Ministry of Finance of Georgia
State Treasury

Inclusion of State-Owned Enterprises in the TSA

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TREASURY AT A GLANCE

- Established in 1995
- TSA introduced in 2006
- Services over 3800 budget organizations
  - As of January 1, 2024, 114 state-owned enterprises out of 270 were added:
    - 4 state-owned enterprises from the central budget,
    - 8 state-owned enterprises from the budgets of autonomous republics,
    - 102 state-owned enterprises from municipal budgets.
  - The schedule for transitioning the remaining state-owned enterprises to treasury servicing is scheduled for 2025-2026
- Comprises 5 departments and 9 divisions
- About 75 staff
- Covers all stages of budgets

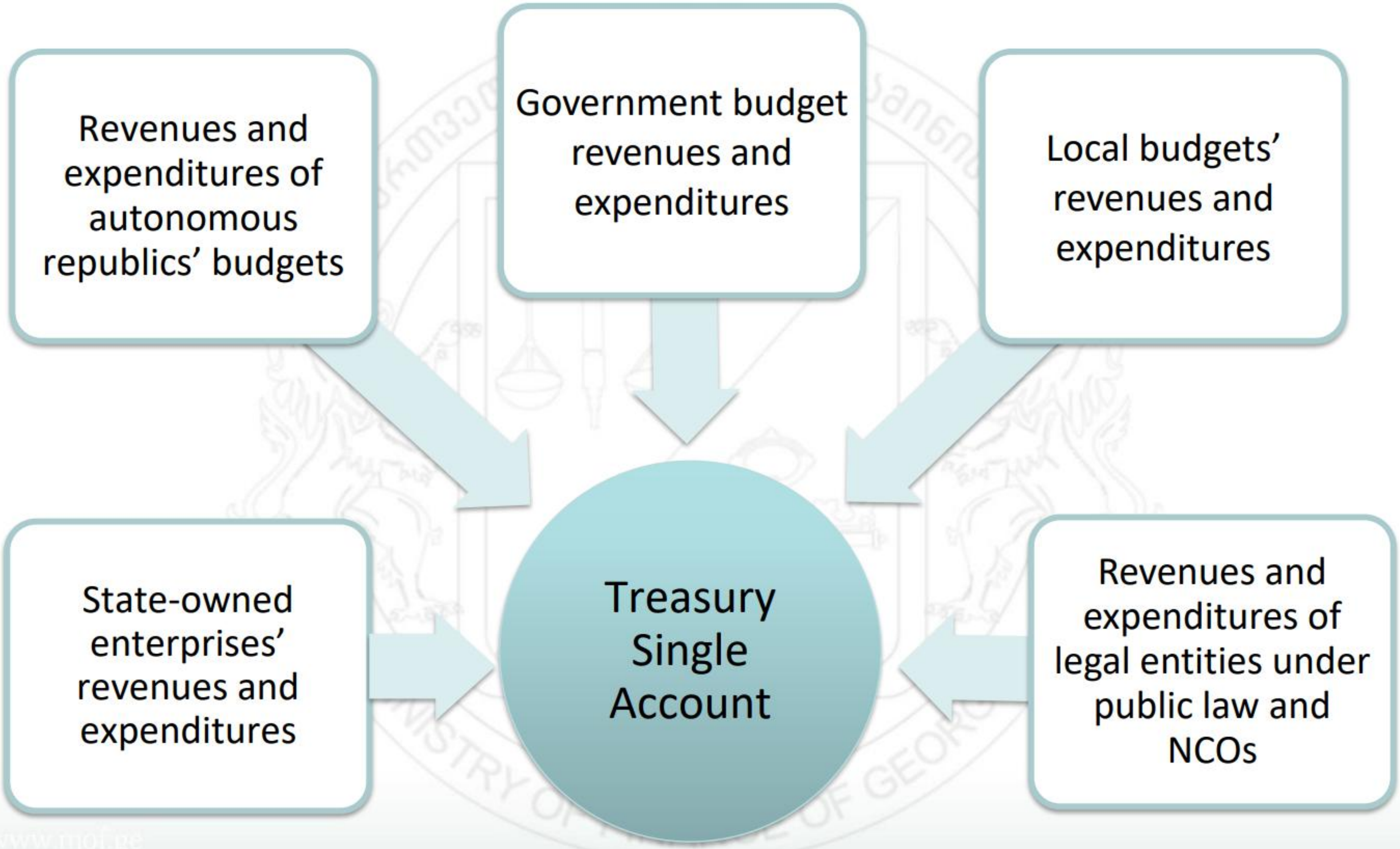
TREASURY CONTROL

- Performing only operations permitted by law
- Recipient’s bank account validation when making transfers
- Monitoring of deposit accounts with commercial banks
- Making expenditures as per budget classifications

