



## TREASURY COMMUNITY OF PRACTICE (TCOP)

### Evolution of the Role and Functions of the Treasury Thematic Group

#### Treasury Operations During COVID-19

April 29, 2020 Videoconference

Members of PEMPAL Treasury COP (TCOP) met through videoconference (VC) on April 29, 2020 to discuss specifics of the treasury operations in the COVID-19 environment. The meeting was attended by 28 participants from 10 PEMPAL countries (Albania, Belarus, Georgia, Kazakhstan, Kosovo, Moldova, Russian Federation, Tajikistan, Turkey and Ukraine), a guest speaker from Hungary and 9 representatives from the World Bank. The meeting was facilitated by the World Bank resource team (Ms. Elena Nikulina, TCOP Resource Team Leader, and Ms. Yelena Slizhevskaya, TCOP Advisor) and the PEMPAL Secretariat (Ms. Ekaterina Zaleeva). TCOP thematic advisors, Mr. Mark Silins and Mr. Mike Williams, also took part in the discussions.

#### Summary of discussion

**The videoconference was opened by Mr. Dan Boyce, World Bank Practice Manager and the member of the Steering Committee of the PEMPAL program, and Ms. Elena Nikulina, World Bank Senior Public Sector Specialist and the TCOP Resource Team Leader.** In his welcoming remarks Mr. Boyce greeted the participants and appreciated their readiness to join this meeting and to continue the TCOP activities in this virtual format. Mr. Boyce noted that the COVID-19 challenge is unprecedented and each of the countries is going through their own combination of challenges. At the same time, challenges and responses by the members of the Treasury CoP are probably quite similar, so it makes a lot of sense to share and discuss them within the COP. The World Bank has developed guidance notes including recommended treasury responses to the COVID-19 challenge, and colleagues from the Bank will be happy to share these with TCOP members. They include advise on the areas that might require improvements in the context of the upcoming recovery from the economic crisis triggered by this pandemic. Ms. Nikulina joined Mr. Boyce in welcoming the participants and commented that due to the pandemic the TCOP Executive Committee had to reformat the TCOP action plan and replace face-to-face events with virtual discussions, with this videoconference being the first one in series.

**The event commenced with an introductory presentation by the World Bank team, Ms. Leah April, Senior Public Sector Specialist, and Mr. Khuram Farooq, Senior Financial Management Specialist, presenting on the global context and how the treasuries can adjust their operations to respond to the unique challenges of COVID-19.** The presenters focused on how to ensure business continuity of treasury operations, operationalizing emergency arrangements for core treasury functions, as well as how to prepare the treasury for operation in



the post-pandemic environment (see the slide below). The presentation set the stage for the TCOP member country reports that followed.

## Snapshot recap

### Ensure business continuity for treasury operations

- ✓ Treasury Crisis Management Committee to trigger the business continuity plan during emergency
- ✓ Communication plan and strategy to lead to accurate and consistent information to all on treasury based operations
- ✓ Regulated home-based work (HBW) where feasible through urgent measures

### Operationalize emergency arrangements

- ✓ Amended instructions for interim emergency treasury operations
- ✓ Prioritize payment processing based on a tiered response
- ✓ Review cash management, treasury single account, and funds flow arrangements.
- ✓ Accept digital documents provisionally as legal where there is ambiguity in law
- ✓ Enhance fiduciary oversight and reporting mechanisms with necessary audit trails for transparency and accountability

### Manage the post-pandemic environment

- ✓ Strengthen Business continuity plan, disaster recovery plan, and disaster risk financing strategies for future challenges
- ✓ Audit and oversight to establish the credibility of COVID19 response
- ✓ Increase use of technology in payments towards paperless transactions to be better prepared for any future challenges to treasury operations.

8

Representatives from ten countries<sup>1</sup> shared how the COVID-19 affected treasury operations and the measures introduced (being developed) by the authorities to assure uninterrupted execution of the key treasury functions.

### Albania

*The first speaker was Mrs. Mimoza Pilkati, Head of Operations, Albanian Treasury and TCOP Executive committee member, who noted that despite the critical environment for Albania and the world Treasury operations were continuing.* Albania has instituted safe work practices such as social distancing and allows employees, particularly those with children under 15, to work from home. They are using social media and electronic communication in lieu of face-to-face meetings where possible. On 24<sup>th</sup> of March the Minister of Finance and Economy approved a new instruction (No.14) titled “**The procedures of the management/monitoring of the budget execution for COVID 19 environment.**” This identifies higher priority spending and postpones most other payments which now require additional central approval. Payments are also controlled centrally through the Albanian Government Financial Information System

<sup>1</sup> Including representatives from nine TCOP member countries and a guest speaker from Hungary. Four countries (Albania, Kazakhstan, Kosovo and Hungary) prepared formal powerpoint presentations which are posted on TCOP page of PEMPAL web site.



