

TCOP: Impact on PFM Reforms and Priorities for the Next Strategy Period

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TCOP Impact: Key Figures

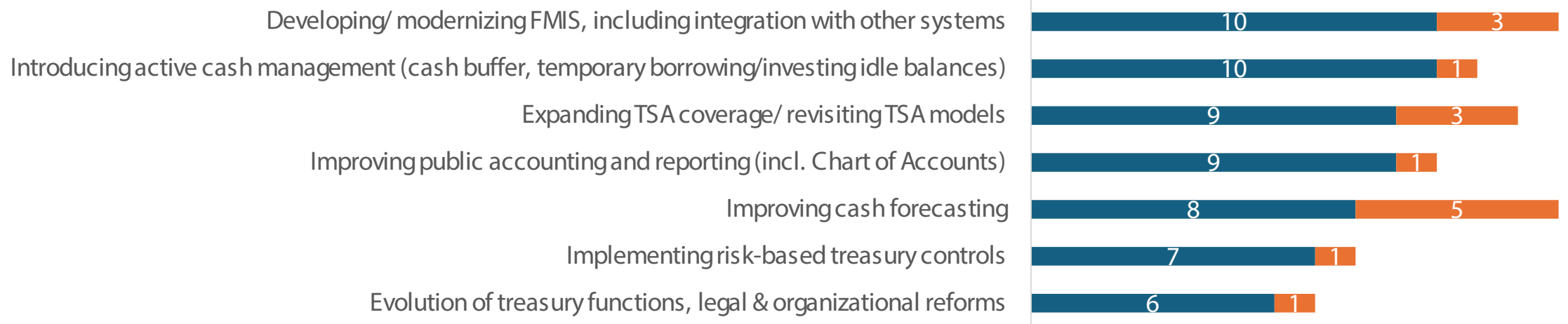


90% of TCOP member countries (18 out of 20) have implemented and/or plan treasury reforms and treasury development measures based on the knowledge gained through PEMPAL in 2018-2024

85% of TCOP member countries (17 out of 20) have implemented treasury reforms and treasury development measures based on the knowledge gained through PEMPAL in 2018-2024

59 reform activities* implemented and 15 reform activities* planned cover ALL core thematic areas of TCOP (IT, cash management, public accounting and reporting, and evolution of treasury role and functions)

Countries that Have Implemented / Plan Treasury Reforms By Reform Activity Area



* Estimated based on the above reform areas and number of countries.

For sources see the next slide

TCOP Impact Map: Summary of Thematic Surveys & Discussions with Members



Area of Treasury Reforms	PEMPAL TCOP Impact on Treasury Development in 2018-2024																			
	ALB	ARM	AZR	BiH	BLG	CRO	GEO	HUN	KAZ	KOS	KGZ	MLD	MNE	NMC	ROM	SRB	TJK	TRK	UKR	UZB
Evolution of treasury functions, legal & organizational reforms	24		24			24			24c			24			24b		24c			
Expanding TSA coverage/ revisiting TSA models		21	24	24		24b	24	24	24		18	24b					24c	24		24
Implementing risk-based treasury controls	23		24						24		24c	18				23	24c			19
Introducing active cash management (cash buffer, temporary borrowing/investing idle balances)	24		24			19	24b		24		24	19	24	21				24		24
Improving cash forecasting	24		24			23	24	24			24c	24b	24	19		24	24c	24		19
Improving public accounting and reporting (incl. Chart of Accounts)			23			24		24		19	24	19	23			24	19			23
Developing/ modernizing FMIS, including integration with other systems	24	24	24			24	24c	24	24c	19		18		24				23	18	24
Legend																				
	■ significant reforms with acknowledged PEMPAL impact																			
	■ planned reforms based on knowledge gained through PEMPAL																			

