TREASURY COMMUNITY OF PRACTICE

Videoconference of the Thematic Group
on the Use of Information Technologies (IT) in Treasury Operations

November 19, 2020

On November 19, 2020 the PEMPAL Treasury Community of Practice (TCOP) held a videoconference (VC) of the thematic group on the use of IT in treasury operations to learn about the new Albanian Integrated Financial Management Information System (AFMIS). The meeting was attended by 37 TCOP participants from 10 PEMPAL countries (Albania, Azerbaijan, Belarus, Croatia, Georgia, Moldova, North Macedonia, Russian Federation, Tajikistan and Ukraine). Representatives of the General Budget Directorate of the Ministry of Finance and Economy (MoFE) and of the National Agency for Information Society of Albania joined the event as co-presenters. Observers from the State Treasury of Hungary and the PEMNA network also joined the session. The meeting was facilitated by the World Bank resource team comprising Ms. Elena Nikulina (TCOP Resource Team Leader), Ms. Yelena Slizhevskaya (TCOP Advisor), Ms. Ekaterina Zaleeva, Ms. Galina Kuznetsova (PEMPAL Secretariat) and Mr. Cem Dener (Lead Governance Specialist).

Summary of discussion

The videoconference was opened by Mr. Nazim Gasimzade, Chief of Information Technology Department at the Azerbaijan State Treasury Agency and the Co-Chair of the thematic group, who welcomed everyone to the event. Mr. Gasimzade stressed that it is very important to continue sharing the experience within this treasury information technologies (IT) community since nowadays IT lies behind almost every business

process, especially in treasury operations. He noted that today the participants have the pleasure of virtually visiting Albanian colleagues who had put a lot of efforts in developing their information systems and are very grateful to them for sharing their experience.

Ms. Elena Nikulina, the TCOP Resource Team Leader, welcomed the participants on behalf of the World Bank team. She expressed her thanks to Ms. Velo and her colleagues who kindly agreed to present the new integrated financial management information system to the TCOP at such a short notice. It took a lot of time and efforts for this project to happen and Albanian experience may be very relevant for many of the PEMPAL countries. The AFMIS is an integration project which aimed at developing linkages with multiple government systems, and the core treasury system was a starting point of the project. Albanian colleagues had to overcome many difficulties during the implementation process, but they coped well. Elena Nikulina encouraged everyone to participate actively and ask questions.

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Mr. Cem Dener was next to make an introduction about the Albanian Integrated Planning System Project, which was implemented by the MoFE with support from the donors. Its development objective was to strengthen the implementation of the Integrated Planning System (IPS)[1] by creating the conditions for introducing a performance orientation in the policy planning and budgetary processes, and by improving institutional capacity to monitor results at the strategy and program levels. The expected project's results were: 1) to improve consistency in annual and medium-term budget execution evidenced by reduced divergence in revenue and expenditure outturns from the originally approved budgets; 2) to enable selected line ministries develop prioritized and costed sector strategies and regularly report on program-level results indicators and annual National Strategy for Development and Integration (NSDI); and 3) to make AFMIS operational, enable monitoring of performance indicators at the level of budget programs and use Integrated Planning Systems Information System (IPSIS) for monitoring NSDI, decision support, and reporting.

The below slide illustrates the capabilities of the new integrated system that went live in 2020:

