

PEMPAL Treasury Community of Practice

Plenary Meeting

Evolution of Expenditure Controls

June 5-7, 2019

Budapest, Hungary



On June 5-7, 2019 PEMPAL Treasury Community of Practice (TCOP) held an annual plenary meeting in Budapest, Hungary. The main objective of the meeting was to deepen the understanding of participants on evolution of the budget expenditure controls with a particular focus on the interaction between the government budget execution and procurement processes. The plenary meeting also provided the forum to review the progress of the TCOP activities and inform the development of the

TCOP action plan for the next year. The meeting was attended by 38 specialists representing 16 PEMPAL countries (Albania, Armenia, Azerbaijan, Belarus, Croatia, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Moldova, North Macedonia, Russian Federation, Tajikistan, Turkey, Ukraine and Uzbekistan). During the first day of the meeting the plenary participants were joined by 26 members of the TCOP thematic group on use of information technologies (IT) in treasury operations representing 11 PEMPAL countries¹. Representatives of the Hungarian State Treasury hosted the event and provided a significant contribution to the agenda. The meeting was facilitated by the World Bank team, including Ms. Elena Nikulina, Team Leader for PEMPAL, Ms. Yelena Slizhevskaya, TCOP Advisor, as well as Mr. Mark Silins, TCOP Thematic Advisor. Logistical support was provided by the PEMPAL Secretariat based at the World Bank Country Office in Moscow.

Mr. József Mészáros, President of the Hungarian State Treasury, opened the meeting and welcomed the participants on behalf of the hosts. In his welcoming address he noted that treasury functions and practices vary from country to country, and this opens many opportunities to learn from each other. **Ms. Elena Nikulina**, the PEMPAL Team Leader, mentioned that this is the second visit to Budapest for some of the TCOP members. The first was in July 2018 when the TCOP leadership attended the Cross-COP leadership meeting and had a chance to familiarize themselves



¹ All the mentioned countries except Armenia, Croatia, Kosovo, North Macedonia, and Uzbekistan

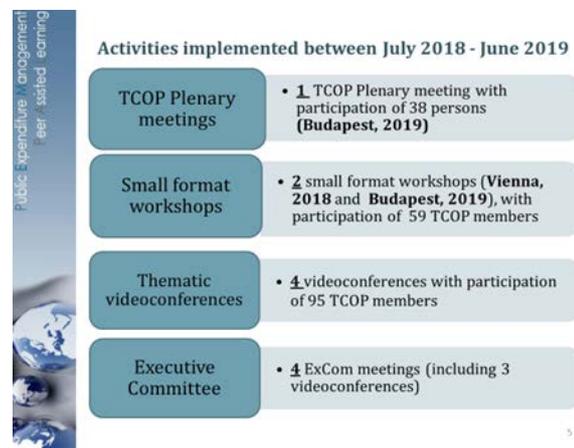
with an overview of public finance management in Hungary. Ms. Nikulina thanked the Hungarian State Treasury (HST) for this opportunity to learn about organization of the expenditure controls in Hungary during this plenary meeting as well as for the excellent introduction to IT solutions that support its treasury processes presented the day before for the participants of the TCOP thematic group meeting on the use of IT in treasury operations. Ms. Nikulina noted that expenditure controls have always been at the core of the treasury functions in most PEMPAL countries and this is not the first time that TCOP discusses this topic. But this time following the proposal from the TCOP leadership group, the discussion on the first day will focus on another aspect of expenditure controls – those that occur during the procurement stage.

Ms. Angela Voronin, the TCOP Chair and Director of the State Treasury, Ministry of Finance of Moldova, welcomed the participants to the workshop on behalf of the TCOP leadership group. Ms. Voronin noted that the members of the TCOP Executive Committee attended the Cross-COP leadership meeting in Budapest back in July 2018 and got interested in the experience of HST which was new for them. Ms. Voronin thanked the HST for their readiness to host the event and share their experience with the peers from the PEMPAL network. She also reminded the participants of the meeting that the action plans of TCOP are derived from proposals received from the member countries and encouraged delegations to fill in the annual TCOP thematic survey to inform preparation of the action plan for FY2020.



The event started with an **overview of the FY2019 TCOP activities which was jointly presented by Ms. Voronin, Mr. Ilyas Tufan**, Head of Cash Management Department, Ministry of Treasury and Finance of Turkey, **Mr. Nazim Gasimzade**, Chief of Information Technologies Department of the State Treasury of Azerbaijan, and **Ms. Lyudmila Guryanova**, Deputy Head of the State Treasury, Ministry of Finance of Belarus.