Sources: 24 - 2024 TCOP Thematic Survey (before Belgrade Plenary, May - June 2024); 24b - 2024 PEMPAL Minister Survey (October 2024); 24c - Thematic VC on Impact of TCOP on PFM Reforms (Dec 11, 2024); 23 - 2023 TCOP Thematic Survey (Almaty Plenary, May 2023), 21 - Thematic Survey. TSA and Cash Management in PEMPAL Countries (2021); 19 - 2019 TCOP Thematic Survey (TCOP Plenary in Budapest, June 2019); 18 - 2018 TCOP Thematic Survey (TCOP Plenary in Tirana, May 2018)

Examples of Impact. 'Green Corridor': Using Risk-Based Approach to Payment Processing



Tajikistan: implemented risk-based approach to payroll & utility payments

Kyrgyz Republic: piloted "Green Corridor" and is currently adapting the approach to the country context

Kazakhstan: implemented green corridor for utility payments

Azerbaijan: implemented green corridor selectively for utility payments & payroll

2015: ITTG met in Tbilisi. 2017: Georgia presented "Green corridor" at TCOP Plenary

REFORM: The **Green Corridor** approach allows for automatic authorization and processing of low-risk payments by the treasury. This approach helped Georgia to reduce transactional costs, minimize payment processing time, and concentrate on major risks. About 70% of all payments go through "**Green Corridor**". The approach helped Georgia to expand treasury coverage & raise productivity (the number of treasury clients and payments tripled).

PEMPAL IMPACT: Following the presentation of the Georgian experience at the PEMPAL events, Kazakhstan implemented the **Green Corridor** approach for utility payments. Azerbaijan introduced it selectively for payroll and utility payments. Tajikistan minimized treasury controls for low-risk payments. Kyrgyzstan piloted the approach and is currently adapting it to account for the country's context.

NEXT STEPS: Georgia plans to use the potential of AI to identify risky transactions; it is currently being tested. Once AI is introduced it is expected that 90% of payments will be processed through the Green Corridor. This is critical as the number of treasury clients will double after all schools and kindergartens are connected.

Examples of Impact. TSA Design: Expanding TSA Coverage



2016: TSA design & coverage discussed in Ankara at **PEMPAL TCOP** meeting & other TCOP activities

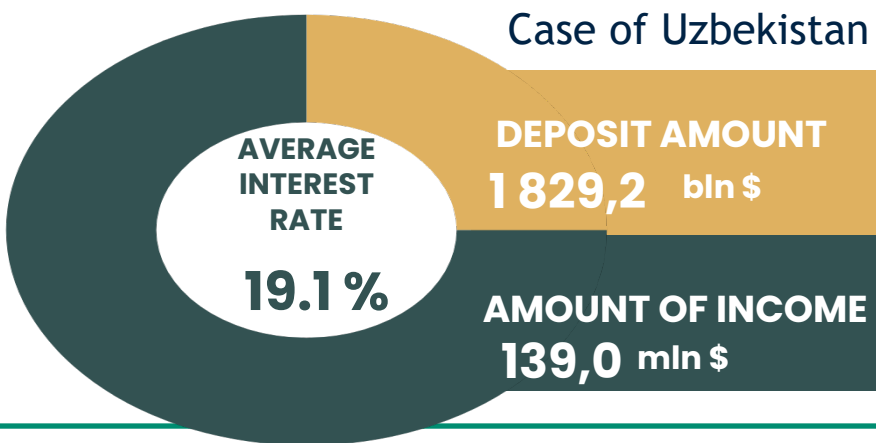
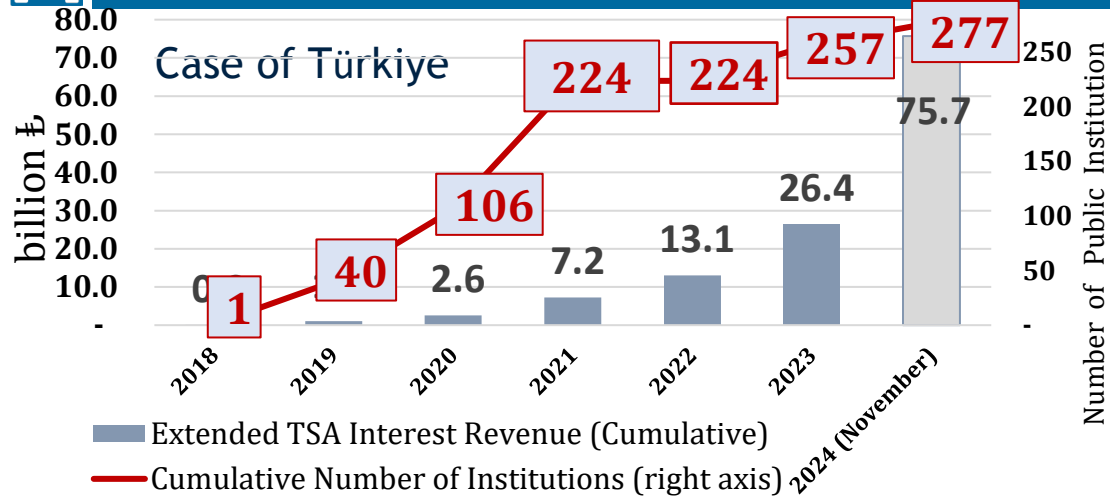