Unfortunately, due to several challenges (including an earthquake and COVID-19) not all the modules are fully utilized yet. But in general, this would be a dream system for many of the countries and one of its important capabilities to emphasize is connection between the online transaction processing systems and online analytical systems. This is very critical since in most of the countries for many years the focus was just on collection, processing and reporting of the data, but little focus was made on detailed analysis of transactional information for monitoring the performance of the governments' spending, achieving its strategic results, disclosure of this information to different users and providing for the feedback loop on how the budget is executed. The new system is not only extracting data from the treasury system (AGFIS) and from AFMIS modules, but also from other systems, and this very strong public financial
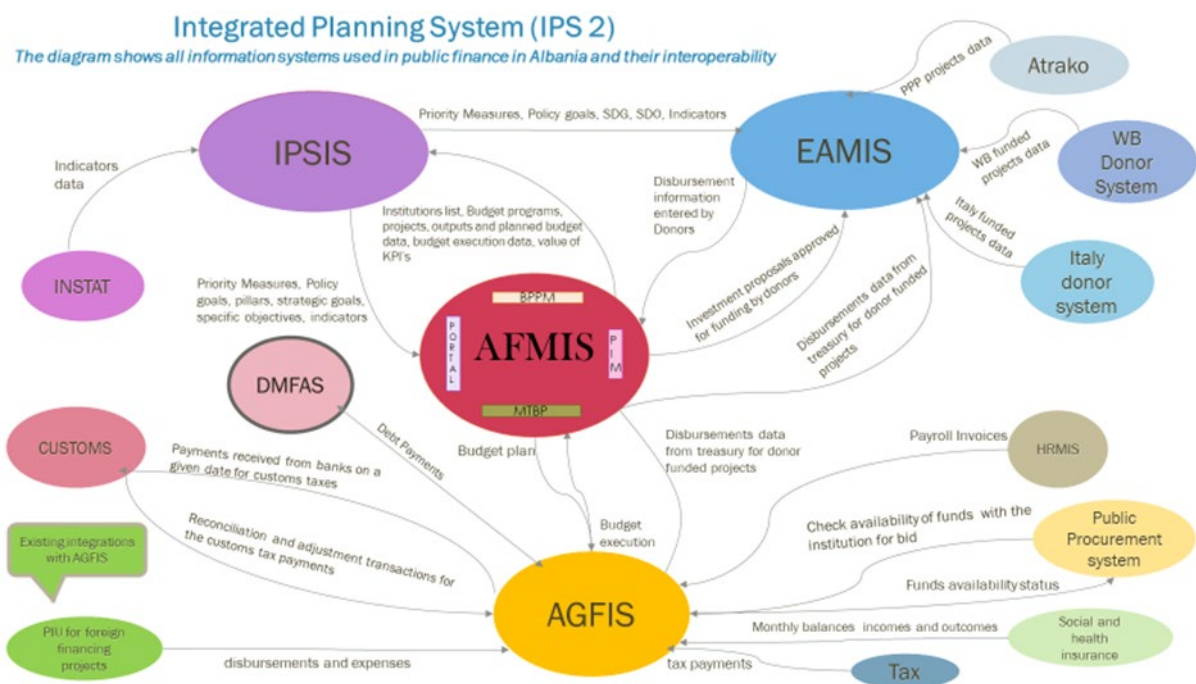
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[1] See http://ips.gov.al/en/history/ for more

management Data warehouse will support not only the Albanian MoFE, but all the budget entities and their different needs being a good example of the whole of government approach.

Ms. Aurela Velo, Director of the Business Process Department of the Treasury, together with her colleagues from the MoFE[2] further provided a detailed overview of the new integrated AFMIS. The AFMIS was accepted for operation on October 31, 2019. The AFMIS ensures the integration of budget execution functions supported by the existing Albanian Treasury System (AGFIS) with additional functional modules to support budget preparation and Datawarehouse for Budget Program Performance monitoring and reporting needs.

The AFMIS includes the following modules: public investment management (PIM) module, medium term budget planning module (MTBP), budget program performance monitoring (BPPM) module, electronic archive (Treasury documentation portal). The system is linked with other public finance information systems as illustrated on the slide below and this interoperability is based on all of them using the same codification structure. Until now the number of AFMIS users is 1,688. It was noted that currently about 150 budget institutions have access to the AFMIS (this includes 40 budget institutions accessing MTBP and PIM&BPPM modules and 110 budget institutions accessing Treasury documentation portal), after the full

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[2] Ms. Drita Rina (Specialist of Project Investments Department of the General Budget Directorate), Mr. Valion Cenalia (Budget Programming and Analysis Department of the General Budget Directorate), Ms. Anxhela Qorraj (IT specialist, ITC Directorate), Ms. Elona Papa (Chief of AGFIS Functional Support Unit under the Business Process Directorate)

AFMIS roll out total number of budget institutions using the system will reach 1,150 institutions (40 and 1,110 respectively).