(AGFIS) and published electronically for transparency. Covid related payments are now also tracked separately in the CoAs.

### *Hungary*

**Mr. András Réz, Deputy CEO of the Hungarian Debt office (AKK) delivered the second presentation, where he highlighted the specific measures taken in Hungary.** While Covid could not be described as a “natural disaster”, it has resulted in changed work practices including: IT systems modified to allow remote access (e.g. debt issuances); reallocation of some disaster facility IT resources to urgently support home-based operations – more than 50% of staff now work from home; shifting from paper-based documents to electronic media with business partners; and reduced reliance on face-to-face contact, with VC and teleconferences being the new preferred means of communication. The Hungarian State Treasury has also seen an increase in demand for urgent (same day) payments with a commensurate increase in liquidity risk for government operations, which in-turn has seen it focus on improving its daily forecasting capacity.

### *Kosovo*

**Mr. Erand Abazi, representative of the Treasury of Kosovo delivered the third presentation of the VC. He noted that the Kosovo Financial Management Information System (KFMIS), was already connected electronically to budget users and the banking system, and this has resulted in the Treasury being well placed to respond to the crisis.** Urgent payments can be processed through the Treasury the same day and be sent directly to bank accounts, in fact, to a certain degree, it was business as usual for the Treasury, with financial statements etc, still produced in accordance with required deadlines. Kosovo’s largely automated environment has meant no specific legislative instruments were needed to change Treasury operations as a result of the crisis. To encourage transparency and donor support Kosovo has also established a separate Covid related bank account where all donations are deposited. While the sub-account is separate from other money, it still forms part of the overall TSA of Kosovo, meaning that cash balances are managed across government’s cash operations.

### *Kazakhstan*

**The Treasury Committee of Kazakhstan reported that on March 15, 2020 a state of emergency was declared in the country.** 77 percent of the staff is currently working from home, with the remaining 23 percent working from the office in shifts and with flexible working arrangements. The remote arrangements were supported through the transition of staff to the cloud-based electronic document management system *Documentolog*. In response to the state of emergency virement and budget amendments processes were simplified, treasury bodies were allowed to decline new commitments or payments in case of liquidity shortfall, and deadlines for reporting by subnational authorities were extended. A “backup center” was established in the Treasury Department of the city of Nur-Sultan, which will be able to process and record payments



in case of any disruption (unavailability) to the main treasury operations. It was also noted that Resolution of the Government N127 from March 20, 2020 introduced special procedures for public procurement, including shortening of the procurement process, direct contracting for priority medical goods and equipment, waiver of penalties that were due to a force majeure, and the obligation of the clients to settle the payments under fully executed contracts within 5 days maximum, etc.

### *Belarus*

**Ms. Lyudmila Guryanova, the Deputy Head of the Main State Treasury, explained that Belarus had not introduced a state of emergency due to COVID-19 with most enterprises operating which helps to maintain the budget inflows.** A decision was taken to freeze non-priority budget expenditures to make sure cash is available for urgent medical needs related to COVID-19. It was noted that to ensure business continuity it was decided that some treasury staff should take their accrued leave, with the remaining staff rotating weekly between working from home and from the office. The latter is required as some of the payments, such as those for security agencies cannot be processed remotely. It was also decided to close the entrance to the building of the Ministry of Finance for external visitors – interaction with them is now undertaken via electronic document management with full coverage of all central government agencies (although this does not yet include the spending units). Ms. Guryanova reminded TCOP that Belarus Treasury also performs some analytical and preliminary control functions that require review of the primary documents, but given the exceptional circumstances, the Treasury is accepting photo or scanned copies.