REFORM: Expanding the coverage of the TSA helps governments manage public funds more efficiently and reduce borrowing costs. Cash consolidation also helps to reduce the costs of accounting and reporting.

PEMPAL IMPACT: Following the discussions of TSA design and coverage during PEMPAL events, 9 countries (Armenia, BiH, Croatia, Georgia, Moldova, Kazakhstan, Kyrgyz Republic, Türkiye, and Uzbekistan) expanded the TSA scope or upgraded the TSA since 2016. In Türkiye, TSA extension resulted in a five-fold reduction of transaction costs and a drastic increase in interest revenues.

NEXT STEPS: Currently, Georgia and Serbia are extending the treasury coverage. BiH, Hungary, North Macedonia, and Croatia are considering further TSA extensions and raising the fungibility of funds in TSA.

Examples of Impact. Active Cash Management: Using Idle Balances for Public Good



REFORM: Using active cash management instruments (temporary investment of idle balances, overnight operations, short-term borrowing to cover cash imbalances helps the treasuries to ensure that government's cash requirements can always be met.

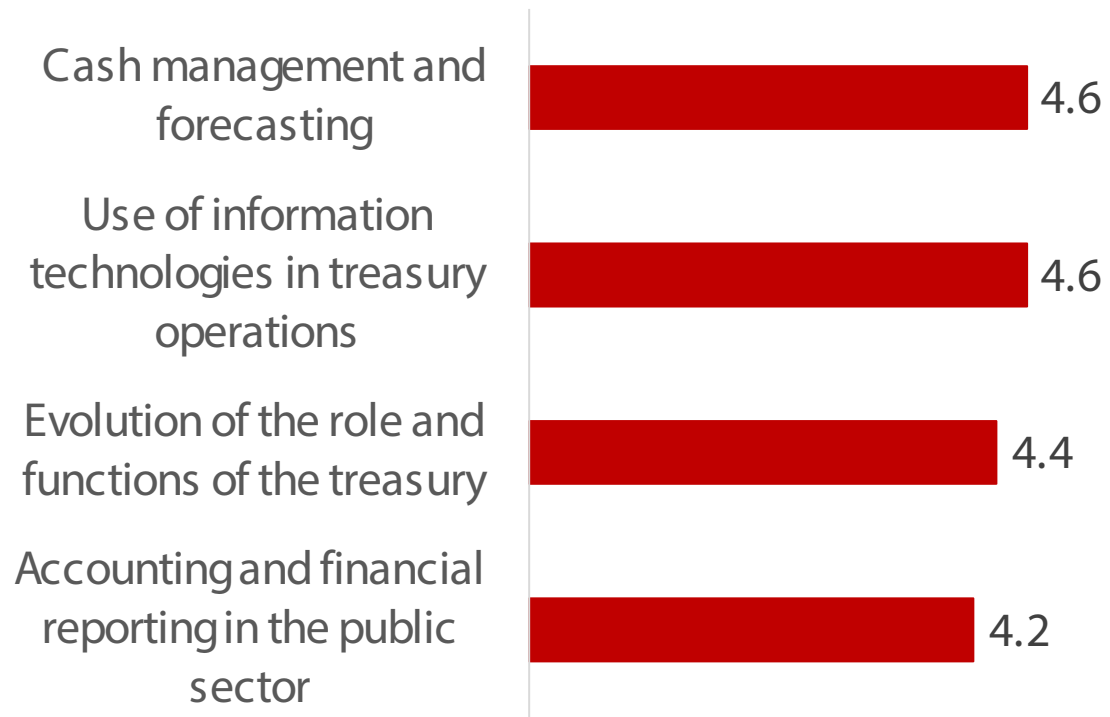
PEMPAL IMPACT: Following the discussions of the cash management thematic group, 10 countries reported improvements in cash management practices since 2016. TSA extension helped to maximize the benefits of cash management. In