PEMPAL TREASURY COMMUNITY OF PRACTICE (TCOP)

Minutes of the TCOP Executive Committee Meeting
January 26, 2023

A regular meeting of the PEMPAL TCOP Executive Committee (ExCom) took place on January 26, 2023, in the videoconference (VC) format.

The meeting was attended by: Lyudmila Gurianova (TCOP Chair, MoF, Belarus), Ilyas Tufan (Deputy Chair, MTOF, Turkiye), Mimoza Pilkati (MoF, Albania), Levan Todua (ex-ExCom member, MoF, Georgia), Erekle Gvaladze (MoF, Georgia), Rakhat Tokbayev (Treasury Committee of Kazakhstan). The World Bank was represented by Elena Nikulina (TCOP Resource Team Leader), Yelena Slizhevskaya (TCOP Resource Team), Galina Kuznetsova (Head of the PEMPAL Secretariat), and Tetiana Shalkivska (PEMPAL Secretariat).

Summary of Discussions

1. The TCOP ExCom membership issues

1.1. Introduction of Erekle Gvaladze (Head of Cash Forecasting and Cash Management Department, Treasury of Georgia) to the members of the Leadership Team. Voting for his inclusion as a member of the TCOP ExCom

Levan Todua joined the TCOP ExCom meeting to introduce to the Leadership Group Erekle Gvaladze, a candidate for inclusion as a member of the TCOP ExCom from the Treasury Department of the Ministry of Finance of Georgia. Erekle has been with the Treasury since 2008, is currently the head of the Cash Management Department and has extensive experience in this area, which is a key part of the TCOP agenda. Members of the TCOP ExCom present at the meeting expressed their support for the new candidate and approved his inclusion in the TCOP ExCom.

1.2. Nomination of candidates for the TCOP Chair. Announcement of the TCOP Chair elections.

The TCOP ExCom members discussed the upcoming elections of the TCOP Chair, which are to be held annually as per the PEMPAL Operations Manual. Two of the present Leadership Group members (Ilyas Tufan and Mimoza Pilkati) announced that they could not be nominated for the position at the moment due to their busy schedules. The ExCom members took note of this information and instructed the Secretariat to organize the elections in February this year.

2. Discussion of the outcomes of the November 10, 2022 videoconference on risk management and treasury controls in the Treasury of Albania

Yelena Slizhevskaya informed the ExCom members that the VC was attended by 40 officials from 12 PEMPAL countries as well as 17 observers from the PEMPAL Internal Audit Community of Practice, the World Bank and the State Treasury of Hungary. The post-event evaluation report

revealed a high degree of participants' satisfaction with the topics and the quality of presentations (4.8-4.9 on a scale of 5). The Resource Team once again thanked the Albania Treasury representatives for the interesting and useful presentation of their experience. 88 percent of the survey respondents indicated that they would be able to apply the knowledge gained at the event in practice. The survey participants also suggested a number of topics to be addressed at future TCOP events, including: risk management and risks classification; ex-ante controls applied by the Treasury in the course of state budget execution; management of the cash flows from non-financial assets; hedging, currency swap transactions, assessment of currency losses; management of external financing funds (loans and grants) and the report on financial accounts of the banking system; managing payment arrears through treasury information systems connected with the contract registration in the public procurement system, as well as with information on electronic payments from tax authorities' information systems.

3. **Update of the TCOP Action Plan for February-June 2023**

3.1. A VC of the Cash Forecasting and Cash Management Thematic Group on the Treasury Single Account reforms in Turkiye (date TBC)

Yelena Slizhevskaya informed the ExCom members that at the request of the representatives of the Ministry of Treasury and Finance of Turkiye the VC previously planned for February 1, 2023 was postponed to a later date (tentatively - no earlier than May). This is caused by the high workload of the staff due to the change of the election date in Turkiye. A new date for the videoconference will be confirmed further.

3.2. The Annual 2023 TCOP plenary meeting (FTF)

Rakhat Tokbayev, the Chairman of the Treasury Committee of the Ministry of Finance of Kazakhstan, presented an invitation of the leadership of the Ministry of Finance to hold the annual TCOP plenary session of 2023 in Almaty (Kazakhstan), tentatively between 22 and 26 of May. The ExCom members supported this proposal.

3.3. A VC by the Thematic Group on the Evolution of the Role and Functions of the Treasury to present preliminary results of a new TCOP survey (March 2023)

Elena Nikulina advised the ExCom members that preliminary results of the survey on the role and functions of the treasuries of the PEMPAL countries are to be presented at the respective thematic group VC in March 2023. The VC participants will also be able to discuss the plenary meeting preparation. The ExCom members endorsed this approach.

3.4. Other proposals

Elena Nikulina informed the leadership group about a possible VC by the Thematic Group on the Use of Information Technology in Treasury Operations, where Cem Dener (World Bank) could present the **latest trends in the development of financial management information systems**. The ExCom members supported this proposal and instructed the Resource Team to initiate the preparations.

