
Design and Implementation of Treasury Systems

The Experience in Europe and Central Asia

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What was the problem?

Pre-reform situation

- There was a need to set up/ modernize institutional structures and systems for government fiscal management
- MOF periodically distributed money to spending agency bank accounts
- Spending units directly processed payments against these accounts
- This resulted in a situation in which:
 - MOF could not exercise control to ensure that expenditures are in accordance with budget appropriations
 - The MOF did not receive timely information on expenditures or receipts from line agencies
 - Sizable idle balances could build up in spending unit bank accounts while the MOF was in deficit in overall terms

How did we address the problem?

Treasury Systems offer specific solutions for the management of public funds

- Full integration of budget and budget execution data allowing greater financial control
- Close monitoring of out standing bills, cash in Government bank accounts and improved planning for cash
- Provision of timely and accurate management reporting for decision making
- Improved quality of baseline data for budget preparation
- Assistance in preparation of financial statements and financial reports

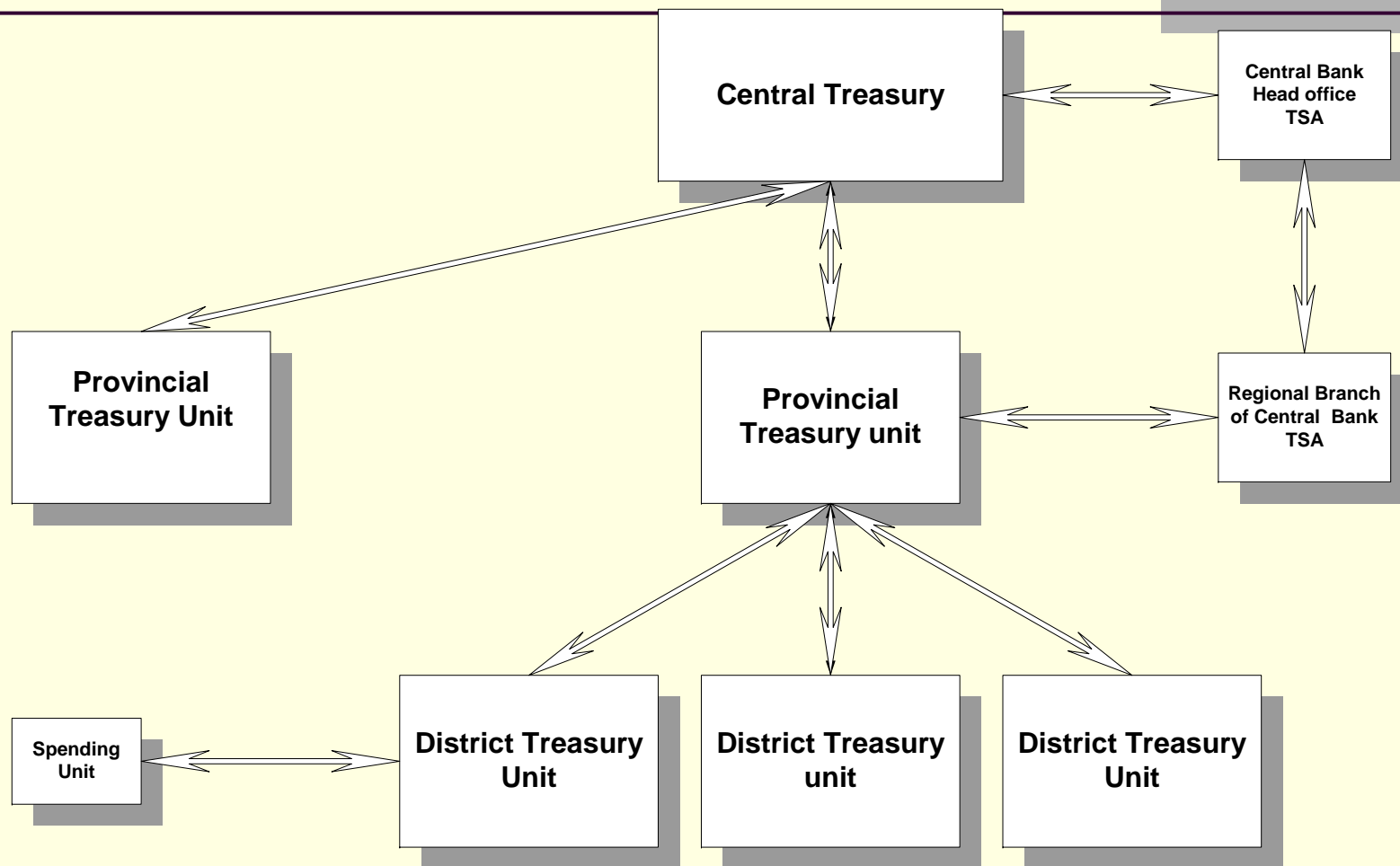
What was involved in setting up Treasury systems- 1:

- **Policy framework and Institutional Reforms**
- **Development of a comprehensive budget management law for management of public funds and property**
- **Adoption of a budget classification system and Chart of Accounts consistent with the IMF's GFS**
- **Setting up institutional arrangements for banking Government funds**
 - Consolidation of bank accounts in a Treasury Single Account (TSA) held at the central bank