Türkiye, cumulative interest revenue on TSA in 2018-2024 reached 1.4 US\$ billion. In Georgia, the interest revenues in 2023 reached 0.72% of the national budget. Consolidating cash allowed Türkiye and Uzbekistan to ensure higher interest rates. Improvements in this area are also reported by Kazakhstan and Kyrgyzstan.

NEXT STEPS: More countries, including Albania, Azerbaijan, Kazakhstan, Serbia, Uzbekistan, and Tajikistan are considering the introduction/upgrade of a cash buffer, expanding the range of active cash management instruments used, and enhancing the quality of cash forecasting,

Thematic Areas until 2030



Thematic Areas in the Long Term: Priority Rating



All thematic areas remain relevant, but the content within them changes based on country needs and new challenges

Cross-cutting issues: transparency, client orientation & interagency cooperation, risk management & resilience, treasury performance measurement

Leveraging peer knowledge: closer cooperation with countries within PEMPAL and outside the network, engaging more member countries in KP development

Increased flexibility: on-demand experience sharing events, shorter KPs on specific topics

* Based on the Thematic Survey results



Evolution of Treasury Role and Functions: New Issues in Focus



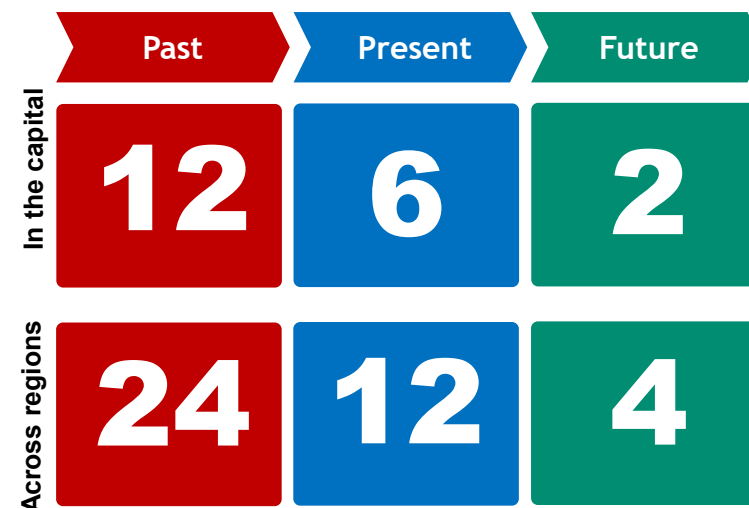
Strategic Planning & Managing Treasury Modernization

