

# Evolution of Treasury Role and Functions: Where Are We Heading Next?

Mark Silins

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# Objectives of the Paper



Contribute to the PEMPAL knowledge bank and provide Treasury practitioners with specific details on the **Emerging Role of Treasuries in PEMPAL countries**

Inform discussions **on the future of the Treasury COP** and PEMPAL beyond the period of its current strategy

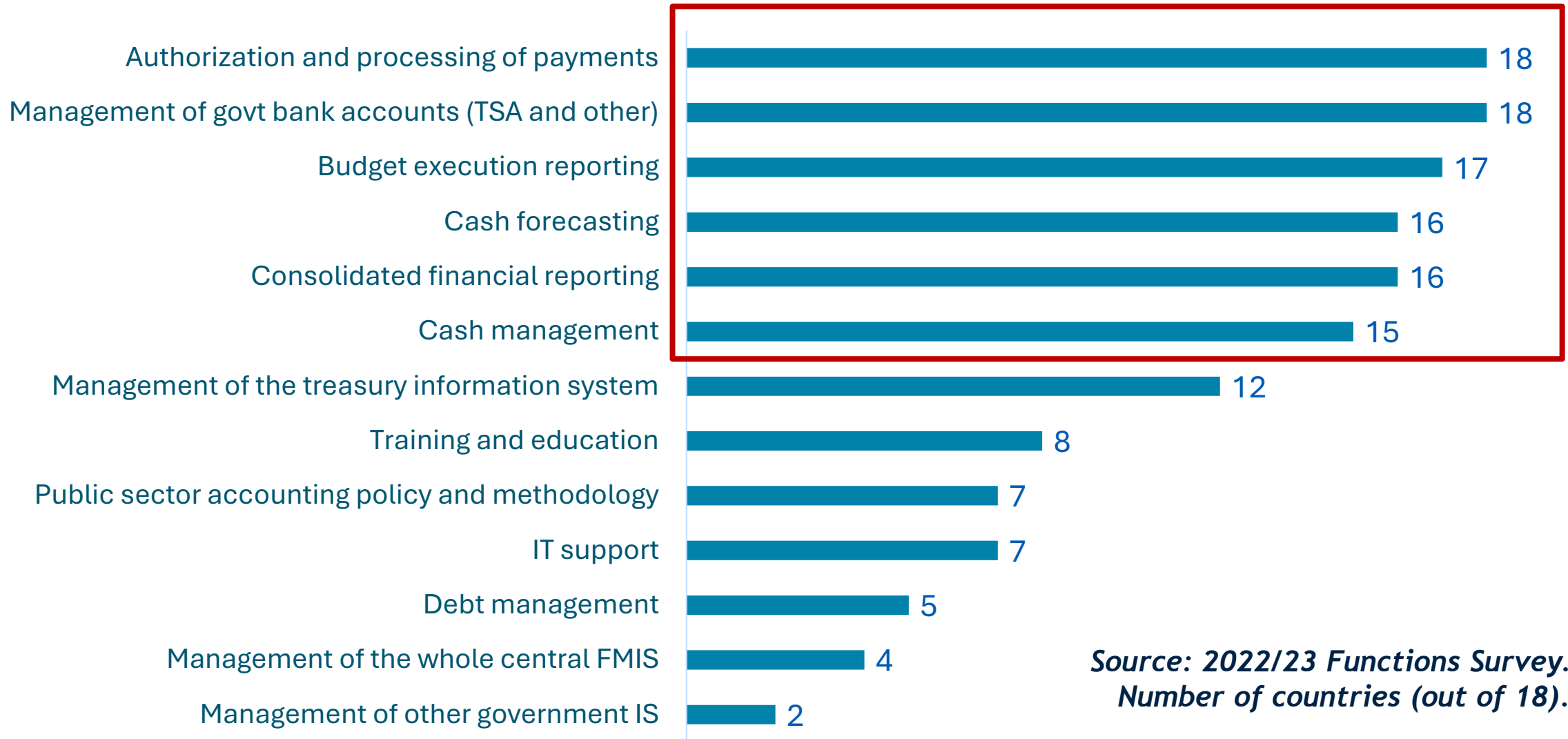
## Activities to Date

**Survey and Report in 2016 and Survey 2022/2023**  
(with expanded coverage in the second survey)

**2022-2024:** Extensive discussions during VCs and face-to-face meetings along with specific country presentations

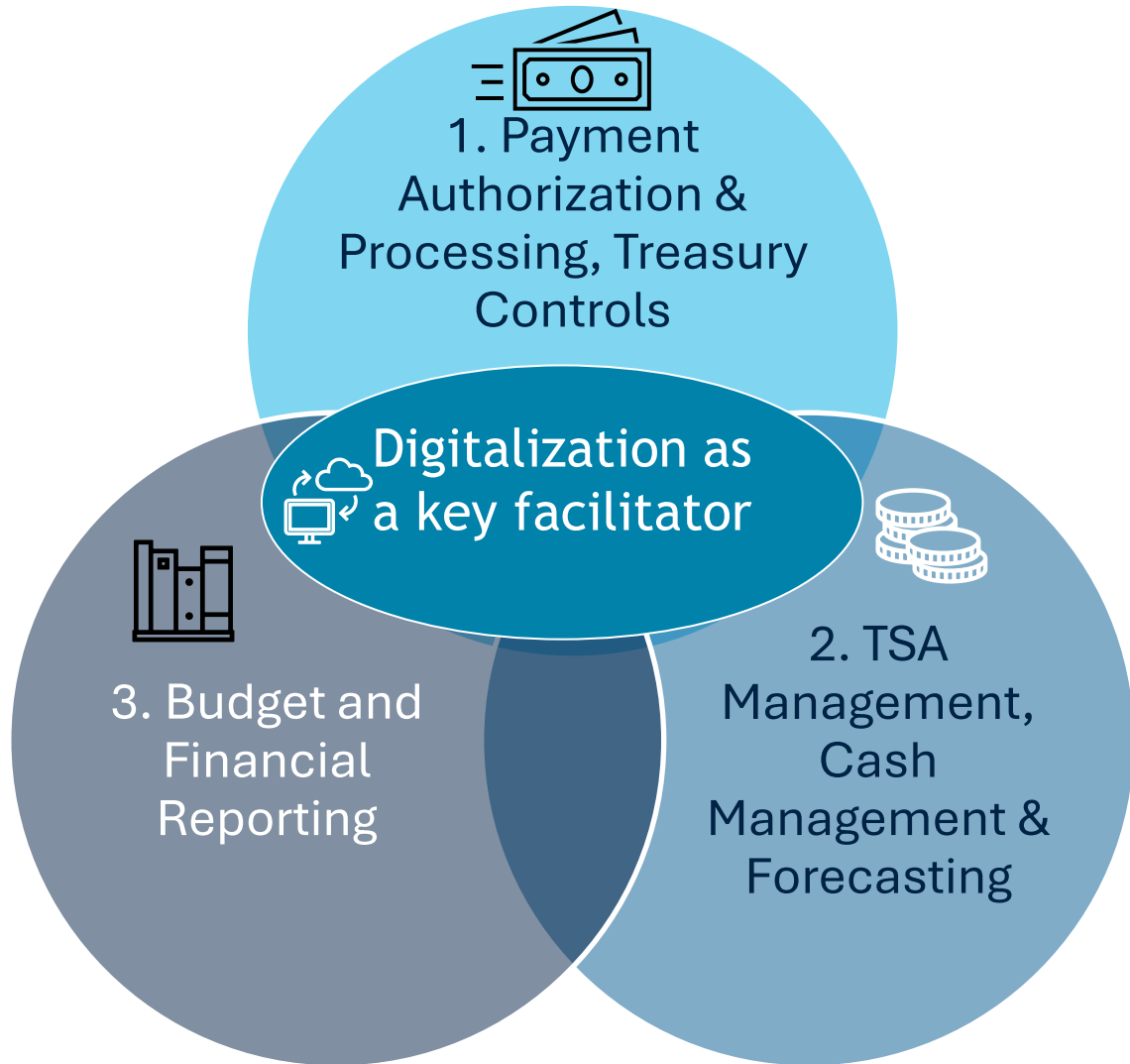
**Draft paper prepared in 2024-2025** - which this presentation will summarize