Policy Framework and Institutional Reforms-2

- **Setting up institutional arrangements for processing payment transactions**
 - Setting up a Treasury organization with a network of offices located country wide
 - Re-engineering payment processes and routing all payment transactions through the Treasury
 - Re- engineering all receipt processes to ensure funds are directly deposited in the Government account

TREASURY ORGANIZATION STRUCTURE



Designing and Setting up information systems that could support the functional processes associated with:

- **Budget Execution**
 - **Budget Management**
 - Budget Apportionment,
 - Budget Allotment,
 - Budget Releases,
 - Budget Transfers
 - **Processing all government expenditures relating to:**
 - Procurement of goods and services
 - Salary Payments
 - Debt servicing
 - **Recording revenues and receipts**
- **Accounting (posting all transactions as they occur)**
- **Cash Management**
- **Fiscal Reporting**

Designing, procuring and implementing appropriate technology to support systems

- **Development of an Overall conceptual systems design**
- **Development of the technology design and architecture**
- **Procurement/ Development of Application Software**
- **Parameterization Customization of S/W**
- **Testing Application S/W for functionality**
- **Development of operational procedures and manuals**

Project Activities - continued

- **Systems Implementation at Pilot sites**
 - Procure and Install hardware at pilot sites
 - Institute change management procedures
 - Train end user and technical staff
 - Implement systems

- **Systems Replication across all sites**

Indicative Implementation Schedule

Legal and Institutional Framework



Functional Design, Budget Classification, CoA, Procedures and Manuals



Conceptual Systems Design and Technical Architecture



Systems Procurement



Gap Analysis, S/W Parameterization /Customization/, Testing



Change Management & End User Training



Pilot Systems Implementation



Systems Replication



.....04/22/2008..... A. Hashim; World Bank.....10.....

12-18 months

12-18 months

24-48 months

Problems and solutions: ECA Experience: Comparison with World Bank projects in other Countries

■ Treasury Reform:

- Has been easier at green field sites such as countries of the Former Soviet Union
- More difficult in countries requiring systems repair and modernization
- Has experienced greater resistance to changes in the organizational and legal framework, functional processes and procedures compared to starting ab-initio

Some World Bank Treasury Projects in Europe and Central Asia

Name and Country	No of Main Sites	Cost: Total= (Govt. + Bank Loan) U.S. \$ mil.	Status/ Completion Time	Remarks
Ukraine Treasury Systems Project (TS)	700	26.9 (16.5+10.4)	7.0 yrs	Custom S/W
Kazakhstan Treasury Modernization Project (TS)	250	17.7(15.7+2.0)	8.9 yrs	Oracle Financials
Hungary Public Finance Management Project (TS)	20	10.4(7.3+3.1)	7.1 yrs	Custom S/W
Turkey PFMP (TS)	1500	15.9(15.9 + 0.0)	8.5 yrs	Custom S/W
Albania (TS)	35	9.0(8.5+0.5)	6.8 yrs	Oracle Financials
Russia Treasury Development Project (TS)	2200	613(231.0+382.)	Ongoing	Oracle Financials
Moldova PFMP (IFMS)	35	15.3(8.5+6.8)	Ongoing	Bidding for COTS
Kyrgyz Republic (TS+HRMIS)	65	10.2(6.7+3.5)	Ongoing	Bidding for COTS
Azerbaijan (TS)	90	13.4(9.5+3.9)	Ongoing	SAP
Georgia (IFMS)	30	15.0(3.0+12.0)	Ongoing	COTS planned
Second Ukraine PFMP (IFMS)	700	65.0(50+15)	Under Preparation	COTS planned
Tajikistan (IFMS)	75	10.0(5.0+5.0)	Under Preparation	COTS planned
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Problems and solutions-Lessons learned

- **Government Commitment and support of the MOF is Critical** Can be **achieved** better if projects are framed as public expenditure management (PEM) systems reform initiatives rather than just accounting systems reform
- **Project Design should be driven by Functional rather than Technical Issues** In ECA Functional reform priorities focused on reforming the budget execution process setting up the institutions and associated systems and procedures.
- **Project Management and Interagency Coordination**
 - **Project Manager:** Senior official from the functional side
 - **Core Team** – Group of trained professionals from core functions, who can act as change agents
 - **Project Secretariat** - should have specialist staff with experience in the installation of large scale IT systems and IT procurement

Problems and solutions-Lessons learned-2

- **Technical infra structure- Telecommunications facilities**
- **Technical Skills and Capacity within government-**
 - Could be remedied within the context of an overall civil service reform
 - Hire specialist IT staff on contract at private sector salaries
 - Outsource the technical operations and maintenance of the system
- **Orientation and Training**
 - **Large numbers** - can appear overwhelming. Governments have training institutions which could be used to impart training.
 - **Program needs to be structured to requirements.** Most staff need to know only specific features of the system
 - Should be coordinated closely with implementation plans
 - Train the trainers
- **Management of Change** Need to overcome opposition from vested interests who perceive the reform measures as a threat

Some closing words

- Institutional and political economy issues are more difficult to resolve and take more time for resolution than technical issues
- Reform of underlying fiscal management processes should be the basis for systems design



Thank You