### *Moldova*

**Ms. Ina Darii, the Head of the Methodology Section of the State Treasury, informed the participants that the Emergency Committee of the Government instructed the public agencies to ensure that their staff can work remotely, and commencing March 18, the IT Center of the Ministry of Finance provided treasury staff with secure access to the information systems of the ministry.** On April 21<sup>st</sup> a package of laws to mitigate the impact of COVID-19 was adopted, which included reallocation of budget resources to support social benefits, transfers to the local budgets to compensate for the revenue losses, as well as an increase of the budget deficit. The treasury was given a waiver to allow advance payments for medicines and personal protective equipment, and direct contracting of the priority medical goods and equipment was introduced. Ensuring sufficient liquidity is the Treasury's priority these days, and this is ensured through the use of the Treasury Single Account, issuance of securities and attracting financing from the international financial organizations and other external creditors. A moratorium on audits and inspections had also been introduced in Moldova. The deadlines for submitting budget execution reports has also been extended until the state of emergency is lifted.



### *Ukraine*

**Ms. Nataliia Botsman, the Head of the Cash Management Unit of the Treasury, informed that several legal acts had been passed to support the fight of COVID-19.** This included amendments to the state budget law to set up a special fund which will be used to support immediate measures to fight COVID-19, including the provision of specific services and increase the salaries of medical professionals. Some of the provisions of the Budget Code, Labor Code, as well as Tax Code had been suspended for the duration of the emergency, including the waiver for the application of penalties and fines for not paying taxes on time or failure to meet reporting deadlines. Special provisions were introduced to provide the legal basis for home-based work, which was missing in the labor legislation. Ms. Botsman commented that while the Treasury of Ukraine is operating as usual, the number of staff that comes to the office each day was reduced by 70 percent (some staff work from home, others have taken their accrued leave). It was noted that the remaining 30 percent of the staff are able to support full operation of the Treasury. As in Belarus, there is a rotation of the staff working from home and from the office, which occurs every two weeks. Ms. Botsman explained that the treasury systems had been prepared for this mode of operation. Electronic document management was introduced in 2016 and immediately prior to the pandemic about 80 percent of the treasury's clients were already operating in this way. It was noted that practically all the clients work with the treasury in a remote mode. Ms. Botsman also commented that both budget execution reports as well as ministries' reports are submitted through the web-based system, which helps to perform the treasury functions without any delays. It was also noted that specific codes were introduced by the Treasury to track and report COVID-19 payments.

### *Russia*

**Ms. Ekaterina Semenova, the Head of Department for the Federal Budget Execution, thanked PEMPAL for bringing everyone together and opening this opportunity to discuss challenges faced by the treasuries.** Ms. Semenova noted that the Treasury of Russia had analyzed its functions and was able to ensure remote work arrangements for up to 85 percent of its staff at the federal level. It was explained that all levels of the budgets must contain expenditures to ensure smooth payments of the transfers to small and medium enterprises (SME), benefits and allowances to the individuals, including new ones related to COVID-19. Coupled with the fall in the budget revenues due to the closure of many businesses, cash forecasting is now at the forefront of treasury functions. Ms. Semenova explained that these days the treasury produces many informal daily forecasts (via telephone and other informal communication channels). The Treasury Single Account liquidity buffer was also increased to accommodate emergency expenditure. Placing of funds on the market was reduced and is currently done for a period of two weeks maximum, placements for a longer term are limited to demand deposits only. Ms. Semenova commented that in spite of the fact that there are many holidays in the public calendar in May many of the treasury staff will still be working to process increased payments to the SMEs and individuals. In conclusion Ms. Semenova noted that capabilities of the modern government information systems had allowed the Federal Treasury to work remotely and keep access to all the applications as if working from the office, and this is a huge step forward.



### *Turkey*

**Mr. Ilyas Tufan, the Deputy Director General of the Debt Office of the Ministry of Treasury and Finance (MoTF) and Deputy Chair of the TCOP spoke next regarding arrangements in Turkey.** Turkey is well recognized in PEMPAL for its focus on risk management and this was a key message from Ilyas during his presentation. Mr. Tufan shared that their business continuity plan was developed almost 10 years. MoTF had already formulated its set of fiscal & operational risks and control measures particularly for government cash & debt management and is seeking to mitigate those risks. Turkey is also exploring options for accessing liquidity during these difficult times and has undertaken specific stress testing for its operations in an effort to be better prepared in the event of any failures or challenges (for example, the Debt Office recently ran a simulation to conduct a debt auction from home). It was also noted that due to the fiscal measures introduced (provision of support to businesses and individuals, reprioritization of expenditures, etc.) the Treasury had to significantly revise 2020 cash and borrowing plans. Different types of borrowing instruments (Gold Bonds, FX Treasury Bonds) in addition to conventional ones are being utilized in order to meet the market demand more effectively during the COVID-19 pandemic. At the same time, based on the shared understanding of the need to improve liquidity management the authorities were able to further progress the Treasury Single Account project (the reform which was discussed with the PEMPAL peers on several occasions during earlier network's events).

