

PEMPAL TREASURY COMMUNITY OF PRACTICE

2021 Annual Plenary Meeting

COVID-19: CHALLENGES AND LESSONS LEARNT

June 1-9, 2021



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Executive Summary

1. **From June 1-9, 2021 the PEMPAL Treasury Community of Practice (TCOP) held a virtual annual plenary meeting.** This was the first plenary meeting of the whole TCOP held online. It was organized as a series of four videoconference sessions, three hours each. The objective of the plenary series was to provide an opportunity for TCOP members to share operational experiences from the COVID-19 pandemic period, identify lessons learnt and discuss the implications for the further development of the treasury systems and processes.

2. **Overall, the meeting was attended by 100+ TCOP participants from 17 PEMPAL countries** (Albania, Armenia, Azerbaijan, Belarus, Croatia, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Moldova, North Macedonia, Romania, Russian Federation, Tajikistan, Turkey, Ukraine and Uzbekistan). International speakers from the World Bank, International Monetary Fund, and other Europe and Central Asia (ECA) countries also joined the discussion. The meeting was facilitated by the World Bank team, including Elena Nikulina (TCOP Resource Team Leader), Yelena Slizhevskaya (TCOP Advisor), Galina Kuznetsova (Resource Team Member and PEMPAL Secretariat Supervisor), Ekaterina Zaleeva (PEMPAL Secretariat), Mark Silins and Mike Williams (TCOP Lead Thematic Experts), and Cem Dener (Lead Governance Specialist, Global Lead for GovTech).

3. The first session was held on June 1, 2021 and opened the plenary meeting with a discussion on the challenges posed by the pandemic on management of public funds and response to those challenges by the national treasury institutions. The tone for the session was set by the presentation by International Monetary Fund (IMF), which focused on managing risks under COVID-19, including the use of Fiscal Risk Assessment Toolkit. The session continued with a panel discussion during which participants had a unique opportunity to interact with the former Prime Minister of Moldova and the Heads of Treasuries of Russia, Kazakhstan and Albania. Several senior managers from other TCOP countries contributed to the discussion. The discussion showed that certain institutional factors allowed some countries to be better placed to respond to the COVID-19 challenges: (i) the countries had recently upgraded their systems and were therefore able to move fully to electronic transactions and messaging; and (ii) they had legal and IT frameworks that could support home-based work and allow more rapid procurements. Some of the countries had gone through a very difficult initial period as they were forced to introduce rapid adjustments from a lower base. The discussion highlighted the importance of business continuity plans and the need to underpin them by risk analysis.

4. The second session of the series was held on June 2, 2021 and looked at how the pandemic affected cash management and forecasting. The session was opened by presentations by the Bank and IMF teams who advised the participants on the following main four areas for future attention: (i) widening the Treasury Single Account (TSA) coverage, (ii) developing cash flow forecasts, (iii) establishing/maintaining sufficient cash flow buffer, and (iv) establishing safety nets to access new cash resources. The speakers also shared the advice on what cash managers could do to utilize all available sources of liquidity in the best way in

emergency circumstances. The treasury officials from Albania, Hungary, Turkey and Russian Federation shared how the pandemic affected cash management and forecasting in their countries. Some of the common responses included increased attention to short-term cash flow forecasts and the need to access wider cash pools. Borrowing plans had had to be revised, with more attention given to domestic markets, as external markets were effectively closed in the early months of the pandemic. As well as greater short-term issuance, reported actions included borrowing from state-owned enterprises, drawing down foreign exchange (FX) balances and launching new instruments.

5. During the final part of the second session the preliminary results of the *2021 TCOP survey on TSA and Cash Management in PEMPAL countries* were presented. 16 PEMPAL countries responded to the survey. 11 countries reported improvements in their TSA or payments systems over the last five years (since the previous survey in 2016), 7 countries reported cash flow forecasting and cash management reforms. 10 countries indicated that PEMPAL TCOP had contributed positively to their reform program - the usefulness of knowledge products, expert papers, study tours, and the sharing of experiences and best practices were all mentioned. Detailed information collected through this survey will inform the new TCOP knowledge product on TSA and cash management which is under preparation.

6. The third session of the series was held on June 7, 2021 and provided the participants an opportunity to discuss the key role of information technologies for the treasury response to the COVID-19 pandemic. The session started with presentation by Cem Dener on the central role that GovTech solutions play in building resilient and agile financial management information systems operations. A brief overview of the next generation dBrain (Korean Public Finance Information System) and the GovTech Maturity Index (GTMI) and GTMI report were also presented. IMF team also presented their initiative to prepare public financial management (PFM) digitalization guidelines to support practitioners in implementing or modernizing PFM information systems. The guidelines would include PFM IT systems functional and technological principles and would be developed for different levels of maturity of country PFM systems. The first draft is expected by September 2021 and the authors expressed interest to present the draft and receive feedback from countries, including from TCOP members.

7. The session also included presentations of three country cases by the representatives of Azerbaijan, Belarus and North Macedonia that illustrated how the countries maximize digitalization and maintain business continuity of operations, particularly given the need for remote access to systems and key processes necessitated by the pandemic. Important message from the day was that innovative use of digital technology is key for integration of PFM functions to produce better outcomes for clients/citizens. The need to ensure business continuity during COVID-19 had driven and accelerated innovations in this area.

8. The fourth and the last session of the series was held on June 9, 2021 to discuss improvements in public sector accounting and financial reporting that had taken place during the pandemic. The session started with presentation by the IMF on the good practices of

transparency and accountability of the COVID-19 response measures. The results of 2021 International Budget Partnership (IBP) rapid assessment were also presented, including the lessons on how governments can respond better to emergencies in terms of public access to information, adequate oversight arrangements, and opportunities for citizen engagement. The session continued with presentation by Mark Silins who focused on the important role of the Unified Chart of Accounts (UCoA) in supporting reporting for cross-cutting purposes such as the COVID-19 pandemic. The TCOP paper on optimization of the chart of accounts design¹ finalized and launched last year contains important practical recommendations on the topic.

9. Following the presentation, discussion continued in two separate groups where TCOP members shared their approaches to accounting and reporting of COVID-19 measures as well as other relevant updates. There had been rapid responses by treasuries and ministries to facilitate emergency spending and associated reporting. There were several examples of separate funds, both within and outside the TSA, as well as some cases of new programs and sub-programs and new economic items being added. Some countries had also developed forms of cross-cutting reporting although none explicitly within the existing charts of accounts. The main message from the closing session was the need to maintain focus on accountability during extraordinary times. The way a country's decision data elements (UCOA) are structured for managing and reporting across government is essential for the government's ability to respond to emergencies and maintain business continuity.

10. The plenary also provided an opportunity for the Executive Committee to report on implementation of TCOP activity plan. Mrs. Ludmila Gurianova, the Chair of the TCOP and the Deputy Head of Belarus Treasury, briefed the participants on the COP activities since the start of the pandemic. These included nine thematic videoconferences, four meetings of the TCOP Executive Committee, finalization of a knowledge product on optimization of the chart of accounts design, as well as initiation of the new one on TSA and cash management in PEMPAL countries. All events moved to the online format and included discussions of the professional challenges related to COVID-19. External evaluation of the PEMPAL program was also conducted in FY2021 to feed into the mid-term review of the PEMPAL 2017-2022 strategy. The evaluation concluded that the current PEMPAL model works very well and creates value for member countries, the region, and donors at relatively low cost, and the adjustments made by the COPs to cover topics related to public financial management during the COVID-19 pandemic were highly relevant to members.

11. **The plenary series has been very well received by the participants.** The results of the anonymous post-event evaluation survey indicate that the participants highly appreciated the format and content of all four sessions. The overall level of satisfaction with the event was 4.85 on a 5-point scale. The quality of the speakers' and organizers' work was evaluated between 4.8 and 4.9 points on the same scale. The sessions fully met expectations for 67 to 75 percent of respondents (depending on the session) and exceeded them for 25 to 33 percent

¹ <https://www.pempal.org/knowledge-product/optimizing-unified-chart-accounts-ucogas-design-tips-public-financial-management>

respectively. Oral and written feedback from the participants stresses the value of such exchange of experiences in the current context, as well as the importance of learning about the experiences and decisions taken by countries in extraordinary situations. During the final session of plenary series Mrs. Ludmila Gurianova, Deputy Head of Belarus Treasury and the TCOP Chair, said *"I would like to especially thank the resource team for the choice of thematic topics and presenters. All my colleagues agree that this plenary meeting had been very informative and satisfied our "hunger for knowledge". We are busy with our everyday problems and often try to find solutions without knowing what our neighbours are doing. Therefore, having this opportunity to learn from peers is very precious, as well as the satisfaction that comes from the opportunities to share your own approaches and lessons learned"*.

Introduction

12. **From June 1-9, 2021 the PEMPAL Treasury Community of Practice (TCOP) held a virtual annual plenary meeting.** This was the first plenary meeting of the whole TCOP held online. It was organized as a series of four videoconference sessions, three hours each. The objective of the plenary series was to provide an opportunity for TCOP members to share operational experiences from the COVID-19 pandemic period, identify lessons learnt and discuss the implications for the further development of the treasury systems and processes.

13. **Overall, the meeting was attended by 100+ TCOP participants from 17 PEMPAL countries** (Albania, Armenia, Azerbaijan, Belarus, Croatia, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Moldova, North Macedonia, Romania, Russian Federation, Tajikistan, Turkey, Ukraine and Uzbekistan). International speakers from the World Bank, International Monetary Fund, and other Europe and Central Asia (ECA) countries also joined the discussion.

14. **The event preparation and implementation was facilitated by the World Bank team**, including Elena Nikulina (TCOP Resource Team Leader), Yelena Slizhevskaya (TCOP Advisor), Galina Kuznetsova (Resource Team Member and PEMPAL Secretariat Supervisor), Ekaterina Zaleeva (PEMPAL Secretariat), Mark Silins and Mike Williams (TCOP Lead Thematic Experts), and Cem Dener (Lead Governance Specialist, Global Lead for GovTech).

Day 1 (June 1, 2021): Plenary Opening. COVID-19 Challenges and Lessons Learnt

Welcome and Overview of the Agenda

15. The plenary meeting was opened, and representatives welcomed, by **Mr. Daniel Boyce, Practice Manager (ECA East), World Bank**. He noted that the plenary was well timed. COVID-19 pandemic has posed unprecedented challenges for governments all around the world. Managers of public finances had to focus on how to quickly access the financial resources needed to pay for the crisis response, and how to make sure those resources were used for the intended purposes. Treasury operations were crucial and central to an effective response. Despite the greater unpredictability of the daily cash balances and cash flows, they had to ensure cash availability to pay for priority services, and put in place arrangements for the timely disbursement of funds, often under newly-designed schemes, with minimal bureaucratic layers. At the same time, adequate processes for integrity and transparency were required. This all had to be achieved in an emergency mode of operation which necessitated major technology and organizational adjustments at a time of great uncertainty and generated in many cases extreme workloads for the treasury personnel.

16. Mr. Boyce also noted that the World Bank had been impressed by the continuing work of the TCOP during this extraordinary period; virtual meetings had proved useful in exchanging information, a process that would be continued during the plenary meetings. He thanked all participants for attending, especially senior country officials and IMF colleagues

notwithstanding pressures on their time, and also thanked the World Bank resource team for their work in preparing the meeting series.

17. **Mrs. Ludmila Gurianova, Chair of the PEMPAL TCOP Executive Committee (ExCom) and Deputy Head of the Belarus Treasury**, in her opening remarks also noted the importance and value of being able to continue TCOP meetings online and to exchange information. She mentioned in particular the knowledge products, e.g. on the chart of accounts, and webinars on the TSA and cash management. Everyone's efforts and interest had been greatly appreciated. She went on to stress that the agenda of these meetings was a response to the needs and requests of all countries; and asked the participants to complete and return the questionnaire about proposals for the future events of the TCOP that the Secretariat had already circulated.

"The PEMPAL network provides unique experience – it was already in April 2020 when we were able to meet at PEMPAL event and share with each other how we organized work in pandemic, what measures we implemented. It was just invaluable. The TCOP promptly switched to online mode, and I hope everyone felt the effect and support which colleagues provided each other by sharing information."

