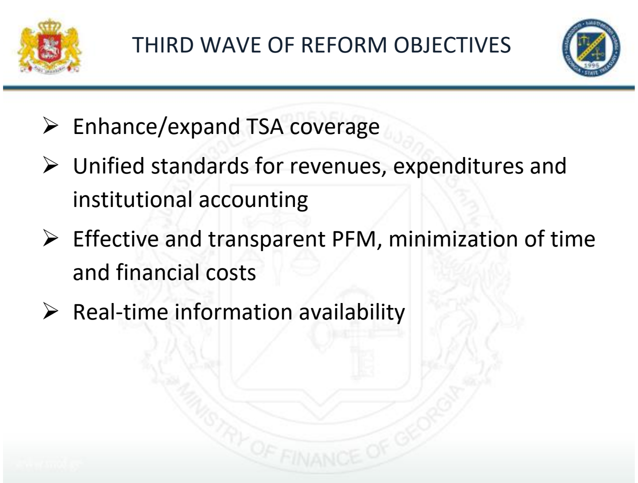
The final presentation on cash management was delivered by **Mr. Bakhtiyor G'aniev, Head of Department, and Tursunboy Madraimov, Head of Division, Treasury Service Committee under the Ministry of Economy and Finance of the Republic of Uzbekistan.** Uzbekistan has two TSAs, one in domestic currency and a parallel TSA for foreign currency. The coverage of the domestic TSA is quite comprehensive including extra budget funds and subnational governments. Where budget entities have excess cash this is managed by the Treasury who announces an auction for investment of the idol balances on behalf of government. Contracts are quickly finalised to maximise the investment returns. Typically funds are invested for 12-24 months.



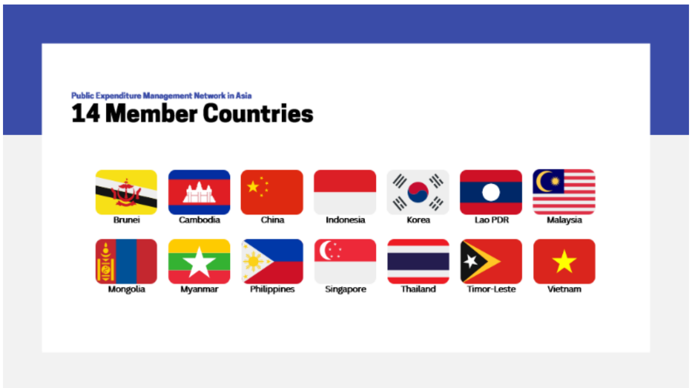
The meeting continued with Mr. Talant Keldibekov, Deputy Director of the Central Treasury of the Ministry of Finance of the Kyrgyz Republic, presenting the Digital Treasury Obligations Project. Digital Treasury obligations – a non-documentary (electronic) state security introduced in Kyrgyz Republic for the use between registered participants in a special software platform as a non-cash means for mutual settlements. The owner has the right to transfer it to other participants, but it can only be used to repay accounts payable to the budget (tax and non-tax payments). Each party must register in the system and identify the amounts they wish to settle as mutual obligations. The system is then



used to offset the income of one party against the expense of another party. The speaker explained that this modality was introduced in response to the low tax collection rates in the country and so far served the purpose well. The entire process is controlled by the Treasury. 100,000 Som is the minimum amount that can be settled. The number of digital Treasury obligations issued annually is determined by the Ministry of Finance, and is limited by 3% of the total expenditures of the approved budget.



The final presentation of the news session was delivered by **Mr. Erekle Gvaladze, Deputy Head of Cash Flow Forecasting and Management Department, and Vazha Miqatadze, Head of Department for State Loans and Deposit Operations, Ministry of Finance of Georgia**, where they detailed an expansion of the client base for Treasury to include the education sector. In 2023-24 over 2,000 educational institutions will be managed within the financial management information system and be part of the TSA. Until now schools received budget disbursements in settlement accounts held in commercial banks, resulting in idle cash balances and fragmented reporting on education sector spending. In addition to expanding coverage of the TSA, educational institutions will now have a uniform accounting system along with more timely consolidated financial information on the education sector.



Presentation from the PEMPAL's sister network PEMNA concluded thematic agenda of the plenary meeting. **Ms. Kyoungsun Heo, the Head of the PEMNA Secretariat, Korean Institute of Public Finance,** provided an overview of the PEMNA T-COP operation and its' main outputs. The PEMNA network was established in 2012, has 14 member countries, and its activities are very similar to PEMPAL[8] Starting with FY2021 PEMNA entered into the second phase of its operation with additional types of activities included into the network's work progam. These are advisory services program, as well as in-depth research and policy briefs on selected topics of interest for the members. PEMNA extended an invitation for PEMPAL countries to continue collaboration and join its

[8] PEMNA was formed following the success of PEMPAL and therefore PEMPAL influenced how PEMNA has evolved.

future events in 2023, including the TCOP meeting scheduled for July in the Phillipines, and the network plenary event scheduled to take place in Lao PDR in November 2023.

The Key Takeaways

Mr. Silins was invited to reflect on the key issues discussed over the previous four days. He noted that it had been an impressive return to face-to-face meetings after three and a half years of completely virtual operation of the COP.

Despite significant investment in ICT, treasuries across the region continue to focus heavily on the traditional processing role and on ex-ante controls, and most have retained two tiers of sub-national treasury operations. COVID-19 forced many countries to re-engineer payment processes, but this appears to have occurred without significant changes to existing staffing levels and practices. In contrast six countries in the region operate without sub-treasuries suggesting that further reforms are possible across all countries. Subnational treasuries are important – but it will be important for them to evolve over time from the dominant role of processing and controls to more value added roles.

The meeting focused on the evolution of controls and risk management and how both anglophone and francophone countries have reformed practices. Participating countries generally felt more aligned to the francophone approach. Even though France has modified its ex-ante central controls, most countries remain committed to retaining current strong central controls. Risk management is also not well developed in most countries which may also be contributing to an ongoing dependance on "gate-keeper" centralized controls. It will also be important for all countries to continue to integrate risk management into their management practices. This will reveal where resources should be allocated to mitigate risks and optimize controls. It is likely that this will also see the gate-keeper control role currently in place in many countries shift to a more strategic role over time. Some countries are also engaging in more advanced functions, including procurement, training and education, cash forecasting and advanced reporting. This is an important trend and one which ensures that treasuries evolve as the processing role diminishes, ensuring the organization remains relevant.

Presentations from both, the World Bank and specific countries, on financial management information systems and digitization illustrated that countries no longer focuse just on the core central financial reporting but on reporting for a more sophisticated and broader set of stakeholders and ICT capabilities are driving this change. It will be important for countries to continue to think more strategically, eliminating manual processes, streamlining and focussing on integration across government with an enhanced focus on clients and more sophisticated reporting.

The 2023 TCOP plenary meeting was also the first major exchange between the PEMPAL and PEMNA networks. Experiences shared by representatives of Indonesia, Mongolia, Vietnam, and the Philippines treasuries as well as an update by the KFIS on operation of dBrain+ system significantly enriched the event discussions and peer learning.

Several group discussions and news sessions included in the agenda allowed the participants to share information on relevant recent developments in their countries and re-establish personal contacts after the pandemic break.

Planning for the Future

The plenary meeting concluded with a wrap up session during which the participants reflected on their impression of the meeting and shared their ideas for organization and thematic content of the future events of the community. Participants especially mentioned the interactive format of the event which was highly appreciated by everyone. Country delegations also provided their detailed suggestions by filling in the 2023 thematic survey which will inform the TCOP activity plan for FY2024.