TREASURY SINGLE ACCOUNT (TSA)

- The Treasury is a party to the Real Time Gross Settlement (RTGS) system
- The Treasury has a unique BIC / SWIFT code
- The Treasury Single Account (TSA) is compliant with the IBAN standard
- The TSA is held at the National Bank of Georgia (NBG)
- The National Bank of Georgia provides services to the Treasury free of charge
- The Treasury uses a single general account to manage all financial flows
- All revenues and expenditures to/from budgets of all levels are handled exclusively through the TSA
- Budget entities are prohibited from opening accounts with commercial banks

TREASURY SINGLE ACCOUNT (TSA)



IDENTIFICATION OF REVENUES

Flows into the TSA are identified using treasury codes

A treasury code is a combination of 9 characters with the following structure:

- The 1 st character indicates who collects the payment
- Characters from 2 to 5 indicate territorial units and show whether the payer is a legal entity under public law, NCO or state-owned enterprise
- The last four characters designate the type of revenue

(9)	(9999)	(9999)
Collector of payments	Territorial unit, legal entity under public law, NCO or state-owned enterprise	Type of revenue

STATE ENTERPRISE

State Enterprise Belonging to the Government Sector — a state-owned enterprise established with state participation, recorded in the register approved by the Order of the Minister of Finance of Georgia in accordance with Georgia's budget classification, and belonging to the government sector. Such enterprises include:

- state-owned enterprises managed by the central government;
- state-owned enterprises managed by the relevant authority of an autonomous republic;
- state-owned enterprises managed by the relevant authority of a municipality.

STAGES OF REFORM

- The schedule for the transfer of state enterprises to the servicing of the State Treasury has been developed
- The working group consisting the representatives of the Treasury, the Budget Department, the Academy of the Ministry of Finance, the Analytical Service and controlling institutions has been established
- A training program for electronic Treasury has been created, which includes:
  - Budgeting process,
  - Payment procedures,
  - Revenue accounting procedures,
  - Accounting
- Training courses for new users were conducted on the use of e-Treasury, video tutorials were provided, the testing program for electronic treasury was provided

INTEGRATION OF STATE-OWNED ENTERPRISES

- Two companies with the broadest range of activities were selected:
  - Georgian Solid Waste Management Company LLCGeorgian
  - United Water Supply Company LLC
- Enterprises managed by local governments and autonomous republics were transferred
- In the third stage, enterprises of the Ministry of Economy and Sustainable Development of Georgia, the Ministry of Regional Development and Infrastructure of Georgia, and the Ministry of Sports of Georgia were transferred