Ludmila Gurianova, Deputy Head of Belarus Treasury and TCOP Executive Committee Chair

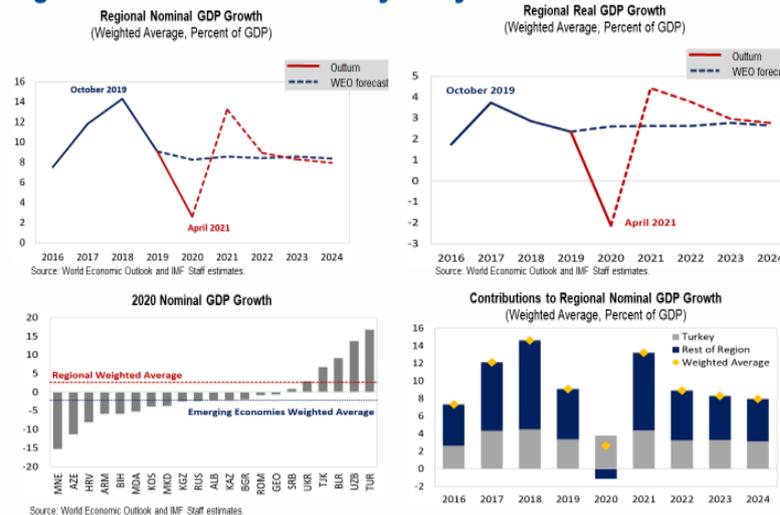
18. **Ms. Elena Nikulina, TCOP Resource Team Leader**, welcomed all participants on behalf of the resource team. She noted that a record number of people had connected to this first plenary meeting held online, and thanked the ExCom for supporting the idea of the virtual plenary and contributing to the development of its agenda and all the members for their interest in and thematic contributions for individual sessions. Ms. Nikulina noted that media often refers to the pandemic as "an ideal storm" or "unprecedented crisis", but at the same time there is not much professional literature available on the topic yet while the economic and social consequences of the pandemic will be felt for a long time. Therefore, the first session of the plenary series is devoted to COVID-19 challenges and lessons learned.

Managing Risks under COVID-19

19. **Mr. Jason Harris, Deputy Division Chief, Public Financial Management 1, Fiscal Affairs Department (FAD), IMF**, introduced the topic. He noted that the lockdown in many countries had major implications for economic activity and hence the required responses by Treasuries. Many of these responses in turn increased risks, particularly fiscal risks associated with implicit and explicit guarantees, but also operational risks. Mr. Harris noted that the ECA region had experienced significant economic volatility over the last year, and it was unlikely that GDP growth would return to trend until 2023 (see slide). There had in turn been a deterioration in government finances and an increase in debt ratios (although the increases were not as dramatic in the ECA region as in some others). The fiscal responses worldwide had been substantial, some USD 16 trillion, about half in increased spending or tax cuts, and half in liquidity support, although emerging market and lower-income countries had not been able to respond as substantially as advanced countries. In the region, additional spending had

focused on health programs, wage subsidies and unemployment benefits, with tax deferrals for small and medium enterprises (SMEs) and the self-employed. State guarantees and below-the-line measures had been important; but if they were to crystallize, there would be a significant impact on debt ratios which made it important to keep track of the potential liabilities and manage the risks.

Central Asia and Eastern Europe experienced significant economic volatility last year



INTERNATIONAL MONETARY FUND

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20. Continuing, Mr. Harris drew attention to the Fiscal Risk Assessment Toolkit being developed by the IMF (see slide).² The intention was to achieve a better understanding and improved management of risk exposures, more transparent reporting and more resilient public

IMF supports countries to better assess and manage debt vulnerabilities and fiscal risks

In addition to strengthening public debt management and debt sustainability analysis, the IMF is developing and expanding its fiscal risk toolkit



INTERNATIONAL MONETARY FUND

- Better understand risk exposures
- Improve management of fiscal risks
- More transparent reporting of risks
- More resilient public finances

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finances. He also stressed the importance of addressing operational risks and business disruption which could have spill over effects on the delivery of government services and on the functioning of financial markets. To ensure operational resilience under business disruptions, Treasuries should have Business Continuity Plan which: (i) is focused on “high-impact” risks and on the critical functions and activities of the treasury; (ii) assists in preventing,

² The modules of the Toolkit cover: fiscal risk assessment; the public sector balance sheet; a health check tool; forecasting and stress testing of state-owned enterprises; loans and guarantees assessment; a fiscal stress test; a COVID-19 stress test, and a public-private partnership fiscal risk assessment.

preparing for, responding to, managing, and recovering from the impacts of an incident or disruptive event; and (iii) on urgent basis, simple measures undertaken can make a big difference.

Panel Discussion

21. The panel discussion was opened by **Mr. Ion Chicu, former Prime Minister and Minister of Finance of Moldova**. He stressed his pleasure at being in touch again with TCOP members; but went on to pay tribute to Ms. Angela Voronin, former State Secretary of the Ministry of Finance Moldova and a long-standing Chair of TCOP, who passed away in September 2020.

22. Mr. Chicu outlined some of the challenges faced by the Ministry of Finance and the Treasury in Moldova. 2020 had been an election year for the country and given the 40% fall in revenues it was very difficult to provide for already budgeted expenditures, not to mention new needs to finance the pandemic response measures. The government had had to increase domestic borrowing which had been enhanced by emergency support from the IMF. At the same time the authorities had not cancelled infrastructure investments since these were an important policy measure to support individuals returning from abroad (providing jobs for construction workers). Apart from health expenditures unemployment support had been increased, in supporting businesses the priority was given to those that continued operating (including by reimbursement of the payroll taxes). The Ministry of Finance of Moldova had a shortage of professionals even before the pandemic, which had further exacerbated during the lockdown when work in shifts and home-based work were introduced. At the same time professionalism and dedication of the staff helped to avoid payment delays and assure business continuity of Treasury's operation.

23. Mr. Chicu also shared the lessons for the future based on Moldova's experience. These included: (i) the government should be able to react promptly to the changing situation, this could be implemented through transparent and accountable contingency funds to avoid lengthy approvals by the parliament, (ii) the importance of good collaboration and information exchange with local government authorities, as well as ministries, departments and agencies – this had been ensured by modern ICT and interoperability of the information systems, (iii) countries like Moldova should find a way to significantly increase public investments to support the jobs and stimulate the economy in these challenging circumstances, (iv) human capital is the key and the public sector should be focused on capacity building and further developments in information technologies to enable sustainability of management under any emergency situations.

"The pandemic forced Moldova to declare a state of emergency and a lockdown for the first time in its history. Almost all public entities were closed, while the MoF and the Treasury switched to remote operation very quickly using the information technologies implemented earlier in the public sector with World Bank and other development partners' support"

Ion Chicu, former Prime Minister of Moldova

24. **Mr. Roman Artyukhin, Head of the Federal Treasury of Russia**, started with sharing that surprisingly enough the 2020 turned out to be a good year for the Federal Treasury which managed to cope well with the increased demands - the number of payments increased more than by 50%, the Treasury worked together with Central Bank over the weekends to ensure that president's decisions on support to businesses and individuals are implemented (paid out) literally during the next day. Revenues had fallen by 7%, while the expenditures had to be increased by 25%, the debt ratio had risen from 11% to 16% of GDP. A spending package of RUB 4.3 trillion had been agreed, including 1.5 trillion for anti-COVID-19 measures and support to the health sector and RUB 0.5 trillion for support to families with children. Additional support was also being given to subnational governments and businesses. Mr. Artyukhin

"Surprisingly enough, 2020 turned out to be a good year for the Russian Treasury. We coped well with the workload despite the increase in the number of payments by more than 50% and the need for the staff to work six or seven days per week during several months. Implementation of our strategic goals remained on track. <...> Banking system coped well and thanks to the work of Treasury on the payment technologies funds were transferred timely. This also helped to increase the trust in the government. Such crises enable us to seek new opportunities."

Roman Artyukhin, Head of the Federal Treasury of Russia

echoed Mr. Chicu's message about importance of maintaining or increasing public spending on infrastructure to support jobs. Mr. Artyukhin also stressed the importance of fast decision-making in the government's response and the role that modern information systems play. E.g., the authorities used big data and modern information systems operated by the Federal Tax Service to identify (in the mode close to real time) specific sectors of economy that required support.

25. Speaking of the Federal Treasury's operation Mr. Arthukhin noted that from April to July 2020 its staff hardly had any weekends, working six or even 7 days per week, around 75% of the staff worked remotely. The pandemic facilitated the demand for new capabilities of the government information systems, including: (i) tracking down the time when payments (such as support to families and bonuses for health workers) were credited to beneficiaries accounts; (ii) the capability of the treasury information system to generate (drill down to) reports at the level of individual spending units or even individual pay checks (of health workers for example); (iii) high speed of pandemic response transactions processing; (iv) transition to home-based work (HBW) had been successful, and the government is considering to give the HBW the same status as the work in company's premises.

26. The pandemic had not affected implementation of strategic plans of the Treasury: (i) in 2021 the Treasury consolidated the federal and subnational treasury liquidity under one account transforming the role of the Federal Treasury to one of a "quasi-bank", (ii) successfully implemented the centralized accounting reform in 2020 and further expanded its coverage at the federal level in 2021. It was noted that there was no need for the Treasury to amend the rules of operation or procedures, apart from speeding up all the processes, but such changes were implemented at the level of Government and the Ministry of Finance (MoF). This was

mainly due to the need to amend already approved budget – the Treasury had been authorized to perform redistribution of budget allocations following the Government’s decisions without any additional consent from the MoF or MDA’s to speed up the process (traditionally this was the task of the MoF).

27. **Mrs. Alma Beja, General Director, General Directorate of Treasury, Ministry of Finance and Economy, Albania**, emphasised that Albania had been hit by a double shock - when the first case of COVID-19 was identified in March 2020, the country was already suffering from the earthquake of November 2019. These events were a challenge for the Treasury, especially since not all the processes were possible to conduct online as well as many of experienced staff were not able to work online. Mrs. Beja identified challenges in four main areas: (i) human resources and how best to ensure work continuity; (ii) liquidity and funding, which required continuous collaboration between the debt and cash management functions with daily forecast updates; (iii) communication and prioritization; and (iv) complying with current laws and regulations as well as the need to revise them (see slide below). The Ministry had made a number of policy responses. These included changes to the budget law, reprioritising payments, bringing forward a Eurobond issue, and extending state loan guarantee schemes.

“Albania was hit with double crisis last year - the consequences of November 2019 earthquake followed by the pandemic. The General Directorate of Treasury responsible for budget execution, liquidity management, accounting and financial reporting of the government was seen as the institution of primary importance during the lockdown.”

Alma Beja, General Director, Treasury Directorate, Albania

Main challenges

DPTH Human Resources Health protection and meantime assuring work continuity.	Liquidity and funding	Communication with main institutions and reporting	Law and Instruction
<ul style="list-style-type: none"> • Identification of key people and structures. • Make sure all the requirements anti Covid were met. • Identification of people that can work online 	<ul style="list-style-type: none"> • Payment prioritization • Daily forecasts updates. • Continuous collaboration with Debt and Liquidity Committee to assure financing. 	<ul style="list-style-type: none"> • Determination of key reporting issues and prioritization. • Determination of main information to be received by General Directorate of Treasury 	<ul style="list-style-type: none"> • Determine the new law / regulations for Covid – 19 purposes only. • Complying with existing laws and respecting deadlines.

28. The lessons identified by Albanian Treasury included: (i) the value of the crisis response team, (ii) identification of payment needs and priorities, (iii) intensified collaboration and exchange of information, both with the central and commercial banks, as well as with MDAs, (iv) the need to improve IT infrastructure, and (v) to supplement laws and instructions with emergency operation provisions. Two other observations mentioned by Mrs. Beja included

that transparent reporting on emergency measures requires significant resources and effort, and the main asset of the government is dedicated and trained staff.

29. **Mr. Anuar Jumaldidaev, Chair of the Treasury Committee of the Ministry of Finance of Kazakhstan**, reported that the State Treasury had responded rapidly to the crisis. Most Treasury employees were working remotely. New simplified procedures for budget preparation, approval and execution were adopted, including delegation of authority to approve amendments to the republican budget to the Head of the State. Extension of the

“The pandemic has pushed many organizations, including the treasuries of the region, to rapidly change their approach to work. This allowed us to rethink our plans and objectives for the execution of the state budget”

Anuar Dzhumaldidaev, Chair of the Treasury Committee of Kazakhstan

reporting timeline and special procedures for public procurement were introduced³. The unified platform to contact any of the public agencies was launched to support remote processing of requests coming from businesses and individuals.

30. **The panel discussion was followed by further sharing of experiences between the participants.** Conversation mostly focused on countries’ approaches for public procurement and payment prioritization:

- Mr. Chicu explained that under the state of emergency **Moldova** simplified procurement procedures for medical supplies (decisions were authorized by commission on procurement). The reform of public procurement was ongoing since 2017 with wide introduction of modern ICT solutions, this facilitated smooth procurement processes. In prioritization of expenditures priority was given to debt payments, wages and social payments, health expenditures, etc., there was no need to amend the legislation since the law on public finance already contained provisions for prioritization of expenditures in emergency situations. At the same time during most challenging times (in spring and early summer of 2020) daily expenditure prioritization decisions were supported by clearances from the management of the ministry of finance to avoid accumulation of arrears.
- Mr. Tengiz Chikanaev, Head of Analysis Division of the Treasury Committee of **Kazakhstan**, explained that the government had issued simplified procurement procedures for selected goods and services that shortened their duration, allowed more leniency in applying the rules, for example lifting requirements on collateral or waiving application of the penalties during the pandemic. Priority was given to maintaining personal protective equipment in good supply. The commitment time for making payments by the Treasury was progressively reduced, to 8 hours and then to 6 hours from the time of issuance of the payment instruction.
- Mrs. Guryanova shared that by the second half of 2020 the impact of COVID-19 was becoming apparent in **Belarus** which affected the availability of supplies. Some

³ For more details see materials of April 29, 2020 and September 15, 2020 TCOP videoconference events

procurement constraints were removed, particularly for medical supplies, and single source procurements pursued. A waiver for paying penalties on termination of public contracts had also been issued given the overall challenges with delivery of the contracts. Expenditure priorities were mostly those that had applied prior to the pandemic (e.g. wages, health, and debt servicing).