- Strategic planning of treasury system development in PEMPAL countries
- Managing internal transformation: downsizing the network
- Measuring treasury performance

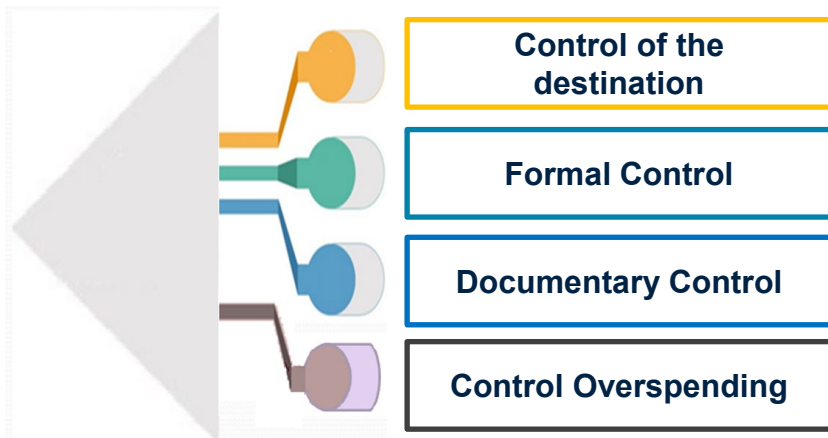
How New Budgeting Practices Impact Treasury Operations?

- program-based budgeting
- green budgeting

Downsizing treasury network in Azerbaijan



Treasury Control in Albania



Treasury Control & Risk Management: New Thematic Group?

- Introducing a risk-based approach to treasury controls, evaluating treasury risks
- Strengthening commitment controls, preventing arrears



Interagency Cooperation

- Coordination with Central Bank
- Coordination of cash management & debt management

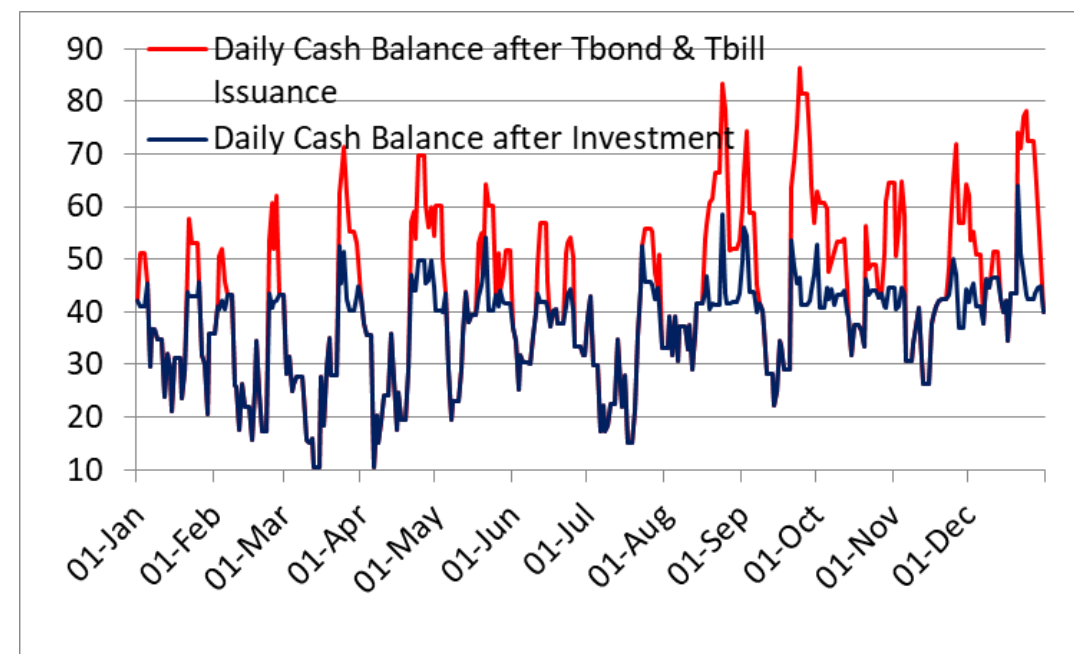
Risk Management & Resilience

- How to set up a target balance?
- Diversification of financing resources in the treasury
- Cash cost optimization