The functionalities of the PIM module allow to have a clear overview of the total projects list, offer the possibility to generate an investment list for a specific ministry (budget institution), filter projects based on different criteria and provide the possibility to modify, approve and perform other actions on projects.

Speaking of the External Assistance Management Information System (EAMIS) it was noted that it is closely linked with the MTBP – all the projects that can't be accommodated by the domestic budget (MTBP module) are shown in EAMIS module. Donors have access to this module and can express their interest in financing any of the projects.

The Treasury Documentation Portal is an interactive platform which allows the budgetary institutions to register transaction requests, upload justification documents for each request and automatically send them to Treasury for registration and execution in AGFIS by treasury officers.

It was noted that to work with the budget execution functions directly in the AGFIS each user needs to have two licenses (one for purchasing and one for financing). High user license costs make it very costly to give direct access to the AGFIS (currently 380 users have it). This challenge was resolved by the AFMIS - the budgetary institutions submit financial requests, upload related documents and track their execution in AGFIS through the Web Portal. The Albanian speaker further provided detailed overview of the process workflow for transaction execution supported by examples from the system's screenshots.

The presentation continued with an explanation of the AFMIS integration with treasury AGFIS, AFMIS solution architecture and its network solution, as well as illustration of the administration panel dashboard.

In the last part of the presentation the speakers shared the challenges in implementing and rolling out the AFMIS, including:

- AFMIS roll out to all budget institutions, including user training process challenges (the process is stopped because of AFMIS hardware upgrade needs);
- AFMIS system and users support challenges (big number of system users and daily business processes are supported by a very small number of staff - 5 functional and 5 IT staff);
- Change management challenges (different layer of stakeholders, different mindset on the daily work, difficulties on the introduction of new methodologies and technicalities in different new business processes);
- Digital signature implementation for the documents uploaded into the Treasury documentation portal for the Electronic Archive (ongoing).

The presentation was followed by a detailed demonstration session of the AFMIS and Treasury Documentation portal operation, including all steps of transaction execution (starting with the request by a specialist of the budget institution, actions by an execution and authorizing officers, as well as treasury district officer).

The presentation of Albanian integrated AFMIS stirred a lot of interest from participants which resulted into a rich and informative Q&A session:

- **North Macedonia and Vietnam State Treasury were interested to know how the users access the Treasury Documentation Portal.** It was clarified that for security reasons all budgetary institutions will access AFMIS from the web portal through the VPN. AFMIS can also be accessed from computers in the government domain without the VPN.

- **Participants from Azerbaijan and from North Macedonia asked about organization of support of the new AFMIS.** Representatives of Albania shared that MoFE added a special directorate to its structure during the AFMIS project implementation. This new directorate has five staff and covers AFMIS functional support, while colleagues from the IT department cover the IT support. Overall, these 2 directorates cover both functional and technical support of the AFMIS. Speaking of the AGFIS, its functional support is provided by another directorate which is under the General Treasury Department, it was created 10 years ago when this system went live. The network architecture of MoFE systems is supported by the staff of the National Agency for Information Society.

- **Responding to Cem Dener's question on the annual operating cost of AFMIS** the presenters commented that they do not have the exact numbers for maintenance services since they will only start from CY2021 year (after the end of the warranty period) and the procurement was done by the National Agency for Social Information Society, not by MoFE. During the follow up discussion it was clarified that on top of the regular maintenance cost there are also the costs of running the AFMIS support units, the cost of running the operation of the data center(s) as well as the costs of having all the line ministries and budget institutions connected, and these numbers need to be calculated separately. Based on his experience Mr. Dener clarified that in general the investments in AFMIS over the years hardly exceed 4 or 5 million euro and the cost of maintenance is relatively low (less than 0.5m euro annually), so overall these were very cost wise investments.