31. **Mr. Bari Iseni, Head of Treasury Department of the Ministry of Finance, North Macedonia**, noted that the pandemic accelerated further enhancements to the treasury ICT – modernization of the PFM information systems and their interoperability with MDAs systems had further progressed with World Bank’s support.

32. **Mrs. Gurianova** echoed Mr. Chicu on importance of information technologies, including essential role of cyber security, as well as capacity of the human resources. Belarus Treasury invested in developing detailed user guides for each of the core processes performed by the treasury staff to ensure continuity of its operations during the pandemic or any other potential emergency.

33. **Mrs. Zhazgul Amanova, Head of Report Consolidation Division in the Central Treasury of the Ministry of Economy and Finance, Kyrgyz Republic**, spoke about technical capabilities for remote work, as well as digital signature implemented to support online work with information systems. Staff of Kyrgyz Treasury was widely using various chat (social media and messengers) options to communicate when working out of office. Mrs. Amanova shared that following the lockdown treasury information systems had been upgraded for automatic processing of COVID-19 expenditures, at the same time this had raised the challenge of ensuring transparency of reporting on COVID-19 related payments (this will be discussed in more detail during the fourth session on June 9, 2021).

34. Summarising the discussion, **Mr. Mike Williams**, made two points. Firstly, he stressed that the response of Treasuries in the region had been very impressive. They had generally been able to design new schemes, re-prioritise expenditures and handle revenue shortfalls and financing challenges. There had been almost no recourse to central bank financing. Secondly, there had nevertheless been different experiences depending on the resilience and flexibility of a country’s legal framework, systems environment, human resources and financing options. Those countries that had recently upgraded their information systems, moved fully to electronic transactions and messaging, and had legal and IT frameworks that could support home working and allow more rapid procurements were better placed. Some of the countries had gone through a very difficult initial period as they were forced to introduce rapid adjustments from a lower base.

Report of the TCOP Executive Committee

35. At the end of the first day of the plenary **Mrs. Gurianova reported on behalf of the TCOP ExCom on activities of the COP since April 2020**. She noted they were aimed at achievement of the TCOP strategic goals but had to be adjusted for the pandemic. All four

thematic groups⁴ continued their operation in the virtual mode. There had been 9 videoconferences with participation of 292 TCOP members (from 11 to 17 countries each time). The events covered treasuries' responses to COVID-19 challenges, a presentation from the Swiss Federal Treasury on the integration of cash and debt management, recent reforms of the Treasury Committee of Kazakhstan, updates from a number of members on their information systems and in particular from Albania on the overall architecture and functionality of its management information system, on recent work on debt and cash management practices, and on the knowledge product on the design of the chart of accounts with relevant experiences from Kazakhstan and Belarus. The 2021 TSA and Cash Management survey had also been launched.

36. Mrs. Gurianova drew attention to the external evaluation of the PEMPAL program which was conducted in FY2021 to feed into the mid-term review of the PEMPAL 2017-2022 strategy. The evaluation concluded that the current PEMPAL model works very well and creates value for member countries, the region, and donors at relatively low cost, and the adjustments made by the COPs to cover topics related to public financial management during the COVID-19 pandemic were highly relevant to members. Mrs. Gurianova passed on her



External Evaluation of the PEMPAL program

- The evaluation was commissioned by the PEMPAL Steering Committee, to feed into the mid-term review (MTR) of the PEMPAL 2017-2022 strategy. It used existing PEMPAL monitoring data as well as additional research tools, such as interviews with senior officials, mini-country case studies and a survey of network members.
- 11 senior officials, including members of TCOP Executive Committee were interviewed, 48 TCOP members took part in the on-line member survey. Belarus, Georgia, Moldova and Uzbekistan represented TCOP country case studies.
- The evaluation noted the breadth of Treasury functions covered by the work of the TCOP, compared to the BCOP and the IACOP, and that the more frequent use of VCs prior to the COVID-19 pandemic helped members adapt better to the new virtual reality.
- **MANY THANKS to everyone who participated!**
- **Overall, the evidence of this evaluation points to the current PEMPAL model working very well and creating value for member countries, the region, and donors at relatively low cost. The adjustments made by the COPs to cover topics related to public financial management during the COVID-19 pandemic were highly relevant to members.** ¹²

thanks to everyone who had participated in the evaluation interviews and member surveys. Looking forward, she invited the participants of the plenary series to share their thematic priorities to inform the TCOP action plan for the upcoming period.

Concluding Remarks

37. Closing the session, Mrs. Nikulina thanked everyone for their active participation and sharing first-hand their heartfelt experiences from working in COVID-19 environment. The three forthcoming sessions of the series will focus on topics that had always been the focus of the TCOP discussions, but the pandemic had raised additional concerns and challenges and it may be useful for the countries to reflect and share solutions identified.

⁴ These are thematic groups on evolution of treasury role and functions, on the use of IT in treasury operations, on cash management and forecasting, and on public sector accounting and reporting

Day 2 (June 3, 2021): How the Pandemic Affected Cash Management and Forecasting

Welcome and Overview of the Agenda

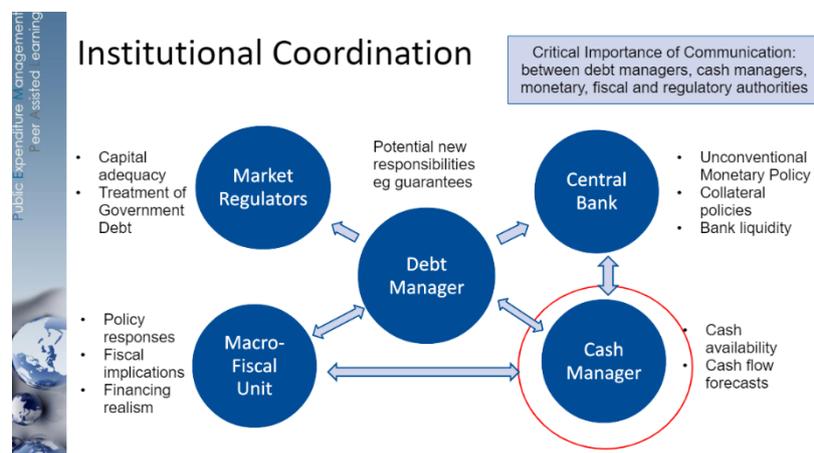
38. **Mr. Ilyas Tufan, Deputy Director General, Directorate General of Debt Office, Ministry of Treasury and Finance of Turkey, TCOP Deputy Chair and the Leader of the Cash Management and Forecasting Thematic Group**, welcomed all participants. He briefly reviewed some of the work that the cash management and forecasting thematic group had managed to continue despite the pandemic. The virtual meetings had covered treasury responses to COVID-19, a presentation on cash and debt management interaction from the Swiss Federal Treasury, public finance management practices of the Kazakhstan Treasury, and the World Bank's paper on sound cash management practices in other countries. The extensive list of events and discussions held illustrates that the cash management group had been even more active during the pandemic. He went on to thank all participants and the resource team for their contributions and welcomed external experts to the meeting.

39. **Ms. Elena Nikulina, PEMPAL Resource Team Leader**, also thanked everyone for the interest in this session and invited Mr. Tufan to moderate the discussion. She noted that there was a substantial agenda ahead, with the broad intention to dig deeper into many of the cash management issues that had been identified in the first plenary session two days previously.

Cash Management and Cash Flow Forecasting: the Implications of the Pandemic

40. **Mr. Mike Williams, TCOP Lead Thematic Advisor**, opened the discussion by noting that most countries had faced similar challenges. Liquidity and financing needs had increased substantially, and the variable access to external markets put more pressure on domestic markets. Some countries had had to issue shorter-term securities with implications for future refinancing risk, although there were differences depending on the structure of the economies and the extent of external assistance. All countries had to put more effort into forecasting cash, particularly in the periods immediately ahead; debt management strategies had to be revisited; and the adequacy of cash buffers questioned. Many countries were able to access new cash resources, although surprisingly few were forced into borrowing from their central bank.

Central bank decisions, however, had been crucial, with monetary policy and regulatory relaxations hugely improving bank liquidity and hence demand for government securities. As a result, although yields often rose at the start of the

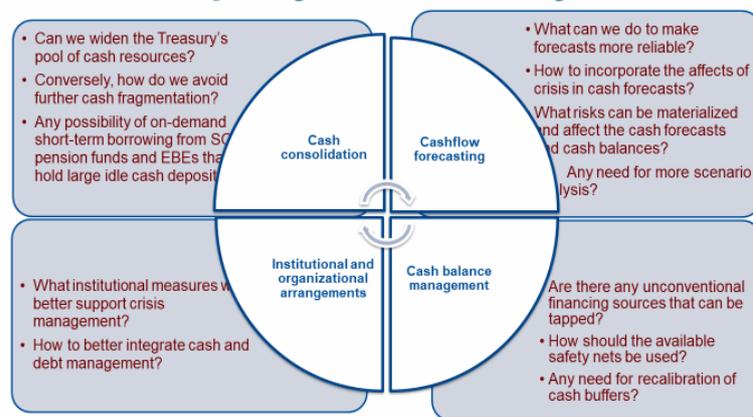


pandemic they had tended to fall back. Continuing, Mr. Williams stressed that this experience drew attention to the importance of communication between debt managers, cash managers, and the monetary, fiscal and regulatory authorities. That had always been important but became especially so during the pandemic. He identified the areas for future attention: in widening the TSA, cash flow forecasts, the cash flow buffer, and safety nets (to be explained in more detail in the next presentation). The speaker also advised the countries on the need to develop a “finance continuity plan” to set alongside their business continuity plan.

41. **Ms. Yasemin Hürcan, Senior Economist, Public Financial Management I, FAD, IMF** focused on government cash management under fiscal stress, referring also to the material that the IMF had recently published. The pandemic had been challenging for finance ministries: immediate responses had been required for the health and welfare services while ensuring effective functioning of government. Both the economy and individuals needed support, whether through cash transfers or guarantees. All these responses had liquidity implications, putting more attention on cash management – which was likely to be sustained after the pandemic both to support spending and in coordination with other functions. At the same time challenges and risks had multiplied as a result of higher financing needs, greater uncertainty and constrained access to financial markets. Notwithstanding this, opportunities existed to push through further reforms using the pandemic as a driver.

42. Ms. Hürcan reemphasized the four areas for the future attention of cash managers as illustrated on the below slide. Cash consolidation was important, even for countries with a

What can cash managers do to utilize all available sources of liquidity in the best way?



INTERNATIONAL MONETARY FUND

TSA. There might be opportunities for speeding up the movement of cash, improving sweeping or accessing pools of cash elsewhere in the public sector. In relation to cash forecasting, it had become clear that top-down

information was no longer sufficient. Moreover, forecasts increasingly had to be exchanged on a daily basis with the budget office, debt managers or the central bank. Scenario analysis was particularly useful to inform decision-making, and Ms. Hürcan noted the IMF's development of a “COVID-19 Stress Test Tool”. Short-term borrowing options had to be widened to sustain cash balance management. That required tapping all available resources, including expanding credit lines and overdraft facilities; cash buffers also needed to be recalibrated and the feasibility of using other reserves, e.g. sinking funds or foreign exchange (FX) balances, explored. She noted that, where countries had had extra support from the international financial institutions (IFIs) or an

over-subscribed eurobond issue, they had often used some of the proceeds to build buffers. Institutional and coordination arrangements had to be strengthened, with high-level groups for tactical and operational decision-making supported by the technical team providing cash forecasts and advice on cash balance requirements. That required an integrated framework for debt and cash management as well as exploring the possibilities of IFI lending and liability management operations from a cash management perspective.