In FY2019 the TCOP continued to work in four key thematic areas: evolution of the treasury role and functions, use of IT in treasury operations, cash management, and accounting and reporting in the public sector. In FY2019 the *cash management thematic group* reviewed good international practice for cashflow forecasting, discussed the differences between cash and appropriation controls, learnt about integration of cash and debt management functions in Hungary, and also deepened their understanding of cashflow forecasting in Turkey and Russian Federation, which are good examples of advanced cash forecasting systems internationally. The *Thematic group on the use of IT in treasury operations* continued exchanging peer experiences and



during this joint day of the plenary meeting also focus on the linkages between e-procurement and financial management information systems (FMIS). The *public sector accounting and reporting thematic group* provided their comments on the first draft of the new knowledge product on optimizing the design of the Chart of Accounts that is being prepared by Mr. Mark Silins building on the paper produced by TCOP in 2014. *Thematic group on the evolution of the treasury role and functions* continued to assist with preparing plenary meeting agendas, including the one for this event in Budapest. The group also discussed the recent changes in institutional structure for public finance management in Turkey and lessons learned.

Thematic agenda of the plenary meeting was opened by **Mr. Mark Silins**, TCOP Thematic Advisor, who **set the stage for the day's discussions by providing an overview of what is public procurement and how it interacts with public financial management**. He reminded the participants that public procurement is not something outside public financial management – procurement takes place at the beginning of the public expenditure process, and it is what we do early in the process that we have to manage afterwards, so the design of the public procurement processes and embedded controls should take this into account.



Ms. Elena Nikulina continued by presenting an overview of the results of the 2019 TCOP survey on the links between public procurement and public financial management information systems (FMIS) in PEMPAL countries. The survey illustrated that e-procurement systems are operational in 14 out of 16 surveyed countries, and two remaining countries also have plans to develop such systems. Eight out of these fourteen countries already ensured the data exchange between the systems through web services or APIs and there are some strong champions among TCOP countries in this area, but in most cases the scope of data exchange remains limited.

The theme for the day's discussion was therefore very relevant and well chosen.

The session followed with a presentation by **Mr. Cem Dener**, who **presented the main components of FMIS and e-procurement platforms, and possible options to connect these systems** to improve budget/financial controls and monitoring of contract execution performance. He mentioned that e-procurement usually covers both “Tendering” (low volume, high value purchases for investments/capital spending) and “Purchasing” (high volume, low value recurrent budget expenditures). Core FMIS solutions sometimes include Purchasing module. However, FMIS and e-procurement systems are usually separate and not properly linked to exchange data. Therefore, it is important to clarify possible options to connect FMIS and e-procurement systems during system modernization and integration projects to improve controls and service delivery performance. Mr. Dener presented a template for linking specific functional modules of FMIS and e-procurement systems to guide decisions on interface development for automated exchange of data on procurement activities (ideally using web services or Application Program Interfaces). He suggested several data exchange options that could be considered during development of interfaces (APIs), as presented in the box below. Mr. Dener completed his presentation by sharing several good practices from the Republic of Korea, Brazil and North Macedonia.

Box 1: Selected FMIS and e-GP data exchange options

- **Announcement of tenders/purchases:** Data exchange before the publication of each procurement notice to check the consistency of unique “activity code” (as a part of budget classification), unique “procurement package ID”, “allocated budget”, and more.
- **During procurement process:** Data exchange during procurement activities if there are securities/guarantees to be registered under treasury single account (linked to FMIS) and checked during the procurement process.
- **Before contract signature:** Data exchange before contract signature to ensure that the contract amount is within allocated budget (and if it is above the budget this is justified and accepted). Also, financial obligations of the selected supplier (pending tax payments and other obligations) can be checked through FMIS interface to minimize the risks.
- **After contract signature:** e-GP is expected to generate a unique “contract ID” linked to each procurement package and activity code, and share contract details with FMIS for each recurrent / capital budget contract. Ideally, contract details should also include the payment schedule and other details to ensure that FMIS can capture all relevant fields for commitment / cash management.
- **During contract execution:** FMIS is expected to capture all payments related to each contract, as well as other data fields (financial and non-financial indicators/outputs) and contract amendments (extension of closing dates, contract value and other changes). FMIS can send regular updates to the e-GP on payments and other indicators for monitoring and data analytics.
- **Monitoring and reporting:** Both FMIS and e-GP systems can include data analytics tools to monitor and report the progress in contract execution and project results. There should be data fields that will allow for monitoring the duration and actual costs of contracts.
- **Standards:** While recording and reporting procurement activities and contracts, e-GP and FMIS data structures can be aligned with national and international standards (e.g. CPV (EU), UNSPSC, GFSM, COFOG).

During the question and answer session Mr. Tufan commented on the case of Turkey where about two years ago the government had decided that all its core PFM and procurement functions were to be performed under a single system, but this proved to be challenging and now the decision is to keep legacy systems, but to ensure their integration. Responding to Mr. Tufan’s question, Mr. Dener clarified that the trend is to link existing PFM and procurement systems through web services and improve the quality and content of FMIS and contract execution data. Also, most of the countries are not patient to spend at least 3-5 years to build a totally new integrated system. This is a fundamental challenge many countries are experiencing nowadays, and the key decision point here should be the cost-benefit analysis of running existing systems after rapid improvements vs establishing new systems. In the meantime, some of the countries are migrating to shared cloud-based (hybrid) platforms which can reduce the operational costs substantially.