# Summarizing Survey Results: Treasury Functions in PEMPAL Countries



*Source: 2022/23 Functions Survey.  
Number of countries (out of 18).*

# Evolution of the Role and Responsibilities of the Treasury: Matrix Developed for the Paper



<b>Early Days</b>	
<b>Trends/Reforms</b>	
<b>Future Prospects</b>	
<b>Learning Needs</b>	



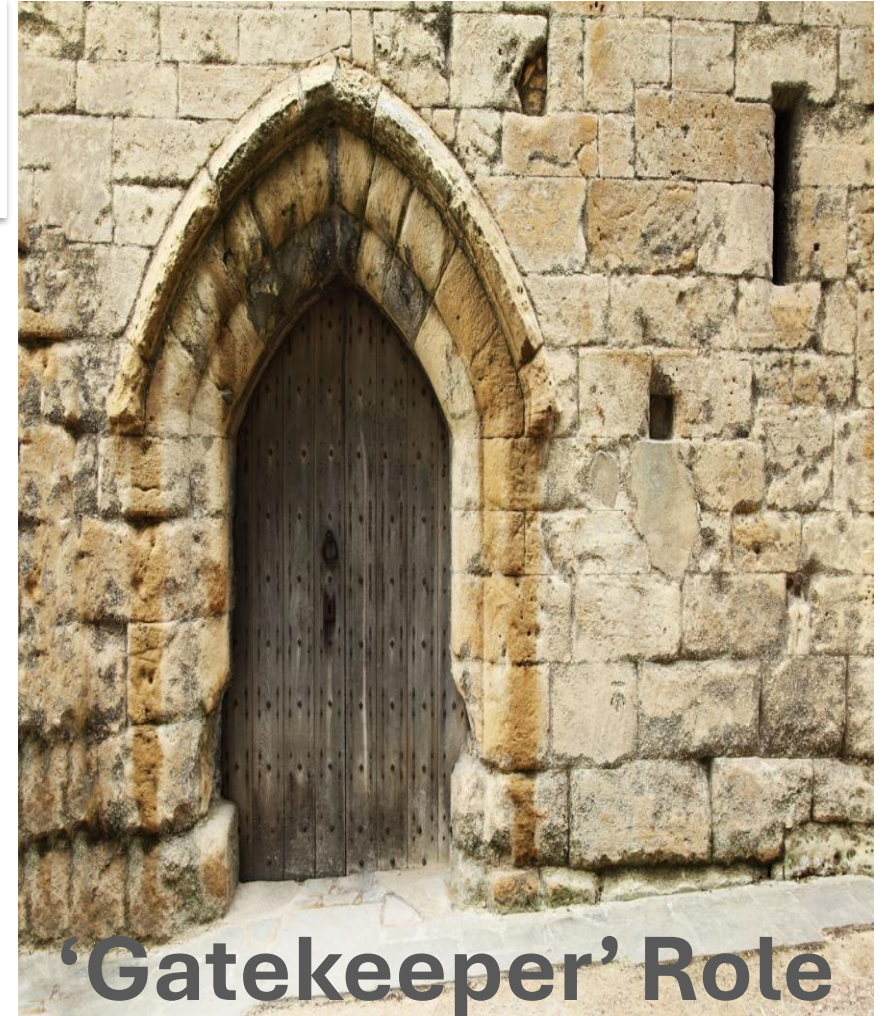
# Authorization and Processing Payments: History



This was the main role / primary function for which treasuries were initially established: staff primarily focused in this area

## ‘Gatekeeper’ role

- ❑ **centralized authorization process** for all payments,
- ❑ **semi-automated processing** - limited number of clients treasury can have direct relationship with (hierarchy in processing & controls) centrally
- ❑ This is the reason why **sub-treasuries** were established – to enable central controls over deconcentrated central entities and subnational governments