The ExCom participants then **shared** their countries' **recent developments and reforms** in treasury budget execution, as well as issues relevant to further TCOP discussions:

Kazakhstan

The Treasury Committee of Kazakhstan suggested to discuss new functions of the treasuries which are developing in other countries. For example, the Treasury of Kazakhstan has been performing procurement for central government agencies for three years now; it also services the accounts of quasi-public sector entities that are opened in the Treasury for implementation of public investment projects; it also services the accounts of subsidies operators. Such an expansion of the treasury account scope resulted in more liquidity, but also increased the risks associated with transactions control and cash management. The Treasury of Kazakhstan also produced its first set of consolidated financial statements of a state last year. The integration of the public procurement system with other information systems is in progress, - the task is to enable exchange of the annual procurement plans information between the procurement system and the information system of the Ministry of Finance of Kazakhstan.

Georgia

The main reform currently being implemented by the Treasury of Georgia is the transfer of legal entities of public law (such as schools) to treasury services. So far, the Treasury has been transferring budget funds to their accounts in commercial banks (these organizations have no other own revenues). These legal entities are served by service centers, but have their own principals and accountants, which facilitates the decentralization under the current reform. By early summer, about two thousand schools across the country are expected to be brought under the Treasury, which means that all budget organizations will be served directly by the Treasury. The broader goal of this project is to develop uniform rules to be applied across the entire public sector with respect to servicing organizations, using budget classification, and generating online reports for all the public sectors.

Belarus

Following up on the topic of treasury services for budgetary organizations, Lyudmila Guryanova noted that schools and kindergartens in Belarus had always been in the treasury system, but not all of them had their own accountants. At present, possible centralization of services at two levels is considered: special service centers to be funded from the Treasury, with each such center in turn serving about two hundred schools and kindergartens. The transfer of extra-budgetary resources of such organizations (their own revenues) to treasury accounts is of relevance for Belarus now, and this brings about the issue of using different types of treasury controls with respect to different types of funds.

Lyudmila noted that since the pandemic began, the state information systems of Belarus had made a major leap in their development, especially in terms of ensuring electronic interaction. At the end of 2022, the Ministry of Finance implemented a free service enabling budgetary organizations to create various documents (work completion certificates, etc.) in electronic form; at present, the use of the service is voluntary. A single repository for e-documents is under consideration, which

would eliminate the need to store such documents both at budget organizations and at the Treasury. The Treasury of Belarus proposed to discuss organization of work with e-documents and integration of treasury systems with other government information systems during future TCOP activities.

Turkiye

As previously discussed, the main reform in Turkiye was the expansion of the scope of the Treasury Single Account. There are also plans to modernize the treasury information system.

Albania

Mimoza Pilkati shared that last year Albania connected the public procurement system with the treasury system. The weak link is that the concluded contracts continue to be fed into the treasury system by budgetary organizations, and not all of them do it promptly. This results in a situation when the amount of concluded contracts may exceed the amount of funding allocated. To improve financial discipline, the Treasury of Albania plans to switch to e-contracting, and is considering the use of electronic invoices.

4. **Preparation for the 2023 TCOP Annual Plenary Meeting. Discussion of the thematic proposal from the Treasury Committee of Kazakhstan**

Rakhat Tokbayev proposed the following three issues to be included into the agenda of the upcoming meeting: 1) role and functions of the Treasury; 2) integration of the treasury information system with external systems (the Treasury Committee of Kazakhstan is ready to present its approaches); and 3) risk management. Elena Nikulina proposed that the topic on functions be used as a cross-cutting topic for the meeting. The TCOP ExCom members supported the proposal to discuss the details of the meeting agenda during a VC in March.

In the course of the follow-up discussion all Leadership Group members suggested that the Plenary meeting should allow sufficient time for the news sessions, which are especially relevant given the long gap in FTF meetings caused by the pandemic. Erekle Gvaladze also indicated that he would be ready to share information on the change of the role and functions of the Treasury of Georgia.

The TCOP ExCom members agreed that, given the available budget, consideration could be given to holding an additional meeting of a TCOP Thematic Group (presumably the group on information technologies) immediately following the plenary meeting.

Ilyas Tufan suggested looking at how the coronavirus pandemic has changed the work of participating countries' treasuries and their basic functions, what conclusions have been drawn for the future, including with regard to liquidity buffers and cash forecasting.

The Resource Team took note of the recommendations made by the TCOP ExCom members regarding the development of the plenary meeting agenda, and will start drafting the event concept.

Rakhat Tokbayev also shared his impressions of his recent participation in the PEMNA Treasury Community meeting, including their proposal to hold a joint meeting of the Communities of the two programs.

5. Other matters

Regular ExCom meeting to be held in FTF format in Almaty (Kazakhstan).

Key Meeting Outcomes and Decisions:

- Include Erekle Gvaladze into the list of the TCOP ExCom members.

- Arrange the elections of the TCOP Chair in February 2023.

- Update the TCOP action plan for February-June 2023 based on the discussion (see paragraph 3).

- The Resource Team to start drafting the plenary meeting concept based on the discussion (see paragraph 4).

- Regular TCOP ExCom meeting to be held in a face-to-face format in Almaty (Kazakhstan).