The event continued with a session of country cases illustrating approaches for integration of FMIS and e-procurement platforms.

Mr. Mukwende Placide, IFMIS Coordinator, Ministry of Finance and Economic Planning, **presented the case of Rwanda**. The IFMIS in Rwanda was rolled out in 2010 and covered 173 budget agencies. During the second phase of the project the IFMIS expanded to cover 364 budget agencies operating at 1,239 sites. The e-procurement system was developed in 2015 by a company from Republic of Korea and is currently rolled out to 150 budget agencies. Mr. Placide explained the integration approach and payed attention to the practical challenges that

the country experienced when integrating the systems. For some areas it was easy to define clear functional boundaries between the IFMIS and e-procurement, while for others (such as ordering, delivery and invoicing) the functional boundaries were blurred which led to conflicts (shift of the power) between different offices (ordering officer, procurement officer, budget officer, logistics officer).

Integration Driving Factors

Procurement and Payment Business Process



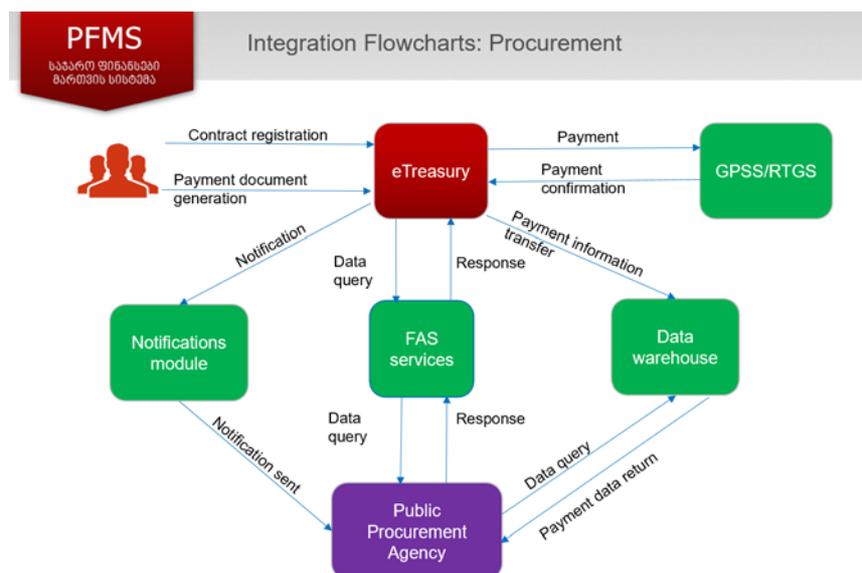
Clear functional boundary between IFMIS & E-Procurement:

1. **IFMIS:** Planning, Budgeting, Payment.
2. **E-Procurement:** Procurement Planning, Bidding, Contract Negotiation and Signing

Blurred functional boundary between IFMS & E-Procurement :

1. **Ordering:** Budget Executing in IFMIS and Shopping Mall in e-Procurement
2. **Delivery:** Shopping mall in e-Procurement and Asset Management in IFMIS
3. **Invoicing:** Supplier access e-Procurement and Financial officers access IFMIS