# Authorization and Processing Payments: Trends



## PEMPAL SUCCESS STORIES

January 2025

### Green Corridor: Leveraging Technology to Implement Risk-Based Approaches in Payment Authorization & Processing

#### Why Risk-Based Approach to Payment Authorization Is Important?

In most PEMPAL countries national treasury units were created as revenue and payment processing centers of the national Ministry of Finance. Thus, payment authorization and processing is a core treasury function: by exercising payment controls treasuries prevent fraud, misappropriations, and other violations and errors occurring during the budget execution. Since the risks of such violations and errors vary by type of payment, concentrating efforts on the control of the riskiest payments helps to ensure the timely release of payments and efficient use of public funds. Transitioning from paper-based to digital interaction with treasury clients offers new opportunities for implementing a risk-based approach to treasury controls.

#### PEMPAL TCOP Work on Implementing Risk-Based Approach to Treasury Controls

The risk-based approach in treasury controls has been one of the key topics discussed by the TCOP Thematic Group on the Evolution of the Treasury's Role and Functions and was among the main themes of three TCOP Plenary Meetings in 2015 (Tirana), 2017 (Vienna), and 2023 (Almaty). Leveraging digital technologies for improving the quality of treasury operations has also been central for several TCOP discussions, including the meeting of the Thematic Group on the Use of IT Operations. During the meeting of the IT thematic group in Tbilisi, Georgia, in 2015 and at the TCOP Plenary Meeting in Vienna in 2017, the Treasury of Georgia presented the approaches to and the results of the Green Corridor project – a technical solution that allows for automatic authorization and processing of low-risk payments by the treasury.

**Green Corridor is now common in several PEMPAL countries**

Processing workload reduction

New value-added functions emerging

Automation / Digitalization of Processes

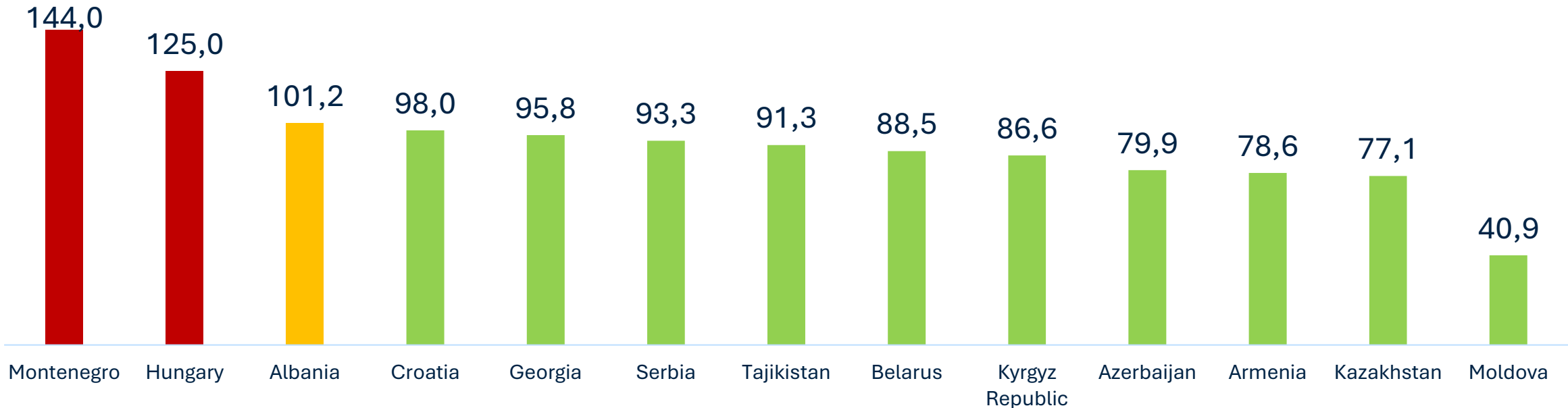
Improved system-based controls that allow a move to a risk-based approach