Country cases

Hungary

43. **Mr. Tamás Pál Török, Head of Division, Department for Budgetary Synthesis and Data Service of the Hungarian State Treasury**, explained that, as in other countries, Hungary had to introduce measures to address the health effects of the pandemic and offset the

“I agree with colleagues that this crisis is a possibility and an obligation in itself for governments to revisit their cash management and cash forecasting practices and to upgrade them. This was also a perfect test to see how the processes are working”

Tamás Pál Török, Hungarian State Treasury

negative impacts on the economy, at a time when revenues were falling. The general government deficit had been below 3% from 2012 to 2019 but rose to 8.1% of GDP in 2020; the public debt ratio rose from 65.5% in 2019 to 80.4% of GDP in 2020. The government had set out a medium-term budgetary path with the deficit reducing

again to 3% by 2024. As part of its response, the government had established three funds on pandemic control and economic protection; and the 2021 budget had provided additional resources aimed at restarting the economy. The Treasury requested more frequent information on the budgetary flows and in turn had to provide more information to the debt management agency (ÁKK) to allow it to plan issuance over the period ahead. Cash flow forecasts were subject to considerable uncertainty given the short-term horizon of many procurement decisions. **Mr. Andras Rez, Deputy CEO of the Hungarian Debt Management Agency (ÁKK)**, continued the presentation by noting that the debt management strategy had to be modified as a result of the increased deficit. Financing sources were widened, with financing channels becoming more volatile and liquidity risk increasing. But the ÁKK had issued a number of eurobonds, along with green bonds and samurai bonds. The purchases of institutional investors in the domestic market were supported by the central bank’s bond purchase program. In the event the ÁKK met the financing requirement without resorting to increased Tbill issuance. A new retail instrument (MÁP+) was also successful; and retail holders should prove more stable investors in the event of future market turbulence. The ÁKK was also incentivising banks to provide online facilities for the investment in government securities. Continuing, Mr. Rez noted that liquidity management became much more difficult in 2020. The shorter reaction times required improved information sharing, and greater domestic market volatility required an increase in auction frequency, although that had been supported by the central bank’s monetary policy bond purchases. Some of the proceeds from FX borrowing were added to liquidity reserves, the cash buffer was increased several times during the year and retained in the TSA, rather than being invested back into the banking sector. Until

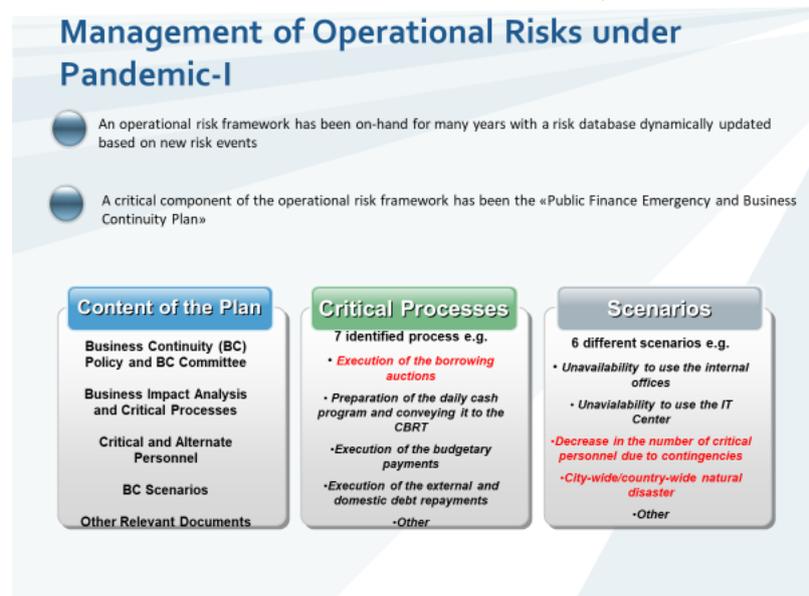
2021 budgetary forecasting consisted of only few lines (items) daily, but in 2021 a new program started among MoF, State Treasury, and Debt Agency to improve cash flow forecasting and now the budget deficit is planned using more detailed revenue and expenditure plans

Turkey

44. In the following presentation **Mr. Tufan** outlined the changes in the organisational arrangements for cash and debt management within the Ministry of Treasury and Finance in Turkey, and the coordination role played by the debt and risk management committee. The government initiated a wide range of measures to limit the impact of the pandemic; many directly affected the central government budget and the cash balance but others had indirect effects through e.g. the demand for government securities from extrabudgetary funds. Relaxation of banking regulations and central bank monetary policy measures had tended to support demand for government debt.

45. Mr. Tufan stressed that very close coordination between debt and cash management was essential to keep primary balance projections and domestic borrowing in line. Forecasts were dynamically revised based on realizations and established day-to-day coordination mechanisms intensified. A higher liquidity buffer was targeted. Greater emphasis had to be put on the domestic market with an increased reliance on short-term borrowing, but that had been facilitated by the wide range of instruments available.

46. Turning to operational risk management Mr. Tufan explained that a critical component of the management framework was a “public finance emergency and business continuity plan”. That had identified critical processes (including execution of auctions) and included a contingency plan tested against different scenarios (see slide). In the early months of the pandemic, action plans were developed, and critical processes reconsidered with key personnel identified for different scenarios. Remote working trials were conducted, and different types of auctions simulated which in turn helped to execute a higher than normal number of auctions. A comprehensive inventory of communications with major stakeholders was also developed.



Russian Federation

47. **Mrs. Ekaterina Semenova, Head of the Department of Ensuring Implementation of the Federal Budget, Federal Treasury, Russia**, recalled the dramatic cash deficit that had

been generated in the second quarter of 2020 as a result of reduced budget receipts and increased budget payments to support citizens, SMEs, healthcare and other affected sectors. A new law allowed funds to be reallocated quickly. But the Treasury had to fulfil commitments in an

unconditional and timely manner, with many more payments to be made including some outside the country. Both instant and operational liquidity were increased as was the minimum cash balance (see slide). The previous objective of a zero cash balance had to be revisited. In relation to the duration of placements, Ms. Semenova explained that the Treasury had put more emphasis on shorter-term deposits and repo in Q2 and Q3 even if losing in return on potential investments.



Payments continuity in the context of a liquidity crisis



The objective – to fulfil commitments in an unconditional and timely manner

RESPONSES



review the investment policy and composition



increase instant and operational liquidity*



increase minimal account balance
(not needed in case the first two measures are implemented)

*Instant liquidity – a cash source to provide cash to the TSA by 10 a.m. of the working day following the day when the need for such cash emerged (e.g., demand accounts, credit lines)

Operational liquidity – a cash source to provide cash to the TSA during the working day following the day when the need for such cash emerged (e.g., overnight REPO, currency SWAP)

3

48. Mrs. Semenova summarised the major change in the structure of the Russian Federation's TSA since January 1, 2021. Before then it comprised the accounts of the federal budget, but there were some 44,000 accounts held in the Bank of Russia by lower levels of government, extrabudgetary funds and other non-budgetary legal entities. Under the reform, all regional level and municipal level accounts were integrated within the TSA alongside federal level accounts, with subaccounts also for relevant autonomous entities and other non-participants in the budget process. The Treasury pays interest on the new balances. Following the integration, the resources in the TSA were (at end April 2021) nearly RUB 4 trillion higher than they would have been otherwise. The reform had in turn created a number of challenges, in particular the need to design a new forecasting model taking account of the flows of newly integrated entities, to improve targeting algorithms taking account of changes in volatility, and for greater diversity in cash management instruments.

"I remember our last year meeting, when all of us were confused and were mostly sharing with each other technical details of organizing our work in pandemic environment, the transfer of a huge number of staff to a remote work format, as well as the departure of some of the staff to sick leave. Now, after a year, we can note with satisfaction that we have coped with most of it, have become stronger and have found new tools for our work, some of them even more convenient and interesting"

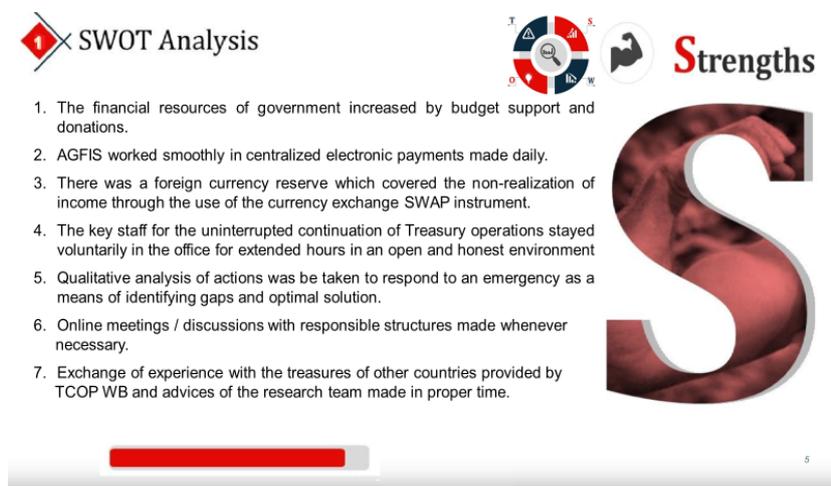
Ekaterina Semenova, Federal Treasury of Russia

49. In answer to subsequent questions Mrs. Semenova explained that regions did not unduly object to the reform because they were assured that their rights would be protected; and municipalities would for the first time benefit by receiving some interest on their cash balances. Although there was no phasing of the TSA consolidation, the change took place over the quiet holiday period at the beginning of the year following a longer period of preparation. She noted that, since a large number of transactions now took place within the TSA, the number of payments through the banking system had actually fallen as a result of the reform. Mrs. Semenova agreed to give a more detailed presentation to the TCOP peers when the reform was better established.

Albania

50. **Mrs. Mimoza Pilkati, Director of the Treasury Operations Department, General Directorate of Treasury, Ministry of Finance and Economy**, emphasised that Albania had managed uninterrupted execution of key treasury functions despite the very difficult environment (a period that saw not just the pandemic but also a major earthquake). The immediate challenges had been to prioritise expenditures and speed up procedures - this was supported by March 24, 2020 instruction on implementation of the budget in conditions of natural disaster. Payments had to be closely monitored against inflows, a process that required strengthened cooperation between the treasury and debt management department, and increased communication with line ministries to support cash flow forecasts.

51. SWOT analysis conducted by the authorities illustrated main strengths, weaknesses, opportunities and threats. Strengths included availability of budget support and donations which had increased the government's financial resources, and a FX reserve (the latter had been



SWOT Analysis

1. The financial resources of government increased by budget support and donations.
2. AGFIS worked smoothly in centralized electronic payments made daily.
3. There was a foreign currency reserve which covered the non-realization of income through the use of the currency exchange SWAP instrument.
4. The key staff for the uninterrupted continuation of Treasury operations stayed voluntarily in the office for extended hours in an open and honest environment
5. Qualitative analysis of actions was taken to respond to an emergency as a means of identifying gaps and optimal solution.
6. Online meetings / discussions with responsible structures made whenever necessary.
7. Exchange of experience with the treasuries of other countries provided by TCOP WB and advices of the research team made in proper time.

Strengths

5

integrated in the TSA via a currency swap). Key staff stayed voluntarily in the office for extended hours and emergency actions were analyzed and costed to identify gaps and the best ways forward. There had been some weaknesses, reflecting income shortfalls, increases in the deficit and debt, and the failure of some Tbill auctions (although a two-year bond had been issued domestically as well as an external bond of EUR 650 million). Looking forward, new projects for improved information and interaction between different financial management systems provided opportunities. But Mrs. Pilkati noted that there were still threats: in particular the information system was not able to function remotely for security reasons and some manual data entry was still required, the financial impact of future decisions would continue to be important in lieu of the fiscal rule for the target of deficit and debt.

52. Following up on the countries' presentations Ms. Hürcan emphasised that many countries had had to give to prioritising payments. She noted that several had managed to widen the TSA or access other cash pools within the public sector. It was certainly the case that in future more thought would need to be given to cash flow volatility and the risk of market disruption, and the implications of that for the cash buffer.

Overview of the Results of the 2021 Survey on the TSA and Cash Management in PEMPAL Countries

53. **Mr. Williams** gave a summary of the results of the survey to update the status of the TSA and cash management and forecasting in PEMPAL countries since the 2016 survey.

54. Mr. Williams noted that all 16 countries had a TSA located in the central bank; in 13 of those countries subnational cash balances were also included in the TSA (a proportion that was higher than elsewhere in the world). In relation to receipts, all the TSAs covered tax and non-tax revenues; there was extensive but not complete coverage of other inflows. Most revenues were transferred directly to the TSA along with some use of zero balance accounts for same day collection. In relation to payments, every country used either the real time gross settlements (RTGS) or a batch payment system, with most countries having direct access to the banking system rather than through a banking provider (which was also a somewhat higher proportion than elsewhere in the world). As would be expected in view of RTGS connectivity, e-payments dominated all major payment categories. 10 of the 16 countries received interest on at least some cash balances at the central bank. Most countries had a documented relationship with the central bank; surprisingly, central banks seemed more likely to charge fees than commercial banks.

55. Turning to cash management, Mr. Williams noted that 11 of the 16 countries had a high-level cash management objective, in most cases in terms of efficiently supporting budget execution. Just three countries had a formally established cash buffer, although others were likely to operate a buffer in practice. Forecasting infrastructure seemed more developed than in 2016 although it was difficult to judge how good forecasts were in practice. There were different institutional structures, although the traditional arrangement in the region (of separate treasury and debt management functions with cash management straddling them) still dominated. However, more than half the respondents managed short-term investments separately from short-term borrowing, although some countries did have a high-level cash coordination committee. As expected, Tbills dominated short-term borrowing, although Tbonds were also used to respond to cash shortages (as was cash rationing in some countries). Although a few countries use reverse repo, term deposits with commercial banks or the central bank were more common.