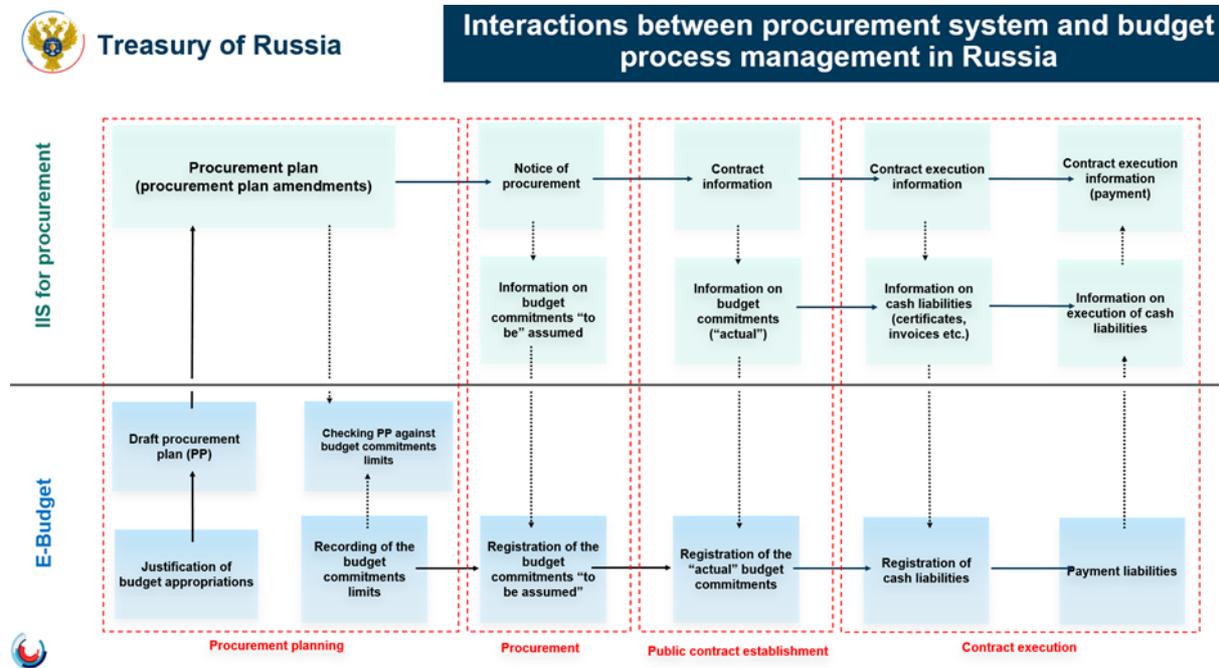
The **country case from Georgia** was jointly presented by **Ms. Sophio Nemsadze**, Head of Service Department of the State Treasury, **Mr. Alexandre Khuskivadze**, the Head of Research and Systems Analysis of Financial-Analytical Service of the Ministry of Finance, and **Mr. Giga Mikautadze**, the Leading Analyst of Financial-Analytical Service of the Ministry of Finance. The e-procurement system in Georgia is operated by Public Procurement Agency and was integrated with e-treasury system in 2012, after the latter transitioned from Access to Web-based platform. According to legislation spending units are required to upload the signed contracts to the e-procurement system no later than 10 days after the contract signing, after that the contract goes to e-treasury. Controls to check contract amounts against available annual appropriations were implemented starting with 2019. Mr. Giga Mikautadze complemented the presentation with online demonstration of the system operation which received a good feedback from participants. During the question and answer session the participants of the meeting clarified



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that the Treasury is not allowed to refuse registration of already signed contracts. Information from the signed contract so far is not utilized by the cash forecasting function.

The case of the Russian Federation was presented by Mr. Alexander Albychev, the Deputy Head of the Federal Treasury. Mr. Albychev explained the links between public procurement and budget planning and executions systems as illustrated on the slide below.



Mr. Albychev clarified that the Federal Treasury is an operator of the Integrated Information System for Procurement (IISP), the Ministry of Finance performs regulatory functions, while all the interactions with suppliers are done by the operators of the e-trading platforms². Starting with July 1, 2019 the Federal Treasury is also introducing digital contracts for certain types of suppliers, subsequently e-certificates of acceptance will also be introduced as part of the public procurement practice. Mr. Albychev noted that the ongoing reform of centralizing the public accounting function in certain sectors also raised the need to link the procurement system with an accounting one and work is ongoing to record information on the acquired assets right from the moment the contract is signed. During the question and answer session the participants congratulated the Federal Treasury with the impressive progress made in connecting procurement and treasury systems and expressed their interest to continue learning from this experience.

Presentation of the country cases where followed by discussions in small groups during which the participants of the meeting reflected on how the linkages between the e-procurement system and FMIS facilitate improvements in public financial management. Two common issues raised by participants was a lack of automated link between the e-procurement and e-treasury systems and/or no link between the procurement planning and budget allocations in their respective countries, which they see as a problem in many countries. The existence of such links would eliminate the double entry of the same documents by different staff, thus decreasing the errors as well as processing time. The link between the procurement system and

² These are private operators authorized by the Federal Treasury subject to satisfying a list of the predefined criteria.

the budget/treasury system would help to prevent the situations where procurement process starts without having budget allocations, which leads to procurement cancellation at the contract registration stage.

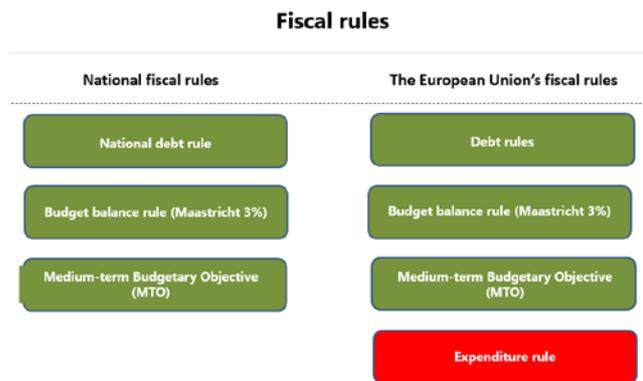


The second part of the group discussion focused on the peer country experience that was found relevant and useful for participants. Many participants expressed strong interest in the South Korea experience on the preferred suppliers mentioned by Mark Silins, Rwanda experience on the procured assets being registered immediately, as well as Georgian and Russian experience presented earlier in the day. Representatives from Azerbaijan confirmed the relevance of the day's discussions for their country which is launching its e-procurement system starting July 1 this year; Belarus noted that amendments to the legislation on public procurement are taking force on July 1 and some of the links between the systems will be implemented; participants from North Macedonia noted great benefit from the presentations as they are already requested by their management to link these systems.