Changing Relationship with clients



# Trends in Treasury Staffing: Total Treasury Staff

2022 as a % of 2016

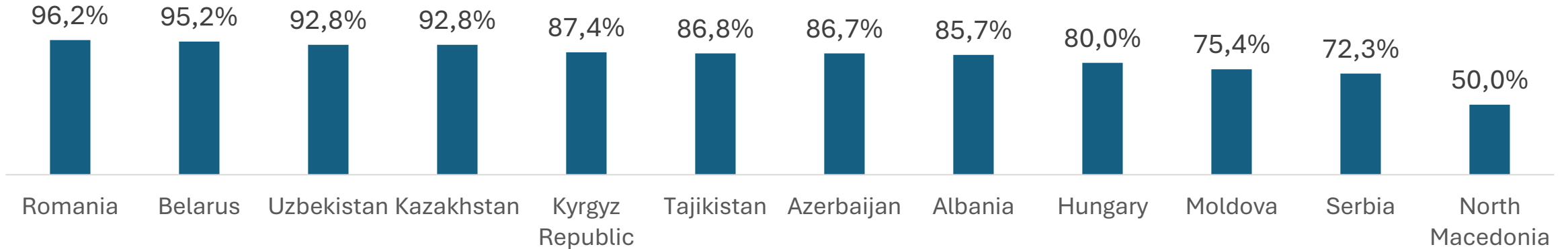


In most countries, treasuries have reduced staffing. The exceptions: in **Montenegro** the increase results from its **small base** while in **Hungary** the change is explained by additional functions of the **Pension and Rural Funds** managed by the Hungarian State Treasury.

# Significant Staff Resources Continue



## Share of Treasury Staff at the Subnational Level, 2022



In the national treasuries that have regional offices, staff are concentrated at the subnational level.

**Six PEMPAL countries (Armenia, Croatia, Georgia, Kosovo, Montenegro, and Türkiye) do not have treasury offices at the subnational level.**





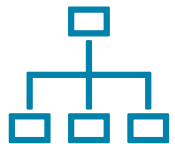
# Authorization and Processing Payments: Future



**Devolution** of responsibility especially where implementation of results-based management is progressing



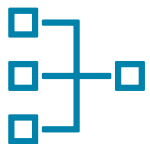
Strengthening and streamlining of **controls** through interoperability of information systems



Integration of lower-level **SUs** as direct treasury clients (higher transparency, capturing data at the transaction level)



Development of **risk-based approaches**, using emerging technologies



Treasuries which have not downsized: elimination of the regional offices might follow



# Bank Account, Cash Management and Forecasting: History



TSA's established in most places simultaneously or soon after the treasury establishment

Management of a core TSA and other bank accounts was also the core / main function of the treasury from the outset

However, cash consolidation was mixed with EBF and other money frequently outside TSA

Client role in the national payment system usually serviced by the central bank

Cash planning rather than forecasting



# Bank Account, Cash Management and Forecasting: Trends



**Expansion in TSA coverage** and consolidation of cash under treasury control

Direct participant in the national settlement system, acquiring some banking functions

Active Cash Management - specialized skills become essential

Closer coordination with Central Banks - need to define the roles and coordination mechanisms

Clarification of the roles and develop coordination mechanisms with debt management



## PEMPAL SUCCESS STORIES

January 2025

### Extending the Treasury Single Account and Using Idle Cash Balances for the Public Good

#### Why Is It Important?

The treasury single account (TSA) helps to consolidate government cash. While TSA models vary across countries, consolidating general government cash yields important benefits including access to a greater range of investment and borrowing tools, reduced reconciliation and settlement time, and increased ability to manage cash in the public interest. The impact of cash consolidation also depends on the cash management instruments employed by the national treasuries to cover the temporary gaps between inflows and outflows and efficiently use idle, temporarily available cash balances to earn additional revenues.

meeting in Ankara in March 2016. TSA design and coverage were the main topics of Thematic Group meetings in 2017 and 2023 and were reviewed at several virtual thematic events in 2015, 2021, and 2024. Active cash management tools were discussed in-depth at several VCs in 2014, 2016, 2019, 2021, and 2024. Both subjects were also addressed at TCOP plenaries in 2015 and 2024. To support the improvements in the TSA design and cash management, TCOP conducted two thematic surveys in 2016 and 2021 and produced two knowledge products, Government Treasury Single Account and Cash Management in PEMPAL Countries (2021) and Optimal Coverage of the Treasury Single Account (2024).