56. Summarizing responses to the last block of survey's questions, Mr. Williams shared that out of 16 countries 11 reported improvements in their TSA or payments systems over the last five years, 7 countries reported cash flow forecasting and cash management reforms that had taken place. 10 countries indicated that PEMPAL had contributed positively to their reform

program - the usefulness of knowledge products, expert papers, study tours, and the sharing of experiences and best practices were all mentioned. Fewer had so far identified the impact of COVID-19 on cash management or were currently planning changes following the pandemic.

57. Mr. Williams thanked the 16 countries who had completed the survey and for very full responses. He emphasised that these are only summary results, a more formal and extensive report would follow later in the year

Concluding Remarks

58. The main conclusion from the session was that almost all countries had suffered unprecedented liquidity shocks; but they had responded remarkably quickly and effectively. As Ms. Hürcan had emphasised, immediate responses had been required for the health and welfare services and support to individuals and companies. All these actions, coupled with revenue shortfalls, had major liquidity implications, putting more attention on cash management. It had been interesting and educative to learn more of treasuries' rapid and often innovative responses. Some of these were common across the group, with the need to give more attention to short-term cash flow forecasts and to access wider cash pools. Borrowing plans had had to be revised, with more attention given to domestic markets, as external markets were effectively closed in the early months of the pandemic. As well as greater short-term issuance, reported actions included borrowing from state-owned enterprises, drawing down FX balances and launching new instruments (Hungary's MÁP+).

59. The messages for the future were especially relevant. In some case the pandemic had drawn attention to system or process weaknesses that would now need to be corrected. Similarly, although the TSA and cash management survey was reassuring that progress had been made in most countries over the last five years, it was also clear that there remains much to be done in many. The pandemic had thrown into sharp relief the importance of an understanding with the central bank about the management of domestic liquidity. Cash buffers would need to be reviewed, in the context of developing a wider finance continuity plan. Particularly interesting was the role that might be paid by scenario analysis, emphasised by Ms. Hürcan but also used to good effect in Turkey. The group would also want to learn more in the future of how Russia is extending its TSA to include lower levels of government and non-budgetary agencies.

60. Closing the session Mr. Tufan shared that there were clear messages coming both from the experts and country presentations on critical parameters of cash management and cash forecasting systems, on the importance of well-established and mature systems of cash forecasting, cash buffers and TSA arrangements and coverage. These major pillars get much more importance during the pandemic and we need to be much more cautious when defining their major parameters. Mr. Tufan added that this has been a very enjoyable and fruitful event and thanked all the speakers for their excellent contributions.

Day 3 (June 7, 2021): COVID-19 Pandemic and the Transformational Role of Information Technologies

Welcome and Overview of the Agenda

61. The session was opened by co-leaders of the TCOP Thematic Group on the Use of Information Technologies (IT) in Treasury Operations. **Mr. Nazim Gasimzade, Head of IT**

Department of State Treasury Agency of Azerbaijan, thanked the World Bank for organizing this event that allowed the TCOP members to virtually meet and discuss the challenges of work during the pandemic. He shared his view that this was not only a stress test for the information systems and technologies behind the treasuries' operations,

"The pandemic was not only a stress test for the information systems and technologies behind the treasuries' operations, but an opportunity to revisit and promptly improve the technologies and processes"

Nazim Gasimzade, State Treasury Agency of Azerbaijan

but an opportunity to revisit and promptly improve the technologies and processes. **Mr. Andrei Narchuk, Director of the Data Processing Center of the Ministry of Finance of Belarus** agreed that IT, and the crucial role it played in supporting treasury operations, indeed remained a common theme of all the plenary sessions. Mr. Narchuk also shared his appreciation for the many interesting events organized by the TCOP during the year. He especially noted the experience shared by peers from Albania and Kazakhstan in the fall 2021 and its usefulness for the ongoing IFMIS development in Belarus. Mr. Narchuk emphasized that during the pandemic implementation of ICT initiatives was accelerated which brought treasury operations to a new technological level.

"Implementation of ICT initiatives was accelerated during the pandemic which brought treasury operations to a new technological level"

"Experience shared by peers from Albania and Kazakhstan during videoconferences in fall 2021 was very useful for the ongoing IFMIS development in Belarus"

Andrei Narchuk, Director of the Data Processing Center of the Belarus Ministry of Finance

62. Welcoming the participants of the session **Ms. Elena Nikulina** noted that, in spite of how busy IT staff were during the pandemic, the Thematic Group on the Use of IT in Treasury Operations continued to meet virtually to share knowledge and discuss with their peers. The group had several dedicated meetings, as well as participated in a joint virtual meeting with the public sector accounting thematic group. Some countries had accelerated their ICT reforms and some had to adjust their plans; and this session, the third in the plenary series, would look at the country experiences of Azerbaijan, Belarus and North Macedonia as well as at the global trends and initiatives presented by the World Bank and International Monetary Fund.

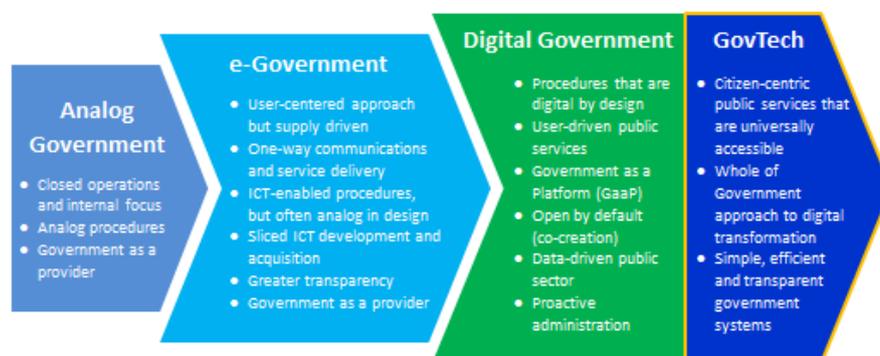
COVID-19 Responses: GovTech Solutions

63. The first presentation of the session was delivered by **Mr. Cem Dener, Lead Governance Specialist and Global Lead for GovTech (World Bank)**, and focused on the central role that GovTech solutions play in building resilient and agile FMIS operations as demonstrated during the COVID-19 crisis. Mr. Dener noted that the World Bank Group had prepared several guidance notes in 2020,⁵ highlighting the importance of the following system-related actions among others: (i) go virtual to ensure business continuity; (ii) innovate and identify process work-arounds but always track expenditure; (iii) never lose the audit trail; and (iv) use technology during and after the crisis. The existing digital transformation efforts in the public sector of the Europe and Central Asia countries had enabled them to adapt rather well to the challenges of pandemic. *GovTech* was the latest generation of digital transformation reforms (see slide below), which represented a whole-of-government approach to public sector modernization and promoted simple, efficient and transparent government with the citizen at the center of reforms.



Evolution of Digital Government

Digital transformation of the public sector can be seen as a continuum - GovTech is the latest generation of these reforms



Source: World Bank; Extending the OECD's presentation of digital transformation in Digital Government Studies (2019)

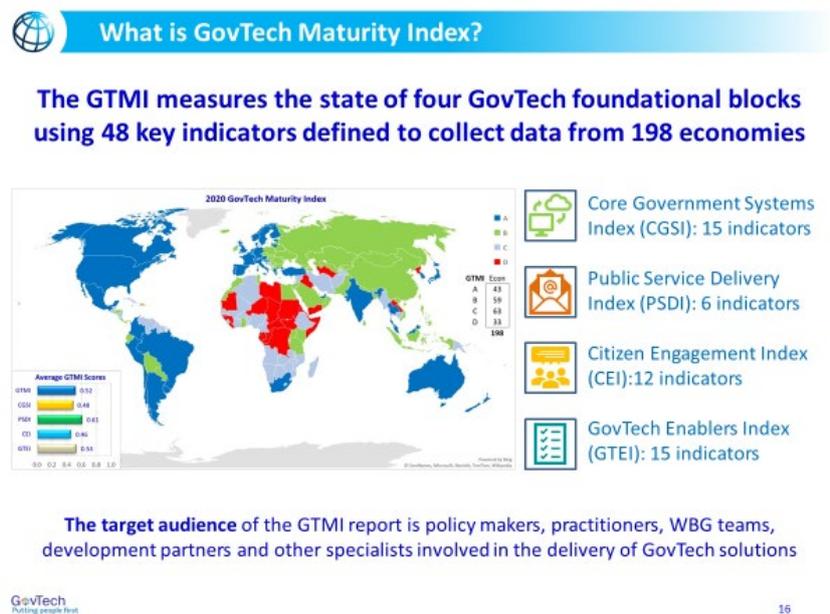
64. Continuing, Mr. Dener noted three aspects of public sector modernization emphasized by the GovTech approach: a whole-of-government approach to digital transformation; citizen-centric services that are universally accessible; and simple and efficient government systems. The GovTech agenda also encompassed effective use of *disruptive technologies* (e.g., artificial

⁵ The notes were brought together on the Governance & Institutions COVID-19 Response Resources page at: <https://www.worldbank.org/en/topic/governance/brief/governance-institutions-COVID-19-response-resources>. See "Role of Supreme Audit Institutions (SAIs) in Governments' Response to COVID-19"; "Ensuring Integrity in Governments' Response to COVID-19"; and "Agile Treasury Operations during COVID-19."

intelligence/machine learning, cloud ,etc.), *public data platforms* (promoting the use of public data by individuals and firms); *local GovTech ecosystems* (supporting local entrepreneurs and start-ups); and greater use of *public-private partnerships* to draw on private sector skills, innovation and investment to address public sector challenges. As examples, Mr. Dener shared how the existing tax system in North Macedonia had been converted to an emergency COVID-19 response platform, and how South Korea’s dBrain solution had been upgraded for operation in the virtual (hybrid) environment as part of its COVID-19 emergency response measures.

65. In the second part of his presentation Mr. Dener provided a brief **overview of the next generation dBrain**. The Korean Public Finance Information Service (KPFIS) started to upgrade dBrain in December 2019, with plans for the new system to be launched in January 2022. The modules of the system were being customized to capture data from all levels of government (including subnational governments and state-owned enterprises), combining information on all the transactions of the entities covered. Artificial intelligence and machine learning tools would be used to produce estimates and forecasts not only of a fiscal nature, but also of macro-financial statistics including key financial reporting disclosures. It would not only focus on financial reporting, but the connection with economic, social, administrative and macro data would enable analysis of the job/employment situation and the livelihood of citizens, as well as monitoring external volatility affecting different sectors of the economy. Its data analytical platform (sandbox) would expose the rich set of data for internal and external users, including firms, individuals, and researches.

66. In the final part of his presentation Mr. Dener provided participants with a brief overview of the **GovTech Maturity Index (GTMI)**, that measures the state of four GovTech foundational blocks using 48 key indicators defined to collect data from 198 economies (see slide). He explained that a GTMI report would be published soon which would provide useful information and highlight good practices for possible application in different countries.



67. Responding to questions from **Mr. Gasimzade (Azerbaijan)**, Mr. Dener clarified that “going virtual” did not mean commercial cloud solutions only – one of the options for authorized users was to connect to disaster centers through a VPN from home and/or from mobile devices. There was, however, a trend for cloud solutions; according to the GovTech

data there were 62 government clouds (99 percent of them were private/exclusive government clouds), another 40 countries were on their way to operationalize government clouds, and some countries were moving to hybrid (government/private) solutions. Following the question on whether analytical functions of dBrain were supported by internal or outsourced data analysts, Mr. Dener explained that, at the development stage, they relied on private sector support, but when the solution went live they would take full ownership of the system, including having their own data analytics staff.

Country Cases

Belarus

68. A series of country presentations was opened by **Mr. Viktor Petrenko, Head of Information Security Department of the Data-Processing Center of the Ministry of Finance, Belarus**. He explained that the Data Processing Center was a multi-functional IT-company offering a full range of services for information and technical support to the Ministry of Finance, its territorial bodies, local financial bodies, and budgetary organizations. The Center was responsible for technical maintenance of crucial objects of automation, technical maintenance of server equipment, regular technical maintenance of telecommunication infrastructure, information security support, information support, and maintenance and support for the functioning of information systems. Mr. Petrenko highlighted the key threats to business continuity identified by the Center, how secure remote access was organized for Ministry of Finance staff during the pandemic, and the online communication technologies used to ensure operations. It was noted that the ongoing World Bank project also supported acquisition of equipment and software that enabled the Data Processing Center to improve its risk management practices, including, to protect and control of workstations, ensure secure connection of remote users, detect and prevent leakage of confidential information and ensure cryptographic protection of information. Mr. Petrenko noted that during the peak loads the Center handled about 150 concurrent users. There had been several DDoS attacks in 2020 which were successfully managed – as a result there were no incidents which impacted business continuity during 2020-21.