Mr. Dener wrapped up the day's discussions by sharing his impressions and key takeaways. He noted that the e-procurement systems are operational in most of the participating countries, their coverage and use is expanding, and there is a strong rationale to develop information linkages with the FMISs. There are countries in the TCOP (and the region) that are very advanced in this area, however in general FMIS and e-procurement systems are not properly linked to exchange data. Therefore, it is important to clarify possible options to connect FMIS and e-procurement systems during system modernization and integration projects to improve controls and service delivery. Mr. Dener confirmed that the topic is well chosen and has a potential to be explored further at the future meetings.

The second day of the event was devoted to the broader discussion on application of expenditure controls in the process of budget execution and commenced with a series of presentations from the Hungarian Ministry of Finance and Hungarian State Treasury.

The first presentation of the day was delivered by **Mr. Szilárd Kondora**, Head of Fiscal Affairs Department, Ministry of Finance of Hungary, and covered the cycle from budgetary planning to year-end reporting in Hungary. He indicated that fiscal stability is very high on the government's agenda with the Minister of Finance being one of three Deputy Prime Minister's in Hungary, indicating the importance of fiscal management to the government. Mr. Kondora explained the importance of fiscal rules in Hungary both internally, to maintain fiscal integrity, but also externally, as part of the accountability to the European Union.



The second presentation was delivered by **Mr. Zsolt Tavaszi**, HST Vice President, and **Mr. Török Tamás Pál**, Head of Division in the Department for Budgetary Synthesis and Data Service of the HST, who jointly explained the budget execution process in Hungary.

Mr. Tavaszi provided an insight into how the budget appropriations are structured in Hungary and explained that budget execution is decentralized, while payments and cash management are centralized in the Treasury. Every institution has its own general ledger, but centralization is ensured on a higher level through a mandatory unified chart of accounts that provides for both, budget and statistical needs. He also explained that financial reporting is supported by web-based software which reporting entities use to submit their reports. The software includes many accounting rules to assure the integrity of the information submitted. Non-compliance by reporting entities may result in a fine imposed by the HST. Currently the HST does not have any real time information on commitments and budget controls are mostly exercised at the payment stage. A goal for the future is to shift central controls from the payment stage to the procurement/commitment stage and this work is part of the ongoing IFMIS project in Hungary.

Budget appropriations					
Level	Content				
1 st Annex of the Budget Act	Appropriations (for operating and accumulation – only budgetary items) <ul style="list-style-type: none"> Budgetary expenditures (K1-K8) Budgetary incomes (B1-B7) 				
Detailed budgets	Line items (budgetary and financing items) <ul style="list-style-type: none"> Budgetary expenditures (K11-K89) Budgetary incomes (B11-B75) Financing expenditures (K91-K94) Financing incomes (B81-B84) 				
Annual report (Transactional level)	ERA (unified line item identifier) – More detailed identification structure <table border="1"> <tr> <td>K1101 - Wages</td> <td>1K1101 – Wages 2K1101 – Refund of wages</td> </tr> <tr> <td>K504 – Refundable subsidies for operation</td> <td>1K50401 – ... for central budgetary institutions 2K50401 – Refund of... for central budgetary institutions 1K50402, 2K50402 – centrally managed app.</td> </tr> </table>	K1101 - Wages	1K1101 – Wages 2K1101 – Refund of wages	K504 – Refundable subsidies for operation	1K50401 – ... for central budgetary institutions 2K50401 – Refund of... for central budgetary institutions 1K50402, 2K50402 – centrally managed app.
K1101 - Wages	1K1101 – Wages 2K1101 – Refund of wages				
K504 – Refundable subsidies for operation	1K50401 – ... for central budgetary institutions 2K50401 – Refund of... for central budgetary institutions 1K50402, 2K50402 – centrally managed app.				