THE DIFFICULTIES OF THE REFORM

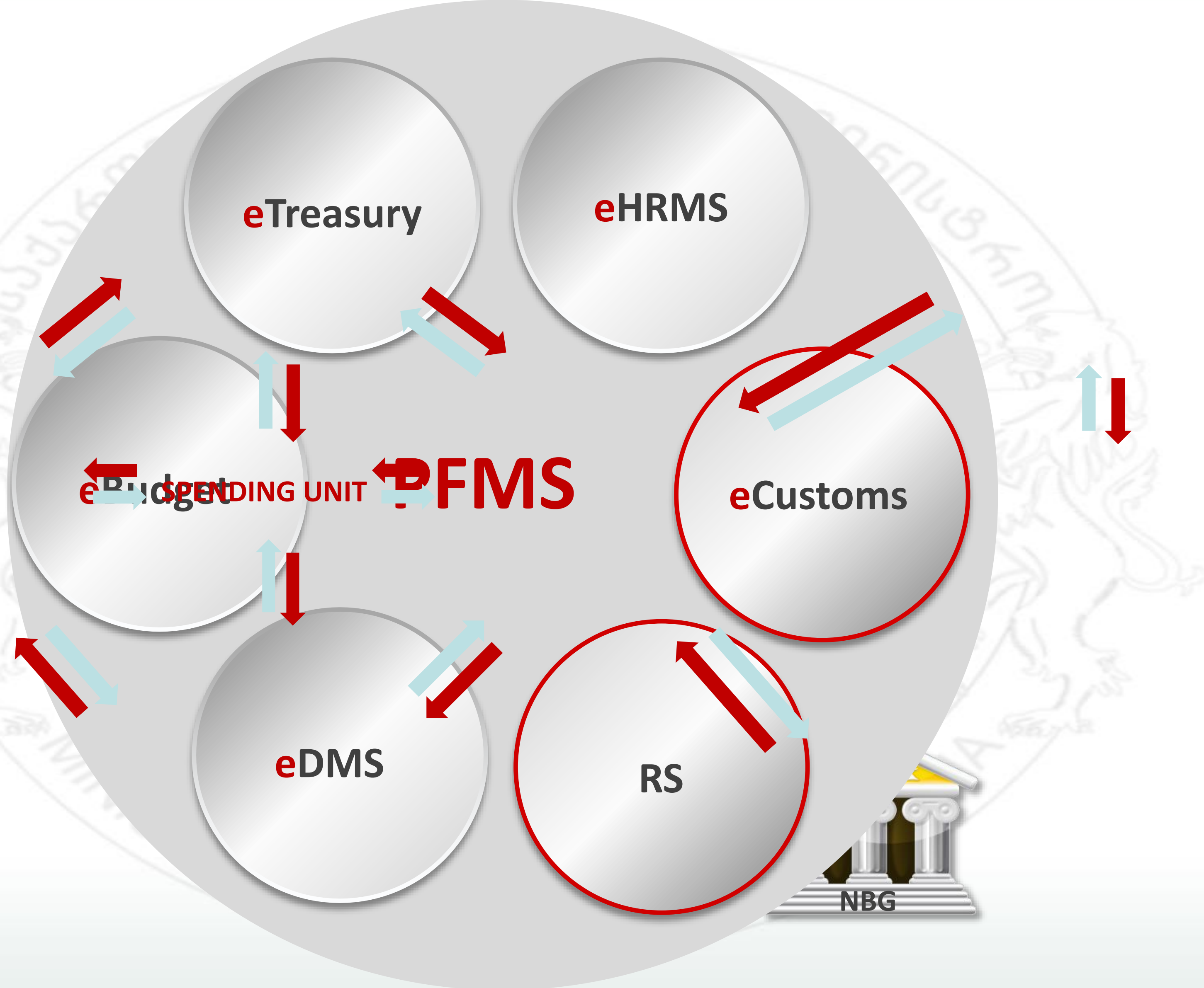
- Qualification levels of staff in serviced organizations
- High number of organizations requiring onboarding
- Diverse accounting standards used by state-owned enterprises
- Dependence on banking days, unlike commercial banks that operate without such limitations
- Limited awareness of public finance principles among state-owned enterprises
- Increased transaction volume causing load and technical difficulties in the electronic Treasury system
- Human resource constraints within the Treasury

CHALLENGES OF THE TSA EXPANSION

- Number of organizations will triple, as will the number of transactions
- The risk of errors, fraud and compromised data quality increases
- Hiring more people is not a viable solution to keep up with this growth
- Standard programming languages operate only on predetermined rules

This leads to the logical need for adopting cutting-edge AI with generative capabilities

PUBLIC FINANCE MANAGEMENT SYSTEM



PFMS GOAL

One System — complete budget planning and execution process is integrated into the single cycle

- ✓ Provide support for all public finance operations
- ✓ Reduce financial transaction costs
- ✓ Collect accurate, timely, complete, reliable and consistent information on all financial events
- ✓ Provide adequate management reporting
- ✓ Provide complete audit trail/auditable financial statements