Azerbaijan

69. **Mr. Nazim Gasimzade, IT Department Head, State Treasury Agency, Azerbaijan** presented the recent expansion of the scope of the Treasury Information Management System (TIMS). He explained that, although the system had been in operation since 2011 it was not covering the whole country. At the beginning of 2020 it covered 35 out of 87 regional treasury offices servicing 2,600 spending units and 500 TIMS users equal to about 70 percent of the budget (see the slide to the right). The remaining 52 regional offices (4,900



spending units) were using the treasury legacy system. The TIMS is an SAP-based system, so the challenge was to increase its scope without increasing the number of licenses. This was resolved in 2020 through revision and consolidation of the treasury offices. Starting in 2021



the number of regional treasury offices was reduced to 26 (see the slide to the left), which covered 7,500 spending units, and the number of direct TIMS users was reduced to 470. Following a question for clarification on how reduction of the users was achieved, Mr. Gasimzade explained that, during the expansion of the TIMS coverage, it had not been possible to significantly increase the number of direct users given the cost of licenses.

Therefore, the treasury reviewed utilization of existing user roles and reassigned those that were not effectively used to other regional offices. This enabled a reduction in the number of users that require an SAP license. Only 1 region (Nakhchivan Autonomous Republic) was currently not covered by the TIMS. Spending units' access to selected TIMS functionality is provided through a specially designed web portal and thus does not require an SAP license.

70. Mr. Gasimzade also mentioned the infrastructure improvements introduced during the pandemic. Firstly, these related to remote work arrangements – the IT personnel had to ensure that personal devices of the staff were in line with corporate requirements of the Treasury; this was enforced through a Network Identity Service approach. There were also improvements in cloud technologies – the intra-government cloud was launched in 2016, and the State Treasury Agency continued to improve its security, usability, and the quality of the services provided; the pandemic had accelerated these improvements.

North Macedonia

71. Ms. Biljana Minoska, Assistant to the Head of the Treasury Department, Ministry of Finance of North Macedonia presented IFMIS developments in her country. She explained that the process of IFMIS implementation had started with the PFM Reform Program for 2018-2021. The core document of the PFM reform was the new Organic Budget Law (OBL) which was currently with the Parliament. The OBL was expected to be

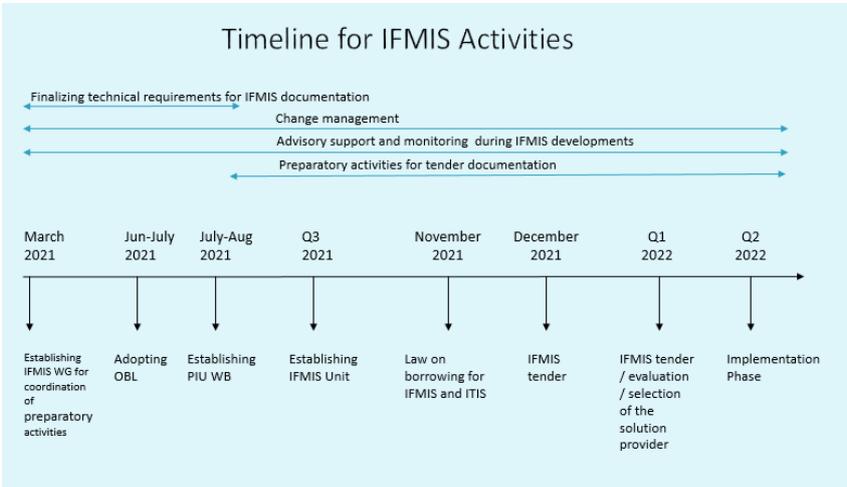
IFMIS Modules to Support OBL and PFM Reforms	
1. PBM > Planning and Budgeting Module	
• BPM > Multi-Year Budget Preparation	Replace e-Budget, e-Circular
• PIM > Public Investment / Project Management	New
• MPC > Monitoring of Projects and Contracts	Enhance FAMA
• REG > Management of registries & budget classifications	New
2. BEX > Budget Execution Module	
• MBA > Management of budget allocations	Replace TrIS
• MEX > Management of expenditures	Replace TrIS
• MRE > Management of receipts	Replace TrIS
• CCM > Commitment control & management	Replace e-Commitments
• CFM > Cash forecasting and management	New
• ACC > Accounting / General Ledger	New
3. OTH > Other PFM Modules	
• PDM > Public Debt Management	Replace e-Debt
• FAM > Fixed (& Financial) Asset Management	New
4. TGR > Transparent Government Reporting	
• OBD > Financial reports/ Open Budget Data (generated from IFMIS)	New
• DWH > Data warehouse, BI tools, Web Portal	New
5. INT > Interfaces with other PFM Systems	New

approved soon and would be enforced from January 2023. The IFMIS should support implementation of the OBL (see the slide); development of the requirements for the new system had therefore been initiated in parallel to development of the reformed business processes. The first draft of the requirements was ready in December 2019 and the final version was expected in June 2021.

72. Ms. Minoska noted that work on the IFMIS had started in late 2018 with support from the World Bank. During the pandemic, some of the activities were delayed, but the ministry continued to work with experts online during 2020. Notwithstanding its impact on the timing of the project, the pandemic also further emphasized the need for digitalization and integration of the PFM processes. Several important decisions were made by the Minister in 2020, including creation of a separate IFMIS unit to ensure that a dedicated team worked on the project, as well as the financing of the IFMIS with a World Bank loan. It was agreed to base the IFMIS on a hybrid platform with core PFM modules available via a shared IFMIS platform, supplemented by a web portal / interfaces to connect budget users and several other decentralized functions. The IFMIS would service 1,360+ institutions and 6,000 users from central and local government, mostly connected online. The timeline for the IFMIS activities is illustrated in the slide.

“Notwithstanding its impact on the timing of the project, the pandemic also further emphasized the need for digitalization and integration of the PFM processes”

Biljana Minoska, Ministry of Finance of North Macedonia



73. Continuing, Ms. Minoska emphasized that the new IFMIS would support the whole range of new and/or improved PFM functions; it is expected to improve the efficiency of PFM operations by facilitating the transition from existing fragmented and disconnected systems to a centralized web-based shared platform benefiting from the latest digital technologies. This is a big reform, especially since it involves simultaneous work on the new IFMIS and the new OBL and its bylaws, which was already a huge change for the whole PFM system. She commented that the main risks of the IFMIS lay in change management – human capacity, teamwork and motivation of staff involved in the project.

74. Opening the question and answer session Ms. Nikulina emphasized how much effort had already been invested by North Macedonia and congratulated the project team for such an impressive progress. **Ms. Yelena Slizhevskaya, of the TCOP Resource Team**, asked Ms. Minoska for details on change management initiatives of the project. She explained that, since the MoF staff were overloaded with their regular work, they could not dedicate enough time for daily implementation of the IFMIS. Therefore, the decision was made to establish a separate IFMIS unit. This unit would be part of the MoF, but from the legal perspective its staff would not be employed by the ministry, thus allowing an increase in salaries and motivation. Half of the staff would come from MoF, the rest would be attracted from the IT and other related sectors. Following a question from **Mr. Gerardo Uña (IMF)** on the digital innovations of this future IFMIS, Mr. Dener explained that this hybrid solution (mostly custom developed) would utilize a data-warehouse for data analytics; there would be new technology components collecting data from all sources within the government supporting a public data platform promoting a whole-of-government approach; shared platforms would be converted to government cloud; and digital signature and document management systems were to be introduced along with a highly integrated procurement system. In response to Ms. Nikulina's question on how the new business processes were designed. it was explained that the initial design of the business processes was funded by the European Union (2014-2015), and subsequently by the World Bank (in 2018) which supported several consultancy projects to update/revise the documents and develop the new OBL and related methodologies.

Public Financial Management Digitalization Guidelines

75. **Mr. Gerardo Uña, Senior Economist, Public Financial Management Division, FAD, IMF** informed the participants about the IMF's initiative to prepare PFM digitalization guidelines. Mr. Uña started with an overview of the main challenges in the transformation of FMIS design during the past 30 years. The below slide illustrates the main FMIS design challenges that were identified by the 2019 FAD survey.

II. Key FMIS' Design Challenges

- A survey of 46 countries conducted by the FAD in 2019 shows that failures of FMISs in developing countries result from many factors, including:
 - Failure to carry out an adequate Conceptual Design
 - Poorly-defined functional requirements
 - Automation of existing inefficient business processes
 - Inefficient parameterization of COTS solutions
 - Short cuts taken to ensure that the FMIS is up and running early
 - Failure to modernize basic PFM processes (e.g., chart of accounts) in parallel to the FMIS development
 - Substantial implementation delays and cost overruns

More information available on "[How to Design a Financial Management Information System: A Modular Approach](#)". Gerardo Una, Richard Allen, and Nicolas Botton. FAD How to Note 19/02

76. The aim of the PFM Digitalization Guidelines was to support practitioners on how to implement or modernize PFM IT solutions to enhance public financial outcomes, including service delivery to the citizens. The guidelines would include PFM IT systems functional and technological principles and would be developed for separate levels of maturity of PFM IT systems in different countries (basic, intermediate, advanced). The guidelines are being prepared by the IMF's core working group with support from Bill & Melinda Gates Foundation staff, as well as other general consulting groups (PFM/IT communities of practice, development partners, industry, civil society, government officials, academia). The guidelines would be mostly focused on the core PFM IT systems – Treasury, Budget, Accounting and Fiscal Reporting, supplemented with review of the cyber risks, fiscal transparency portals, digital innovations and service delivery to the citizens.

77. Mr. Uña reported that the authors of the guide had noted that many countries faced severe challenges in modernizing their core FMISs associated with the systems' core functions, institutional coverage and IT platforms. Replacing a core FMIS with an entirely new system was unlikely to be the optimal strategy in most cases, and solutions to the challenge should be country specific. The FAD aimed to finish the first draft of the Guidelines by September 2021 and would be interested to present the draft and receive feedback from countries, including from TCOP members.

78. During the discussion that followed **Mr. Andrei Narchuk (Belarus)** commented that it would be very interesting to see the proposed descriptions of the levels of maturity of PFM IT systems, since very often the preferred approach to improve the FMIS was to do so in a gradual way.

Concluding Remarks

79. **Mr. Mark Silins of the TCOP Resource Team** provided a summary of the main takeaways from the third session of the plenary. The keynote speakers, Mr. Dener and Mr. Uña, were recognized as leaders in the field and the plenary was very fortunate to have them both at this event. Interestingly Mr. Dener focused on how digital reforms and Govtech could enable high performing PFM systems, whereas Mr. Uña's presentation and draft paper were structured around the major PFM functions and how digital innovation could enhance performance. Thus, while the two presentations approached the topic differently, they both drew the same general conclusions. Both presentations and experts focused on how to maximize the utility of modern digital solutions to provide government with the highest possible performance in PFM. The challenges were immense, with a continual drive for improved client-oriented performance of government. The country presentations from Belarus, Azerbaijan and Macedonia provided practical examples and reinforced the key messages from the experts and included insights into three countries at different stages of redevelopment, with Azerbaijan's main treasury system in place for some time, Belarus currently implementing a new system and North Macedonia planning for future implementation.

80. Continuing, Mr. Silins noted that, notwithstanding these differences, all three countries had sought to maximize the digitization of processes, and maintain business continuity of operations, particularly given the need for remote access to systems and key processes. As an example, Azerbaijan had achieved almost full coverage of TIMS across the country through a combination of digital improvements and streamlining business processes. North Macedonia had undertaken recent changes to its design specifications after seeing some of the challenges during the pandemic, while Belarus had a strong focus on business continuity including by detecting and preventing cyber-attacks. Business continuity was also on the radar during the first two sessions of the plenary that discussed the lessons learned by the treasuries during the pandemic and its effects for cash management and forecasting. The common theme coming from the discussions over the last three days was that the FMIS was a mission-critical system, and countries must make sure business operations had continuity, particularly in providing access to government payment services even during a pandemic.

Day 4 (June 9, 2021): Pandemic as an Opportunity to Improve Public Sector Accounting and Financial Reporting

Welcome and Overview of the Agenda

81. **The session was opened by Mrs. Ludmila Gurianova, Deputy Head of the State Treasury, Ministry of Finance of Belarus, the Chair of the PEMPAL TCOP ExCom and the leader of the Thematic Group on Public Sector Accounting and Reporting.** She welcomed the participants to the last day of the plenary session and noted that the virtual plenary meetings had been very successful; the TCOP had received much interesting information from participants. Issues of accounting and reporting in the public sector were central to the agenda of the respective thematic group; and the discussions ahead would serve as a good wrap-up before the summer break.

82. **Ms. Elena Nikulina, PEMPAL Resource Team Leader,** expressed gratitude to all participants for their attention and dedication to the plenary so far; the high number of participants had been a good indication of the interest and relevance of the topics. The session would include presentations by Ms. Nino Tchelishvili, a colleague and long-time member of the TCOP, now with the IMF, on Transparency and Accountability of COVID-19 responses; and from long-time TCOP expert Mr. Mark Silins on Optimizing the Unified Chart of Accounts (UCOA) for cross-cutting reporting requirements. This knowledge product had been initiated before the pandemic, but during its finalization had been upgraded to cover different approaches for capturing COVID-19 revenues and expenditures under the UCOA. Time in the day ahead would be spent in small group discussions, to give everyone the opportunity to speak and share country experiences. Ms. Nikulina hoped that these discussions might provide further input for a separate analytical note on how the UCOA could be used to enhance recording of revenues and expenditures during the pandemic.