- **Questions from Azerbaijan and Georgia were about the licenses and support fees**. There is no need to buy new licenses for the AFMIS, new users can be added as needed as part of the maintenance costs. This is different for the AGFIS – according to the new public financial management strategy there is a need to further extend the scope of the system and provide more budget users with direct access to the system for budget execution purposes. As mentioned in the presentation two licenses per user are needed and Albania was able to make a deal with their vendor to pay 2,000 EUR per license/4,000 EUR per user (compared to the usual price of 4,000 EUR per license). The licenses are perpetual with additional costs for the annual maintenance.

- **A representative of the Vietnam State Treasury asked for more details on the metadata codification.** Referring to slide 7 of the presentation Ms. Velo explained that the first eight types of codes[3] are created in the AGFIS, so the treasury system is the primary source for them. The treasury exposes these codes to be used by other systems through the

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[3] Government entity code, line ministry code, spending unit code, source of funds code, program code, economic account code, its subaccounts code and treasury district code

web-based integration service (for example, all budget structure codes are available in the HR system for payroll automation process). On the other hand, key performance indicators for programs or outputs are created in the MTBP module and are transferred to the BPPM Datawarehouse for monitoring purposes, and the AGFIS retrieves such codes for the execution of the budget. Integration of the MoFE systems with other systems is done through a platform administrated by the National Agency for Information Society.

- **Participants from North Macedonia were interested to know if there is any communication between cash management and debt management systems.** The presenters clarified that the cash management module of the treasury system is currently used only for bank statements reconciliation. There are plans to use the AFMIS Datawarehouse for cash management purposes[4], but it needs to be integrated with other systems to retrieve the needed information for cash management and cash forecasting.

- **Questions from Belarus Data-Processing Center of the Ministry of Finance, Vietnam State Treasury and from representatives of North Macedonia were about the integration with public accounting at budget institution level and about the scope of the AFMIS/AGFIS.** Ms. Velo responded that according to the organic budget law the AGFIS is the main system for government accounting. At the same time authority to grant budget institutions direct access to the treasury system belongs to the government (Ministry of Finance and Economy). It is the strategy of the MoFE to provide direct access only to those institutions that have the largest share of budget compared to the total government budget. For all other entities budget execution transactions and their recording in the governments general ledger are done through the treasury district offices. These budgetary institutions send their transaction and other requests to the treasury offices, which post them as accounting balances in the general ledger. Budgetary institutions can maintain their individual accounting systems (supported by Microsoft Excel or dedicated software), but these are not integrated with the AGFIS. Speaking of the scope of the AFMIS/AGFIS the speaker noted that the AFMIS is a managerial system while the AGFIS is a financial one performing budget execution, financial consolidation and financial reporting of the public budget. The systems have different scope and being linked together they fulfill the aim of the PFM in Albania which is the management of budget funds starting from the project idea, planning (strategic) phase (done in the IPSIS system), budgeting the strategies (PIM and MTBP modules of the AFMIS) and to the budget execution, monitoring and reporting (done in the AGFIS and BPPM module of the AFMIS).

Ms. Elena Nikulina wrapped up the meeting by thanking everyone for participation and engaging discussion. She thanked Ms. Velo and her colleagues for dedicating their time and efforts to prepare this rich and informative event at such a short notice[5]. It was not easy to fit all the information into this online presentation even though the session lasted full 3 hours. The number of questions received illustrate that many elements of the new Albanian AFMIS are of

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[4] Currently it is only used for budget monitoring purposes

[5] The members asked for this session following the news shared by Albanian colleagues at October 13, 2020 videoconference of the thematic group on the use of IT in treasury operation:
https://www.pempal.org/events/tcop-vc-wg-use-it-treasury-operations

interest to the TCOP members and there may be prospects to organizing smaller follow up virtual events on selected aspects of the AFMIS.