Digital Transformation

- Using data analytics for cash management & forecasting

Investment of Short-Term Surpluses



TCOP plays a unique role in building capacity in cash management in PEMPAL countries by providing access to peer knowledge for the majority of treasury staff performing this function.

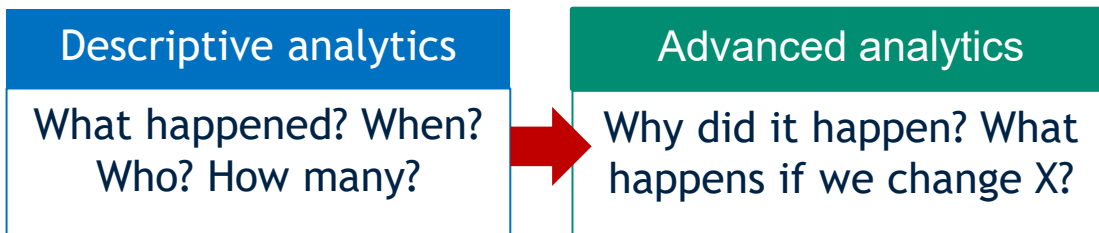
IT for Transparency & Accountability of Public Spending

- Serving internal and external treasury data clients

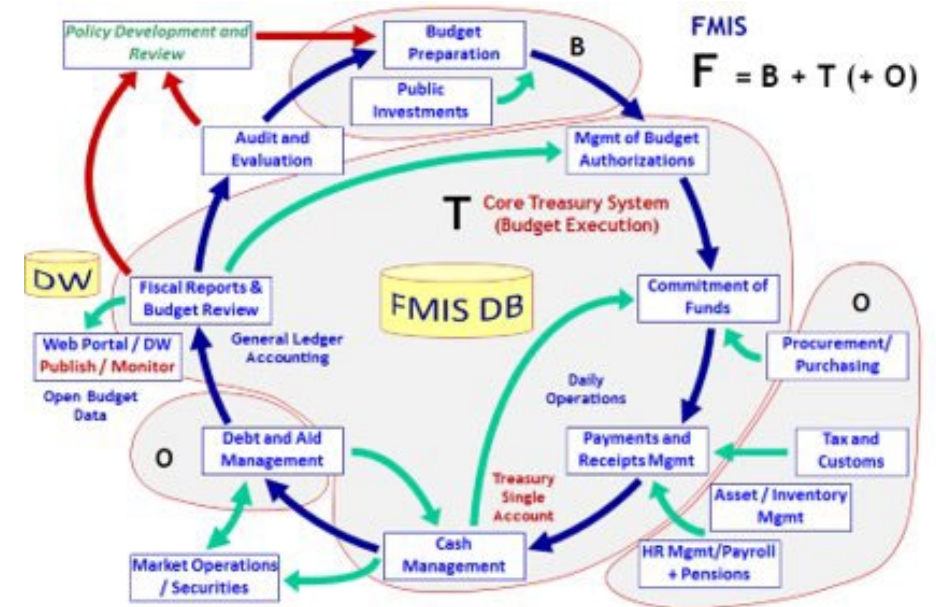
Emerging Technologies in Treasury Operations: Big Data & AI

- Digital transformation in public finance with a focus on the use of big data
- Data management & data analytics
- AI application for government cash management, accounting, reporting, controlling

Using Emerging Technologies

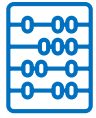


Interoperability & Integration



Risk Management

- IFMIS sustainability and resilience
- Improving the functions of ex-ante and current control of treasury operations using IT