Transparency and Accountability of COVID-19 responses

83. **Ms. Nino Tchelishvili (Fiscal Affairs Department, IMF)** presented the two technical notes prepared by IMF at the onset of the pandemic with regard to transparency and accountability⁶ together with some examples from a number of countries on adapting or introducing new practices one year into the pandemic. She also presented a brief overview of the rapid assessment undertaken by the International Budget Partnership on accountability gaps. In April 2020, the IMF advised countries to do what it takes to protect lives and livelihoods, but to “keep the receipts” (in design, implementation and oversight of support packages), with fiscal transparency, public accountability, and institutional legitimacy being the important principles of governments’ response to the pandemic. The emphasis was put on maintaining strong PFM practices. The key issue in the design of support packages was to ensure a balance between the urgency and timeliness of the response with ensuring transparency. On implementation, it was necessary to monitor measures and report to the public. In relation to oversight, the key challenge was to put in place comprehensive reporting and public accountability procedures, so that oversight institutions and the public at large could assess progress and implementation.

84. Ms. Tchelishvili emphasised the importance of keeping the receipts as the emergency measures were prone to corruption, rent-seeking behaviour, and lax controls as a result of the urgency. Speedy implementation required adapting controls, not abandoning them. Preserving the procurement system, safeguarding against corruption and waste, was critical as well as continuing to use the existing IFMIS and payment controls. Maintaining the supply chain and developing tracking systems were also important; more audits were needed to verify pandemic spending. Specific requirements were placed on countries receiving IMF assistance, especially in relation to publication of data.

85. Continuing, Ms. Tchelishvili reported on the fiscal monitor’s review of how measures had been implemented. More developed countries (including in the ECA region) had used normal budget channels while adapting their budget classification and programs and their FMIS. Dedicated COVID-19 funds were used in a number of countries, sometimes when PFM systems were weak(er). Transparency information was typically included in budget execution reports, although some used dedicated portals. Some countries published information on procurement contracts, including on beneficial ownership. Supreme Audit Institutions (SAIs) stepped in to provide stronger ex-post controls (as ex-ante controls were relaxed); civil society and media also helped with oversight.

⁶ [“Keeping the receipts: designing, implementing and overseeing the support package”](#) and [“Budget Execution Controls to Mitigate Corruption Risk in Pandemic Spending”](#).

86. Rapid assessments by the International Budget Partnership (IBP) had covered 120 governments over the period March to September 2020 to draw lessons on how governments could respond better on emergencies. They had suggested a severe lack of reporting on emergency measures, with limited procurement transparency and insufficiently timely audits. Ms. Tchelishvili was nevertheless able to note some good examples of reporting on specific measures and their impact (see slide). The next assessment hopefully would bring better results and more efficient implementation of COVID-19 responses.

5.2 Level of accountability in early COVID fiscal policy responses by countries

Level of accountability	No. of countries	Countries
Substantive	0	
Adequate	4	Australia, Norway, Peru, Philippines
Some	29	Bangladesh, Brazil, Bulgaria , Canada, Chile, Colombia, Costa Rica, Croatia, Fiji, France, Germany, Indonesia, Italy, Jamaica, Japan, Kyrgyz Republic , Mongolia, New Zealand, Nigeria, Paraguay, Poland, Portugal, Sierra Leone, Slovakia, Slovenia, South Africa, Sweden, United Kingdom, United States
Limited	55	Afghanistan, Angola, Argentina, Armenia , Azerbaijan , Bolivia, Bosnia and Herzegovina , Botswana, Cameroon, China, Côte d'Ivoire, Czech Republic, Dominican Republic, Ecuador, El Salvador, Georgia , Ghana, Guatemala, Honduras, Jordan, Kazakhstan , Kenya, Lesotho, Liberia, North Macedonia , Madagascar, Malaysia, Mali, Mexico, Moldova , Mozambique, Namibia, Nepal, Nicaragua, Niger, Pakistan, Papua New Guinea, Romania , Russia , Rwanda, Senegal, Serbia , Somalia, South Korea, Spain, Sri Lanka, São Tomé e Príncipe, Thailand, Timor-Leste, Togo, Trinidad and Tobago, Uganda, Ukraine, Vietnam, Zambia
Minimal	32	Albania , Algeria, Benin, Burkina Faso, Burundi, Cambodia, Chad, Comoros, Dem. Rep. of Congo, Egypt, Equatorial Guinea, Eswatini, Ethiopia, Hungary , India, Iraq, Lebanon, Malawi, Morocco, Myanmar, Qatar, Saudi Arabia, South Sudan, Sudan, Tajikistan , Tanzania, The Gambia, Tunisia, Turkey , Venezuela, Yemen, Zimbabwe

Source: Managing COVID Funds The accountability gap, IBP, May 2021

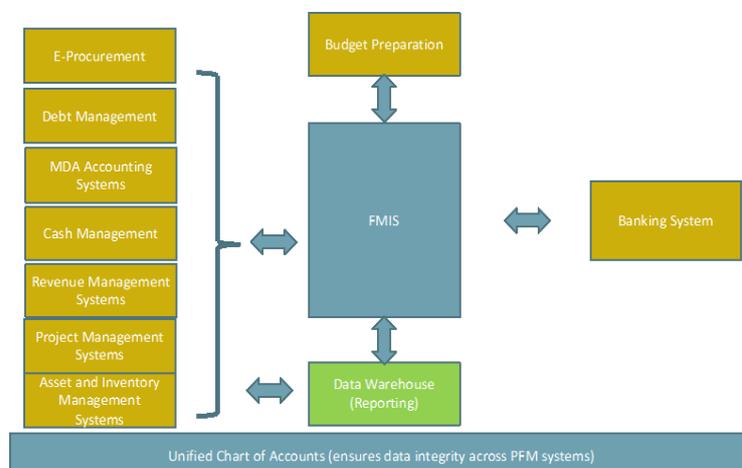
Examples of good practices in reporting:

- **Australia and Bangladesh** - extensive reports on implementation of specific policy measures, and their impact on various disadvantaged groups, including women.
- **USA**, launched the website "Track the Money" with the data on COVID19 response programs
- In **Peru**, a joint government-civil society working group, published a report on the impact of the COVID-19 response on various groups. The open data portal provides updates on the level of implementation of specific programs.

INTERNATIONAL MONETARY FUND

Optimizing the Unified Chart of Accounts Design for Cross Cutting Reporting Requirements

87. **Mr. Mark Silins, TCOP Lead Thematic Expert**, delivered the next presentation focusing on the important role of the Unified COA in supporting reporting for cross-cutting purposes such as the COVID-19 pandemic. Mr. Silins noted how important the UCOA was in general in providing the data structures for linking all PFM functions and systems. Traditionally, public accountants were focusing on financial reporting only, but nowadays the data structures for budget preparation, treasury execution, statistical,



macro-fiscal and managerial reporting requirements are at the core. This could be seen in the adjacent slide where a single unified structure operated across all PFM sub-systems, allowing seamless exchange of data and the linkage up- and down-stream across all major government PFM processes.

88. Mr. Silins noted that many countries had successfully integrated supplementary reporting into existing COA structures, usually by adding new coding items. While this might provide adequate reporting capacity, in some cases it might also impinge on existing reporting requirements, with the new codes having a mutually exclusive relationship to existing reporting structures. When one modifies existing COA segments this may affect other classification items and dilute the sector reporting, so the users of the reports need to be aware of the changes. In other cases, the required reports were more complicated and required more than just adding new codes to existing reporting structures. Cross-cutting reporting requirements, such as were required for the COVID-19 were not new, with examples including gender budgeting,



Adding a Cross - Cutting Segment to the UCoA

Source of Funds	Organisation	Function	Project	Geographic	Economic	Program	Cross Cutting Issues
							XXX
							Where 1 denotes Earthquake, 2 COVID, X ...

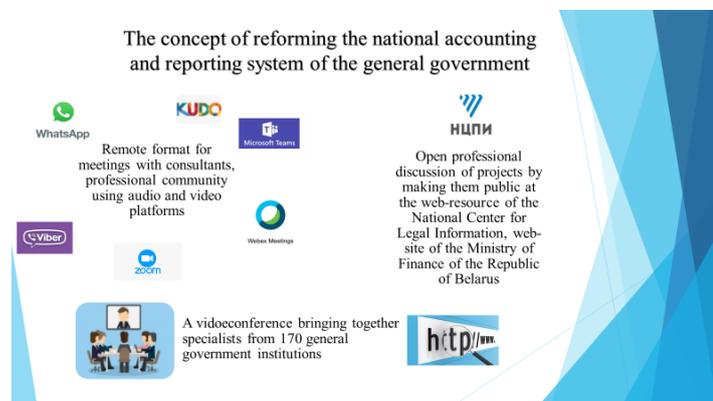
poverty reduction, climate change and/or disaster risk reporting. The PEMPAL paper finalized and launched last year suggested creating a specific segment or sub-segment which was added to existing reporting requirements and which could be used flexibly to define new reporting requirements, whether enduring or one-off requirements (see slide).

Small Group Discussions

89. Following Mr. Silins' presentation, the participants divided into small discussion groups.⁷ Each group shared news on ongoing public sector accounting reforms, as well as changes following COVID-19 in transparency and reporting, and in the tracking of associated expenditures.

⁷ Group 1 comprised Albania, Belarus, Croatia, Hungary, Kazakhstan, Kyrgyz Republic, and the Russian Federation, group 2 - Azerbaijan, Georgia, Kosovo, Moldova, North Macedonia, Tajikistan, Ukraine, and Uzbekistan.

90. **Ms. Nataliya Rusakevich, Head of the Unit for Improving Public Sector Accounting and Reporting, State Treasury, Ministry of Finance of Belarus** explained that the advent of COVID-19 had forced the ministry to be more efficient. There was a potential risk of delay in Treasury's work with consultants on national public sector accounting standards, but the time proved the online format to be even more efficient. The consultant's time and money had been reallocated from travel and face-to-face meetings to virtual events which allowed Treasury staff to stay in contact with consulting team practically around the clock. It was the speaker's opinion that transitioning to remote collaboration with consultants facilitated even better results than initially expected.



91. The speaker shared that Belarus Treasury is currently piloting the new UCOA⁸ and sufficiency of its coding structure for the modern reporting needs, and the pandemic had not affected the timeline of the pilot. Speaking of the adjustments that Belarus introduced to the current classification to record and report on COVID-19 related revenues and spending Ms. Rusakevich explained that there were no changes in the CoA, but one of the segments of budget classification of expenditures (so called "paragraph") was supplemented by three new items.

92. **Ms. Aureia Velo, Director, Business Process Directorate, General Treasury Department, Albania** explained that in Albania demand for information differed between the agencies and units, therefore detailed changes had been introduced to coding structures at

New mechanism to track and report on Pandemic related financial transaction

New economic accounts and budget structure codes created for Covid 19 Pandemic in the Albanian Government Financial Information System (AGFIS)

- **New analytic expense account created within the existing CoA:**
 - ◆ 6062300 – "Transfer to small business employees as financial assistance for the COVID 19 Pandemic"
 - ◆ 6062301 – "Transfer as financial assistance to unemployed individuals as the result of COVID 19 Pandemic"
- **New analytic revenue account created within the existing CoA:**
 - ◆ 7207014-Voluntary contribution to COVID
- **New Output codes created within the existing Output list of the Budget Structure for Covid 19 Pandemic used on expense budget allocation and execution process:**
 - ◆ 91304AJ- Patients to treat a hospital service for Covid-19
 - ◆ 91304AN-Accommodation of employees who will be engaged in the construction of Fier Memorial Hospital
 - ◆ 91013AH-Financial assistance to enterprises for the anti-COVID-19 security protocol
 - ◆ 91307AI-Public Residential Social Care Personnel, Remunerated for Services During the COVID-19 Pandemic
 - ◆ Etc...
 - ◆ COVID19- (T) Projects/Outputs for Covid 2019 (Parent account for reporting purpose including as child all output codes Covid 19 Pandemic related)
- **Separate bank accounts in commercial banks for collections of voluntary contributions on Covid 19 Pandemic related** (daily cash consolidation of collections in TSA in the Central Bank and daily automatic reconciliation and accounting recording in AGFIS).

the level of analytic accounts. New analytic revenue and expense accounts were added to the existing chart of accounts, new output codes were created within the existing output list (like number of patients treated for COVID-19). See the slide for more details. These changes were implemented in

response to the new demand for information that came from the need for: (i) specific information on payments and collections related to pandemic for the management and public transparency, (ii) specific information on the volume and nature of expenses to be paid in the

⁸ More information on the pilot is available in materials of [April 15, 2021 TCOP videoconference](#)

near days (previously this was mostly needed at the end of the year for cash and deficit management); (iii) financial information on daily execution of revenues and expenditures to support decision making by higher levels of management (before the pandemic this information was mostly required on a monthly, rarely weekly, basis).