The role of the Treasury in the control of public expenditures

Spending Units	Treasury
Planning	
<ul style="list-style-type: none"> Detailed budget 	<ul style="list-style-type: none"> Register of appropriations based on data supply
Management	
<ul style="list-style-type: none"> ✓ Based on the detailed budget → Treasury • Commitment • Financial countersign • Completion certificate • Validation • Remittance ✓ Payment → Treasury 	<ul style="list-style-type: none"> Budget Supervisor: <ul style="list-style-type: none"> • Preliminary opinion in case of commitments • Opinion on internal regulations and actions related to financial management • Proposition of restructuring management processes • Suspension measures
Bookkeeping, reporting	
<ul style="list-style-type: none"> • General ledger accounting in local IT systems • Preparing of annual and interim financial statements, reports, balance sheets • Reporting towards the Treasury 	<ul style="list-style-type: none"> • Control and summary of annual and interim financial statements, reports, balance sheets • Reporting and data service towards national and international organizations

Mr. Tamas Pál Török spoke next about government banking arrangements and FMIS plans. He noted that the HST acts like a commercial bank for budget entities. Thus, while there is a Treasury Single Account (TSA) at the National Bank of Hungary, every budget entity has a subaccount in the TSA and in the general ledger of the treasury³. Local governments are free to bank with the HST or in commercial banks except in the case of any EU funds which must be held in the TSA. The role of the HST in

control of the public expenditures is illustrated on the adjacent slide. Mr. Török also described the model proposed for upgrade of the government FMIS. The new integrated solution is aimed at improving the information processes in public finances, the rationalization of public data and information flow, the development of a data warehouse and the development of decision support functions supporting modern budget implementation tasks, as well as the increase of transparency. Mr. Török explained the scheduling of the IFMIS that includes:

- the preparatory phase from 2016;
- public purchase process in 2018-2019Q1;
- work on the detailed design starting with 2019Q2;
- work on the functional design of the central module without integration points, establishment of institutional frontends, and development of master data management integration by the end of 2019;
- integration with the new Account Management System, integration with the Accounting Application and Institutional Accounting System by end June 2020; and
- testing, migration and going live in January 1, 2021.

Components of the IFMIS

3 Components:

- **Budget Module:** Budget Management, Commitment Management, Payments and Revenue Management, Liquidity Management, Budget Monitoring.
- **Integrated Accounting Application:** Accounting application for centrally managed appropriations.
- **Institutional accounting system:** new accounting system for spending units.

The final presentation from the hosts covered the practice of **budget supervision in Hungary** and **was delivered by Mr. Csaba Gárdos**, Budget Supervision Director, HST. The Budget Supervision Directorate was set up ten-years ago. The reason for creating the functions came from the understanding that trying to control everything risks losing a strategic focus on the most important issues. The unit also came about in recognition that a controller which sits in the budget unit itself and is subordinated to the unit's management is likely to face a conflict of interest at some point of time. Therefore, the function of supervisors was established as an additional layer of control over specific higher risk areas of expenditure. The supervisors were placed in budget entities but continued to be Ministry of Finance / Treasury officials. The focus is not on covering each expenditure item but to examine risk and focus the review on the areas deemed to have the highest risk. The supervisors mainly examine commitments, particularly focusing on higher value multi-year commitments, along with other elements of budgeting and internal management policies. They have veto rights which can be exercised when questioning budgets for political purposes, the necessity of the budget expenditures, their timeliness,

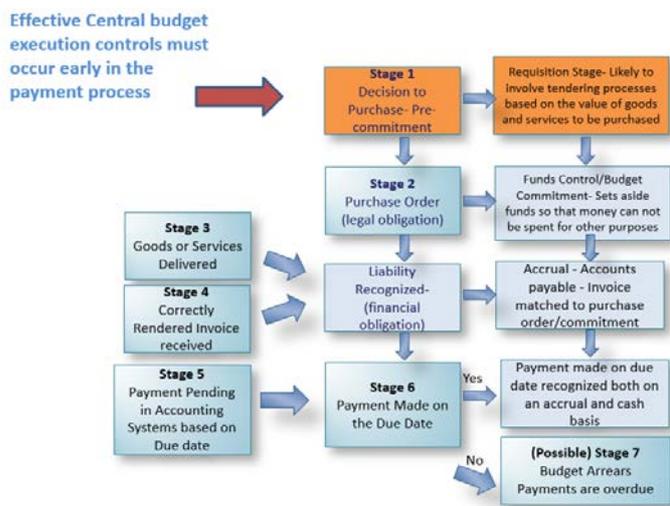
³ There are 10,000 HUF accounts servicing 2,198 clients, and 1,300 FX accounts servicing 316 clients

sources of financing, and payment schedules, etc. If the head of the budget entity disagrees with the veto, consultations with the Ministry of Finance are initiated. The role of the budget supervisors is a blend of budget review and central controls. Hungary believes this extra layer not only provides for additional control but also acts as a deterrent with officials involved in spending aware that their actions are subject to external scrutiny. Importantly the control occurs early in the decision-making process, often before budgetary decisions are made. Mr. Gardos provided many examples of vetoes that prevented poor budgetary decisions and saved the government money.