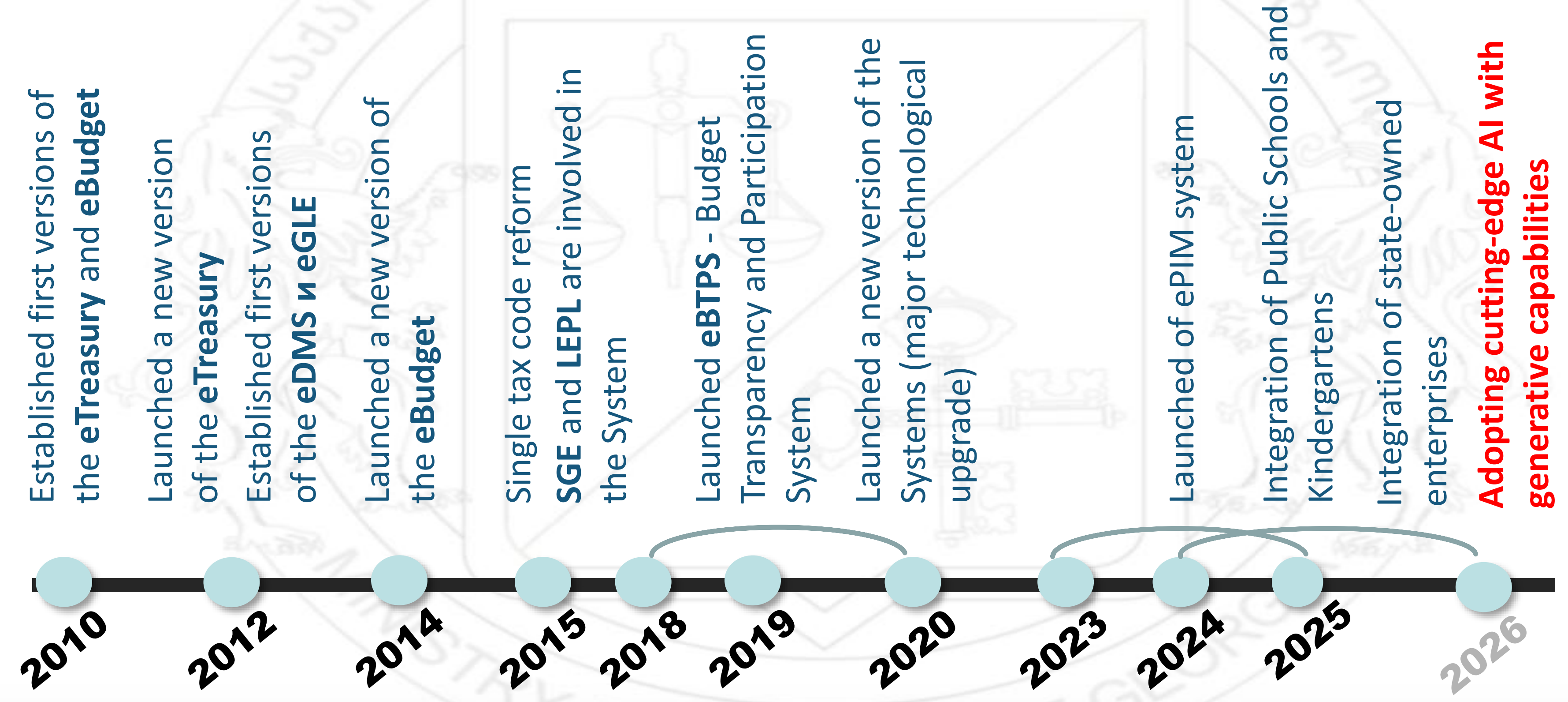
eTreasury

A system for controlling, monitoring, and analyzing government funds, revenues, and expenditures used by all budgetary organizations

- Online banking and accounting for government agencies
- Ensures transparency in treasury operations
- Automated payroll processing
- Support for **over 3,800 organizations, approximately 9,600 users**
- General ledger management

DEVELOPMENT STAGES

PFMS – Public Finance Management System is developed by LEPL Financial-Analytical service



MODERNIZATION OF THE PFMS – EXPANSION OF THE TSA

- Adding new classifiers and processes
- Changes to travel administration and control processes, taking into account the specifics of state-owned enterprises
- Changes to data processing processes in the Financial Institutions module
- Modifying existing reports and adding new ones
- Optimization of existing procedures
- Changes to integration services, taking into account new classifiers and processes
- Implementation of AI and machine learning solutions

POSITIVE ASPECTS OF THE REFORM

- All financial transactions are now processed electronically
- Improved efficiency, transparency and complexity management in public financial processes
- Integration of public finances into a unified accounting and information system
- Enhanced control over cash flow and more effective utilization of idle or excess funds
- Temporarily free or excess funds are used more efficiently

POSITIVE ASPECTS OF THE REFORM

- Authorized users can access up-to-date financial information in real time, improving oversight and decision-making
- Budgeting, appropriation management, revenue and expenditure processing, accounting and reporting are all handled within a unified system
- All transactions related to budget revenues and payables are accurately recorded and reflected in the system

Thank you !

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