Accounting and Financial Reporting: New Themes in Focus



Interagency Cooperation

- Program budgeting & Chart of Accounts

Strengthening Accounting & Reporting

- Transition to accruals

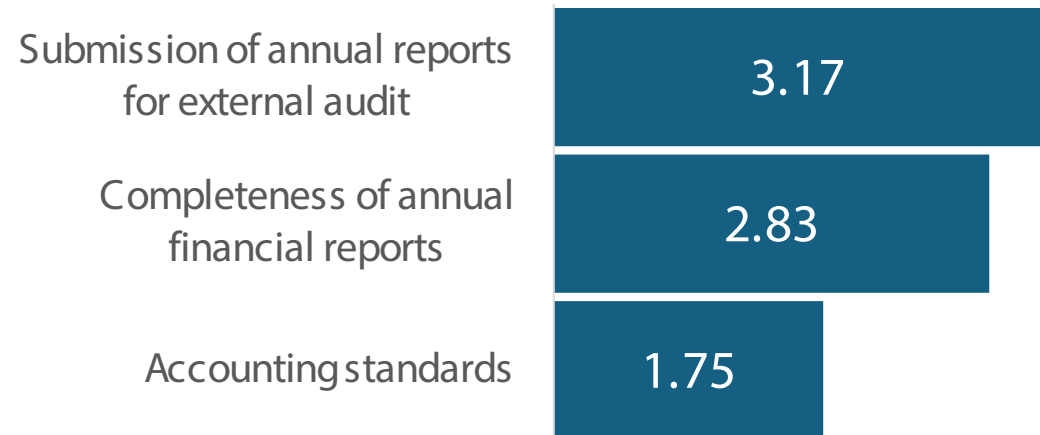
Digital Transformation

- Implementing centralized public sector accounting systems & integration of financial reporting through IFMIS
- Integrating budget execution and financial reporting, introducing performance elements
- Improving data transparency

Opportunity: Joining Efforts with the PULSAR

Average PEFA Scores for PEMPAL TCOP Countries
for Lower Performing Treasury-Related
Dimensions

(on the scale 0-4, where 4 is the best score, using the most recent PEFA's available for 13 TCOP countries)



Based on PEFA assessments, accounting & financial reporting remain the key areas for future improvement in PEMPAL countries.

TCOP Executive Committee & Resource Team



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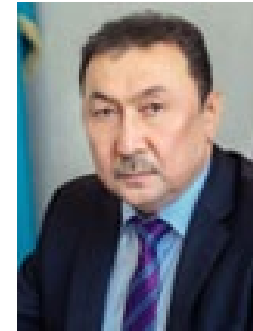
Mimoza Pilkati
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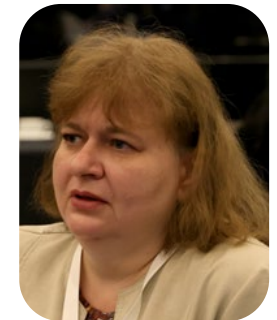
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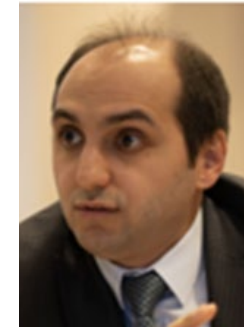
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PEMPAL Secretariat,
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THANK YOU!



What Could TCOP Look Like in 2030?



Stronger peer-to-peer connections within the network

Visible improvements in budget execution processes, transparency and quality of budget reporting, cash management, digital transformation, and risk management

Stronger capacity of national treasuries and broader dissemination of TCOP knowledge

Clear approaches to measuring treasury performance used by and beyond the TCOP

Higher awareness about the PFM cross-cutting issues & the treasury role

Sustainability & ownership: increased contributions from member countries