Tasks of budget supervisors

- Preliminary comments on commitments
 - Veto right over every commitment
 - has three days to comment
 - Depending on the institution, the inspectors check everything from 100.000 to 500.000 HUF
- preliminary comment on management measures
 - budget proposal, residual accounting
 - modification of appropriations, transfer, blocking
 - demand from the government reserve
 - sale of tools, scrapping
- commenting on internal management policies

The topic of expenditure controls was further elaborated by **Mr. Mark Silins**, in his **overview on good practice in budget controls**. Mr. Silins indicated that the advent of automation through FMIS and other e-governance reforms have provided an opportunity to rethink and re-engineer traditional central controls. Traditional manual systems often repeat the controls at each stage of the payment process including at the final stage when treasury authorizes and releases the payment. He also suggested that controls at the end of the payment process occur too late to be effective, as generally the legal and financial obligations have already been incurred – in a manual environment this “gatekeeper” role of the treasury may have been the only option, but its effectiveness was always questionable, other than perhaps as a check/deterrent for line ministries. He indicated that if FMIS is properly utilized, it provides integrity over earlier controls in the payment process, meaning these controls pass forward to later stages and need not be revisited. The advent of modern FMIS has also resulted in many



countries devolving authority and responsibility for payment controls to line ministries which now fully execute the earlier stages of the process. However, where a country believes that central controls continue to be important, if they are too to be effective they must take place early in the payment process, ideally at the time procurement decisions are made with a strong focus on risk. He noted that the Hungarian approach presented by **Mr. Gárdos** is a good and innovative example of risk based central controls early in the payment process.

The afternoon session of day two was devoted to **small group discussions**. The plenary meeting participants broke into three groups and each country presented their national practices in regard to 1) central controls that exist over the spending unit allocations in the country

(virement regimes), 2) controls exercised during the payment processes, and 3) any recent or planned initiatives to revise the approach to virements/payments controls. During follow-up discussions participants were asked to elaborate whether advances in information technology have facilitated changes in controls exercised by the treasuries in PEMPAL countries, and whether any trends in evolution of expenditure controls have emerged.



Main points from the small groups discussion were presented at the commencement of day three by **Mr. Ilyas Tufan**, Head of Cash Management Department, Ministry of Treasury and Finance of Turkey, **Ms. Angela Voronin**, Director of the State Treasury, Ministry of Finance of Moldova, and **Mr. Sergey Kachan**, Head of the State Treasury, Ministry of Finance of Belarus and are summarized in the box below.

Box 2: Summary of discussions on evolution of expenditure controls

Question 1: Has advance in information technologies led to any changes in controls exercised by the treasuries in your countries?

- Automation of controls available in FMIS enhances spending units' accountability and improves quality of treasury controls
- Generation of structured information allows single data input
- Documents are processed faster, with fewer errors
- Digital transformation creates multiple benefits however better quality, speed, affordable interaction and lower cost come with extra risks (cyber attacks are a basic global technology risk)

Question 2: What are the trends in evolution of expenditure controls that are being observed in your group?

- Automation of certain types of the treasury controls:
 - control of appropriations before registration of contract commitments;
 - registration of commitments at the stage of contract registration;
 - control of authority to sign payment documents supported by electronic signature;
 - structured information or standardized contracts can automatically be uploaded into e-treasury;
 - issuing primary electronic documents (contracts, invoices, acceptance and delivery acts) with electronic signature;
- Increase in interoperability of different public finance management information systems, including integration of the treasury systems with various public sector IT solutions (tax, public procurement, electronic invoices, banking, etc)
- Control over the use of budget funds is shifting towards the earlier (public procurement) stages
- Liquidity forecasting and management takes on a bigger role, as well as the procurement plans becomes more important
- The need arises to establish fixed due dates of payments
- Transition to risk-based ex-ante controls, analytical work and use of other types of controls (monitoring) of budget expenditures (“green corridors”, risk-based classifications of payments)
- Some countries (like Croatia and Turkey) began decentralizing responsibilities / controls to budget holder level
- Active use of cloud technologies when building data warehouses
- Digitization as a new global development trend!

Mr. Silins was invited to summarize the main themes emerging from the small group reports and the plenary meeting in general. He noted the high quality of presentations by the hosts, international experts and PEMPAL countries, reflected in the questions and discussions over the three days of the meeting. The survey and presentation indicate that most countries have already implemented some form of e-procurement and this recent development came as a positive surprise for the resource team. Countries such as Russia and Georgia are already at a very advanced stage, including the level of interoperability of their FMISs. It is now also very clear that the development of information technologies is contributing to reforms in treasury and in public financial management in general. The advent of modern IT and FMIS has allowed countries to reconsider the ongoing role of central agencies and controls in the payment process. In many countries these controls have been entirely devolved to line ministries. However, this model may not be suitable for all countries, particularly those with a history of strong central controls which includes most PEMPAL countries. Discussions that had taken place in small groups confirmed that future reforms should focus on repositioning of central controls to earlier in the payment process to ensure improvements in the effectiveness of decision making.