93. In subsequent discussion both countries shared their experiences with organizing training on new reforms in the pandemic environment. Belarus felt that online training had been very effective and efficient and supported this modality. Professional interest and commitment of the staff were mentioned as the keys for success. Albania on the contrary felt that online training was a poor substitute for face-to-face learning, more to that, limited opportunities for face-to-face training were one of the factors that somewhat slowed down implementation of accrual IPSAS in Albania. Mr. Silins further noted that it would be interesting to explore this issue further to understand whether the two countries took similar or different approaches to the training and whether this could provide useful peer learning for others.

94. **Ms. Zhazgul Amanova, Head of the Treasury Department for Report Consolidation, Ministry of Economy and Finance of Kyrgyz Republic**, thanked the TCOP peers for interesting presentations and shared that there had been two different tracks for recording COVID-related revenues and expenditures. Some of the funds, including

“PEMPAL has always been great since it offers many opportunities to look at what the countries are doing in PFM and how they are doing it”

Zhazgul Amanova, Ministry of Economy and Finance of Kyrgyz Republic

donor support, went through the central (“republican”) budget. However, given the overall emergency, and the challenges in getting quick and flexible decisions through normal budgetary processes, a decision was taken to set up a separate deposit fund outside the TSA and the budget.⁹ At the same time full transparency was assured through publication of its operations on the website in close to real time (any donor could see their contribution, as well as expenditures incurred). While this proved responsive, it did also produce some challenges with budget reporting – how to distinguish between regular and COVID-related spending. This was resolved in August 2020 when the IT solution provider upgraded the treasury software with additional flag (point of control) - incoming payment requests had to be marked if this is COVID response expenditure or not (the requirement was introduced at the level of the software, without amending the COA (in this regard the presenter commended Albania’s prompt response with amending its coding structures). The first report on COVID-related spending was only produced in September 2020, but it was not complete, since it had not captured expenditures incurred early in the year. The Ministry of Finance therefore requested the MDAs to produce additional reports on COVID-19 expenditures financed from special funds. A big lesson learnt was the need to be able to produce timely, reliable, and

⁹ As had been noted in Ms. Tchelishvili’s opening presentation, a separate fund was quite a common response throughout the world.

comprehensive reports, something that needed to be in place for the future, as there may be other emergencies with which governments would have to contend.

95. **Mr. Zurab Tolordava, Head of Reporting and Methodology Department, State Treasury of the Ministry of Finance, Georgia**, presented an update on country's experience with public sector accounting reforms. They included the approval of an IPSAS-compliant UCOA, of the format of financial statements and of standards. The new UCOA came into force from January 1, 2020 for central government and covered local governments from January 1, 2021. The accounting and reporting methodology was aligned with IPSAS, and to date 24 standards had been approved. The current year was the first year of financial reporting in accordance with IPSAS. All agencies had submitted their reports, which were being consolidated. Training had started from January 2020 and, despite lockdowns/limitations, covered all major areas. There was no specific reporting related to COVID-19, as it had not been foreseen in the UCOA, but in future, they would try to include Mr. Silins' suggestions. Next steps included improvements of the financial statements and the UCOA.

96. **Ms. Biljana Minoska, Assistant to the Head of the Treasury Department, Ministry of Finance of North Macedonia**, outlined the country's transparency measures related to the response to COVID-19 in general and the government's reporting in particular. The former consisted of regular press conferences on health statistics and budget appropriations. The latter included a budget sub-program, P1, which helped to track expenditures related to

The website koronavirus.gov.mk provides the public with access to information on:

- statistics for tracking the number of confirmed cases, recovered patients and deaths due to the Covid-19 coronavirus, as well as protocols for health protection;
- all economic measures from the Government;
- data on all payments from the Budget of the Republic of North Macedonia that are made within budget sub-program "P1 - Measures for dealing with the COVID - 19 crisis";
- the records of all financial and non-financial donations received as aid that are dedicated to addressing the COVID-19 crisis;
- public procurements made by central government institutions related to addressing the COVID-19 crisis.
- information on the status of implementation of economic measures for dealing with COVID-19

COVID-19. Further measures included publishing all public procurement related to COVID-19; and creating two sub-accounts in the TSA for COVID-19 related donations (general government and ministry of health). The government established a dedicated portal (see slide) with all relevant information, including health statistics, economic measures, COVID-19 related budget payments, financial and in-kind contributions received, and public procurements to address the

pandemic. Furthermore, the Treasury had started to publish all transactions related to COVID-19, which passed through the TSA. The portal reported high level information as well as provided the possibility to drill into details.

97. In response to questions, Ms. Minoska clarified that all budget users had access to the same sub-program P1, and could select different lines of economic classifications, such as subsidies, social transfers, etc. and thus, record the relevant expenditures. Different ministries managing different programs would each have access to the P1 sub-program. Originally, the government portal provided substantial detail on how much the government spent, how much

the ministry of health spent, etc. But it was also important to have a report that integrated and summarized all these measures. Such a report was prepared two months ago, so it was not yet captured by the IBP assessment mentioned earlier in the session.

98. **Ms. Aynura Bakaybaeva, Chief Economist, Ministry of Finance of Uzbekistan,** started by recapping the country's recent progress in public sector accounting reforms. The measures to date included the approval of the strategy for improving PFM system; the approval of first 12 standards in compliance with IPSAS; the road map for the gradual transition to accrual-based IPSAS reporting; and the development of the UCOA. Next steps included piloting of the accounting software UzASBO, taking into account the UCOA, and the new reporting forms; and the approval of the standard on consolidation. To fight COVID, a special anti-crisis fund had been created. All expenditures went through the TSA; all information on revenues and expenditures related to this Fund were published weekly on the MOF website; and all reporting was submitted electronically. The pandemic had caused the ministry to rethink existing business processes, with a view to automating them. Ms Bakaybaeva also

Measures taken to mitigate negative impacts of the COVID-19 pandemic:

1. As per Decree of the President of the Republic of Uzbekistan (№УП-5969 of 3/19/2020, "ON PRIORITY MEASURES TO MITIGATE NEGATIVE IMPACT OF CORONAVIRUS PANDEMIC AND GLOBAL CRISES ON SECTORS OF ECONOMY") an **Anti-Crisis Fund under the Ministry of Finance** of the Republic Of Uzbekistan was established; its resources are primarily used to:
 - a) finance measures intended to counter the spread of the coronavirus infection;
 - b) support entrepreneurship and employment;
 - c) expand social support, including provision of additional resources;
 - d) ensure sustainable operation of sectors of economy.
2. **Proceeds** of the Anti-Crisis Fund come from: the state budget of the Republic of Uzbekistan, (including from expenditure optimization), soft loans provided by IFIs and other sources.
3. Expenditures of the Anti-Crisis Fund have been made via a single account opened with the Treasury Single Account (TSA) (with respective accounts in budget organizations), with all transactions automatically reflected in FMIS.
4. The Fund revenues and expenditures data were published on the Ministry's website and covered by the media.

highlighted the importance of training for local accountants, which never stopped. Concluding, Ms. Bakaybaeva stressed the importance of transparent information and also summarised the measures taken to mitigate the negative impact of COVID-19

(see slide).

99. **Ms. Kristina Harpola, Director of the Department in the State Treasury Agency of Ukraine,** shared their work and budget execution experience during the pandemic. As part of the budget, a special Fund was established in 2020 to finance additional health and social expenditure related to COVID-19. The budget law was amended respectively. The types of expenditures to be financed from the Fund were approved by the government in concurrence with the parliamentary committee on budget. The mechanisms to use fund resources, as well as the agencies eligible to incur such expenditures were approved by a government order. In addition, the Treasury had a system of assigning special reference codes to the payment orders related to COVID-19, which allowed such payments to be tracked in the system. Another COVID-related development was the rise in the number of Treasury clients being served online. This ensured uninterrupted service provision while limiting face-to-face contact.

100. Ms. Harpola also provided an update on the status of public sector accounting reforms during the pandemic. The reforms had been ongoing since 2007. To date, line ministries and

special funds had been using the UCOA from January 1, 2017, and Treasury and its regional offices from January 1, 2020. All budget execution accounts had been transferred to the new UCOA as of January 1, 2020. The closing and reopening of accounts was managed in the Treasury information system. The Treasury also streamlined the number of participants in the e-payment system of the National Bank of Ukraine from January 1, 2020. COVID-19 had no major impact on the accounting reform; the reporting deadlines remained the same. The Treasury had been developing the electronic reporting system, which helped to minimize personal contacts during the pandemic.

101. **Ms. Adriana Veselaj Thaçi, Deputy Director of Treasury in the Ministry of Finance of Kosovo**, also shared their experience during the pandemic. Kosovo Treasury had managed to function well during this difficult time thanks to quickly introduced measures. They included (i) opening a special dedicated account with funds related to fight COVID-19; (ii) dedicated codes for revenues, allocations and expenditures related to COVID-19 in the Kosovo FMIS to track and report related flows; and (iii) maintaining the continuity of Treasury operations despite the limited number of staff. The special codes helped to generate at request a report on COVID-related revenues and expenditures. This was made possible by modifying the COA and using specific codes (Emergency and Recovery). Transparency in reporting COVID-related expenditures was achieved through dedicated sections in the government annual report as well as in the quarterly budget reports.

Concluding Remarks

102. **Mr. Silins** noted the common messages and themes across the day's presentations. Ms. Tchelishvili had commenced the day by introducing two important papers which summarized many of the responses to COVID and good practice. The key message was that countries must take quick sensible action, including streamlining or reducing traditional ex-ante controls, but should not forget about accountability. Mechanisms must be in place to report and analyse COVID-related spending and activities. It was important to consider how ex-post review such as audit could ensure accountability even when quick action was required.

103. The next session had suggested that changes could be undertaken in the UCOA to ensure integrity over reporting, including consideration of unique cross cutting reporting structures. In the separate groups countries reported their significant innovations in responding to COVID-19 challenges. There had been rapid responses by treasuries and ministries to facilitate non-standard spending. Many responses occurred at the budget allocation stage by adding new budget lines to the UCOA, but there were also examples of separate funds, both within and outside the TSA, and new economic items being added. Some countries had also developed forms of cross-cutting reporting although none explicitly within the UCOA.

104. Mr. Silins said that he had been particularly taken by how the Kyrgyz Republic had been upfront in stating that they had sought a rapid response to COVID, but after some time had passed they were able to focus more strategically on how to ensure accountability and timely

reporting. They felt that they need to be better prepared for various potential future emergencies. This disclosure by the Kyrgyz Republic linked well with what Ms. Tchelishvili had emphasised, and the key messages from the first three days of the plenary where business continuity had been a consistent theme.

Closure of the Virtual Plenary

105. **Several comments and observations were shared by Mr. Silins during the closure of the TCOP Virtual Plenary Series.** A number of speakers on Day One had stressed the importance of business continuity plans, saying “we ensure continuity of our operations by analysing our risks and then planning in a way that mitigates those risks.” On Day Two the message continued with a specific focus on financing continuity plans to ensure ready access to cash in an emergency (and at all other times). A related message on Day Two was to avoid undermining existing strong systems such as the TSA by fragmenting cash. Reactive changes could solve short-term issues but might undermine longer term strategic management. There was a question whether we really needed separate deposit funds outside the TSA or whether we could set up sub-funds within the TSA and change the budgetary or other impediments to maintain consolidated integrity over cash.

106. Continuing, Mr. Silins noted that on Day Three the conference heard about the need for better integration of PFM functions to produce better outcomes for clients/citizens; and that innovative use of digital technology was key for driving this. In fact, ensuring business continuity during COVID had driven and accelerated innovation in this area. On Day Four all this was tied together by focussing on accountability and reporting. Business continuity depended on quality timely information for decision making, as does cash management. Successful technological reforms were also underpinned by common data structures across all PFM sub-systems. Thus, the way a country’s decision data elements (UCOA) were structured for managing and reporting across government would ultimately drive the quality and success of reforms, and also the government’s ability to respond to emergencies and maintain business continuity. A modern flexible government must have modern flexible reporting capabilities included in its UCOA. Mr. Silins concluded by directing everyone to the PEMPAL knowledge product on UCOA which provided practical guidance on this.

107. **Mrs. Nikulina provided the final closing remarks for the plenary series.** She noted that in the view of the resource team the plenary series was very successful and thanked everyone for active participation and excellent contributions. Of course, the virtual format cannot fully substitute for face-to-face interaction, but the record attendance of the plenary sessions attests to the usefulness of the discussions. TCOP will have to continue its operations in a remote mode until international travel becomes possible. The Executive Committee will analyze all the feedback from the plenary sessions and responses to the thematic survey which will inform the detailed plan of TCOP activities for the next fiscal year. Virtual sessions will resume after the summer break.