#### Contribution of PEMPAL Treasury Community of Practice (TCOP)

Both the extension of TSA and the development of cash management instruments have been the focus of the activities of the TCOP Cash Management and Forecasting Thematic Group since its first face-to-face

#### PEMPAL Impact on TSA and Cash Management Reforms

As demonstrated by TCOP member surveys, the impact of PEMPAL on improving TSA design and coverage and on implementing active cash management has been very high. Following the discussions of TSA design and coverage during PEMPAL events, eleven countries (Armenia, Bosnia

**Most countries have expanded TSA in recent years**



# Bank Account, Cash Management and Forecasting: Future



It may become **THE MAIN** function for at least some of the treasuries

Optimization of TSA boundaries

TSA funds will become truly fungible

Treasury to become a service provider rather than controller

Better use of bottom-up approaches to forecasting - informed by integration with e-procurement, e-invoices systems, and application of emerging technologies (data analytics, AI)

More countries to engage in active cash management - further development of the instruments for borrowing and investment



# Budget and Financial Reporting: History



Budget execution reporting was a core function of the treasuries from the very beginning

Typically, this was focused on the “**Red Book**” - the end of year report against the approved budget. This “book” was prepared well after the end of year and formally bound and issued

Over time reporting has become more focused on timeliness rather than just the formal end of year process with quarterly and monthly reporting becoming more common

Financial reporting was less uniform

The responsibility for accounting and financial reporting methodology was frequently assigned to the MOF, rather than Treasury

Consolidation of financial reports was at best a semi-automated process

Initial financial reports were not in accordance with IPSAS although they had elements of accruals



# Budget and Financial Reporting: Trends



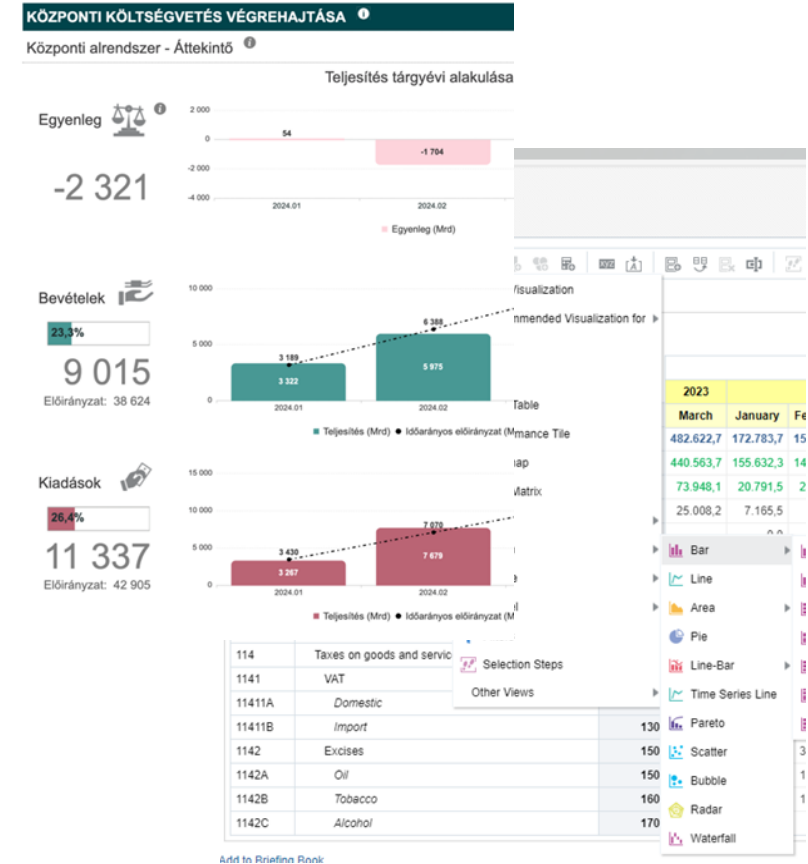
Major public sector accounting reforms involving transition to IPSAS/accruals were initiated in many countries