Ms. Nikulina continued by thanking everyone for active participation in the meeting. This meeting is another example of TCOP's significant contribution to professional development of the members and the quality of presentations and discussions confirms the usefulness of the COP activities. In her view, the approach of combining the plenary meeting for functional specialists with their colleagues from IT units also proved to be very helpful and conducive for exchange of experience. One of the messages that had crystalized during the plenary meeting discussions was about the fact that IT is just a tool, and by itself it is not necessarily a driver for reform. A lot of expensive tools appear, but it is important to think through the business processes and new technologies to find the best combination of both. One participant mentioned that expenditure control is one of the services that are provided by the treasury, but these services have a cost. There is always a need to balance these costs against the results achieved and focus efforts on the areas with highest risks.

News Session

The next session of the plenary meeting provided participants with an opportunity to exchange news on recent developments in their countries and regionally:

- **Ms. Aigul Baiguzina**, Acting Chair of the Treasury Committee of the Ministry of Finance of Kazakhstan, **shared with the plenary participants new procedures for executing the budget in Kazakhstan.** These included treasury support for public construction projects, introduction of the 4th tier in the local governments, and treasury registration of concession and public-private partnership contracts;
- **Ms. Angela Voronin**, Director of the State Treasury, Ministry of Finance of Moldova, **presented the recent experience of consolidating IT support for public finance management functions in Moldova.** The “Center of Information Technology in Finance” was established in 2018 through merger of the three enterprises that used to support finance, tax and customs bodies. Services provided by the Center include: administration and maintenance of the ICT infrastructure of the Ministry of Finance, Tax and Customs Services; development, maintenance and provision of functionality of IT systems supporting public finance, state procurement, tax and customs; providing ICT and public finance training;

- **Ms. Lyudmila Guryanova**, Deputy Head of the State Treasury, Ministry of Finance of Belarus, **spoke about the work of the PULSAR Education Community of Practice (EduCoP)** and support provided through this initiative for development of Professional Accountancy Organizations for public sector accountants and development of country strategy and action plans for the rollout of Public Sector Accounting “Training of Trainers” - the activity planned under Phase 2 of the PULSAR Program;
- **Ms. Voronin followed up by briefing participants on the recent workshop of the PULSAR Financial Reporting Community of Practice (FINCOP)** that focused on sharing knowledge and experiences related to international practices for the development of Multidimensional (unified) Chart of Accounts for financial, budgeting, statistical, performance, and management reporting purposes.

Following the news session **Ms. Yelena Slizhevskaya presented an overview of the preliminary results of 2019 TCOP thematic survey** that was conducted during this plenary meeting. The survey showed the three most popular topics of professional interest for participants proposed for discussion during the next plenary meeting were (i) treasury controls and risk management, (ii) public accounting and reporting, and (iii) evolution of the role and functions of the treasury.



Proposals from four countries were received to host 2020 TCOP plenary meeting (Albania (tbc), Kazakhstan, Kosovo and Russian Federation), as well as several proposals to host all potential thematic group meetings. Ms. Slizhevskaya thanked the participants for their feedback and valuable proposals for the topics and agendas of the future events of the TCOP. The detailed analyzes of the responses will be shared with the leadership group prior to its next meeting and will inform the development of the TCOP action plan for FY2020.

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 formats of the future events of the community. In their feedback most of the participants mentioned the high quality and content of the plenary meeting and confirmed that the topic chosen was highly relevant for countries’ reform agendas. The participants shared that the event provided them with many practical ideas both from presentations of the speakers and from sharing peer experience throughout the event. They further committed to take back the experience to their countries to improve public financial management and treasury operations in their countries. Ms. Ekaterina Semenova, Head of Department in Federal Treasury of Russia, explained that the PEMPAL program is very important for the Federal Treasury as it serves as a trigger to improve treasury practices. In addition to learning from international experience the fact that Federal Treasury specialists are often invited as speakers serves as an incentive to additionally review and improve treasury performance. The participants agreed that the format of the plenary event is close to optimal – with a good mix of theory, practical discussions and informal peer communication. Combining the plenary meeting with the meeting of the thematic group was also highly appreciated by participants. Additional suggestions for the future events included the proposals to organize live demonstrations of country systems and/or visits to the treasury office, where feasible; to consider adding the news feed to the PEMPAL website; to invite advanced countries to present at the events.

Ms. Voronin was invited to close the event. She expressed her gratitude to the World Bank team and event speakers for the excellent organization of the thematic content and flawless

logistics of the event and thanked the TCOP colleagues for the new ideas shared during the meeting and active participation in the event.

All the meeting materials are available at the PEMPAL website:
<https://www.pempal.org/events/pempal-tcop-plenary-meeting-2019>