### *Georgia*

**Mr. Levan Todua, the Head of the State Loans and Deposit Operation Department of the Treasury, indicated that a state of emergency had been declared in Georgia, including suspension of the operation of public transport.** This is a challenge for staff dependant on this mode for work and so the Treasury is now providing transportation for these affected staff. Mr. Todua indicated that the staff of the treasury involved with payments is divided into two teams that rotate attending the office. Treasury payments have been prioritized to ensure that the green light is given to wages, social benefits, including benefits to support those who lost their jobs due to the pandemic. It was also noted that as many businesses were experiencing a reduction in revenues the treasury has commenced processing refunds for the value-added tax in a streamlined mode.

### *Comments by WB Experts*

TCOP thematic advisors, Mr. Mark Silins and Mr. Mike Williams were invited to comment on the country presentations.

**Mark first noted how much the world and the challenges for PFM and Treasury had changed since TCOP last met in Moscow, in November 2019.** He welcomed the excellent resource documents that the WB had produced so quickly and encouraged countries to access these in support of their responses to the crisis. He also congratulated the TCOP leadership group and colleagues at the WB for convening this important event.



Mark emphasized that many of the reforms / trends discussed today and highlighted by the WB have clearly been at the forefront of the TCOP agenda over recent years. Moving to electronic payments and eliminating manual approvals, focusing on risk management, and more active management of treasury operations and specifically active cash management have been key themes at recent events. One advantage for many TCOP countries was the advanced state of electronic payment processes and systems in operation. This has resulted in countries being well placed to support more responsive government and accommodate emergency payment requests which has been important.

It is critical at this time that Treasury becomes a facilitator of economic activity and support rapid responses, while at the same time it should seek innovative ways to mitigate risks. He noted the approach in Turkey where Ilyas highlighted how Treasury was seeking to anticipate issues through sensible testing of areas of risk. It was important for Treasury to monitor and anticipate risk, working collaboratively with MDAs and audit to enhance detection, and strengthening ex-post review. This has to be done while ensuring no delays in payments which in many cases will be urgent.

Active cash management has become particularly important with spending for urgent requirements and fiscal stimulus an important element of government responses around the world. Countries need to plan and forecast for short term liquidity requirements and also for the emerging cash fiscal deficits which are likely to result. This will probably mean some tough decisions – most countries will be under pressure as a result. Some like Albania have already moved to eliminate lower priority spending completely.

Mark concluded by wishing everyone good luck both in their important work but also for their families and their countries.

**Mike Williams noted the impressive way in which many countries had responded to the challenges.** They had had to show flexibility in designing and managing new support programs, many of which directly affected expenditure as well as revenue or financing. At the same time, they had to ensure that payment and other delivery systems were adequate to the task. These objectives had been achieved, moreover, without seeming to jeopardise normal control, reporting and audit standards.

Some innovations were particularly striking. A number of countries had established some kind of Covid-19 fund, financed internally or externally, so that they could record and report on flows related to the new measures. It was important that the balances in these funds, as some presentations noted, were managed under the same control regime as other government cash resources, ideally integrated within the TSA. Secondly, the volatility of both inflows and outflows had brought a renewed focus on short-term cash flow forecasting, with some countries noting that forecasting of daily cash flows had become especially important. The volatility had also forced a review of the adequacy of cash buffers, with several countries noting an increase. In all these cases, the capacity enhancements required could usefully be retained into the future.

Looking beyond the immediate challenges, there would clearly be lessons to be learnt by all



countries for their PFM planning and procedures. Risk assessment and response and system reliance were both likely to feature higher on agendas.

**Ms. Elena Nikulina wrapped up the meeting** by noting that this videoconference had illustrated that TCOP should be able to operate virtually throughout the period when face-to-face meetings continue to be impossible. The challenges of the current period provide obvious prospects for further discussions within the Thematic Group on Use of Information Technologies in Treasury Operations. The videoconference also illustrated how the COVID-19 affected the national cash management in the member countries, therefore there is a room for the Cash Management Thematic Group to meet virtually, later in the summer, to discuss the new approaches. Ms. Nikulina also informed the participants that the Federal Treasury of Switzerland is ready to meet with the TCOP during one of the forthcoming videoconferences and share their experience with the PEMPAL network. The resource team will further work on the events timeline and will get back to the TCOP members with the details once confirmed.