Design of budget classification/charts of accounts was the necessary precondition for FMIS implementation - Treasury played a key role

## Reporting

Separate solutions were introduced to automate and consolidate financial reports in some countries - not always managed by the Treasury

Introduction of FMIS automated budget reporting, but production of financial reports remained outside FMIS in many countries



Use of more sophisticated tools for user defined reporting is becoming more common!



# Budget and Financial Reporting: Future



Full integration of BC and CoA in a UCoA (in many places these remain parallel structures linked through bridging tables, etc.)

Further improvement of treasury data transparency, broader use of treasury data by decision-makers outside MoF, researchers, etc

Real-time PFM data accessible for management decisions

Cross cutting reporting for example for gender and climate evolving as important new areas. These more sophisticated demands will continue to grow

Integrating IT solutions for accounting and reporting with IFMIS

Expanded coverage of IPSAS/GFSM 2014 reporting including full Accrual



# Broader Management Trends



## Enhanced Digitization including use of AI and BI tools

- This will see the enhanced use of IT extending coverage of systems and interoperability across the PFM framework
- The focus will continue to evolve to ensure integrity over government resources and improving analytics and the timeliness of financial and performance information. BI and AI will become more integrated
- The question is whether Treasury will lead or be part of broader reform in MoF – Both approaches exist in the current PEMPAL family



## Internal Controls and Risk Management – Treasury may have a core role, for the broader PFM framework or its existing area of management



## Performance Management – shifting the focus from just compliance to determine whether what we do supports government’s objectives. This goes hand-in-hand with an enhanced focus on control and risk

# A Digital Evolution : Next Step Revolution



## Process Automation Phase - Digital Evolution

## Digitization - Revolution

1990s

2000s

2010s

2020s

Implementation  
of Central  
systems- FMIS



Systems  
Extended to  
Regional  
Treasuries –  
FMIS expanded



Budget Entities  
Direct Access-  
IFMIS



IFMIS –more  
sophisticated -  
used for  
advanced  
reporting,  
analyse, active  
cash  
management  
and forecasting

Manual Forms  
submitted  
centrally by  
Ministries

Manual Forms  
submitted  
regionally by  
spending units

Electronic forms -  
either direct  
access or via third  
party software

Portals, use of BI  
and AI, data  
warehouse/data  
lake

# Major Areas of Learning for the Future



## Payments

- organizational change
- information systems' interoperability
- risk management
- results based management



## Cash

- operation of liquidity committees
- design of cash buffers
- cash forecasting a comprehensive function/practice
- use of active cash management instruments for borrowing and investment



## Reporting

- UCoA design including integration of cash and accrual
- use of data analytics (BI, DWH, eventually advanced analytics) to support decision-making
- integrating financial & performance data in reporting
- integrating IT solutions for accounting and reporting with IFMIS
- Public Sector Accounting Reform



## ICT

- information systems' interoperability
- use of data analytics (BI, DWH, eventually advanced analytics) to support decision-making
- integrating IT solutions for accounting and reporting with IFMIS

# Summary



The role of PEMPAL treasuries in relation to payment processing has or is changing with a focus on how automation and digitization can improve operations, particularly in relation to payment processing and revenue collection. It is likely that this centralized role will disappear or reduce over time.



There is a trend to move from a traditional cash **planning** role to active cash management and **forecasting**



PEMPAL countries are trending towards **more sophisticated reporting capabilities**, including compliance with IPSAS and GFSM2014 and cross cutting reporting requirements



Modernization and digitization have seen risk management and internal control emerging as areas of responsibility for Treasury in some countries. Treasury has a central role to guide and monitor agencies, while also managing its own processes. Performance measurement and reporting are emerging areas of focus

**THANK YOU!**

