

TCOP Impact on PFM Reforms. Quantifying Treasury Development Impacts

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TCOP Impact Map: Summary of Thematic Surveys (2018-2024)



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						24			24b					
Expanding TSA coverage/ revisiting TSA models		21	24	24		24b	24	24	24		18	24b						24		24
Implementing risk-based treasury controls	23		24						24			18				23				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				24b	24	19		24		24		19
Improving public accounting and reporting (incl. Chart of Accounts)			23			24		24		19	24	19	23		24	19				23
Developing/ modernizing FMIS	24	24	24			24		24		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); 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)

'Green Corridor': Using Risk-Based Approach to Payment Processing (TBC during the Meeting)



2017: Georgia presented "Green corridor" at TCOP Plenary

Azerbaijan: implemented green corridor for utility payments

Kazakhstan: implemented green corridor for utility payments

REFORM: The **Green Corridor** approach allows for automatic authorization and processing of low-risk payments by the treasury. This approach allowed Georgia to reduce transactional costs, minimize payment processing time, and concentrate on major risks. As of 2017, some 70% of all payments went through "Green Corridor" in Georgia. The approach helped Georgia to expand treasury coverage (the number of treasury clients and payments increased has tripled). Thanks to the **Green Corridor**, some XX \$ of transaction costs (i.e. costs for additional treasury staff/commissions that were paid previously to commercial banks) are saved annually and can be used for other purposes.

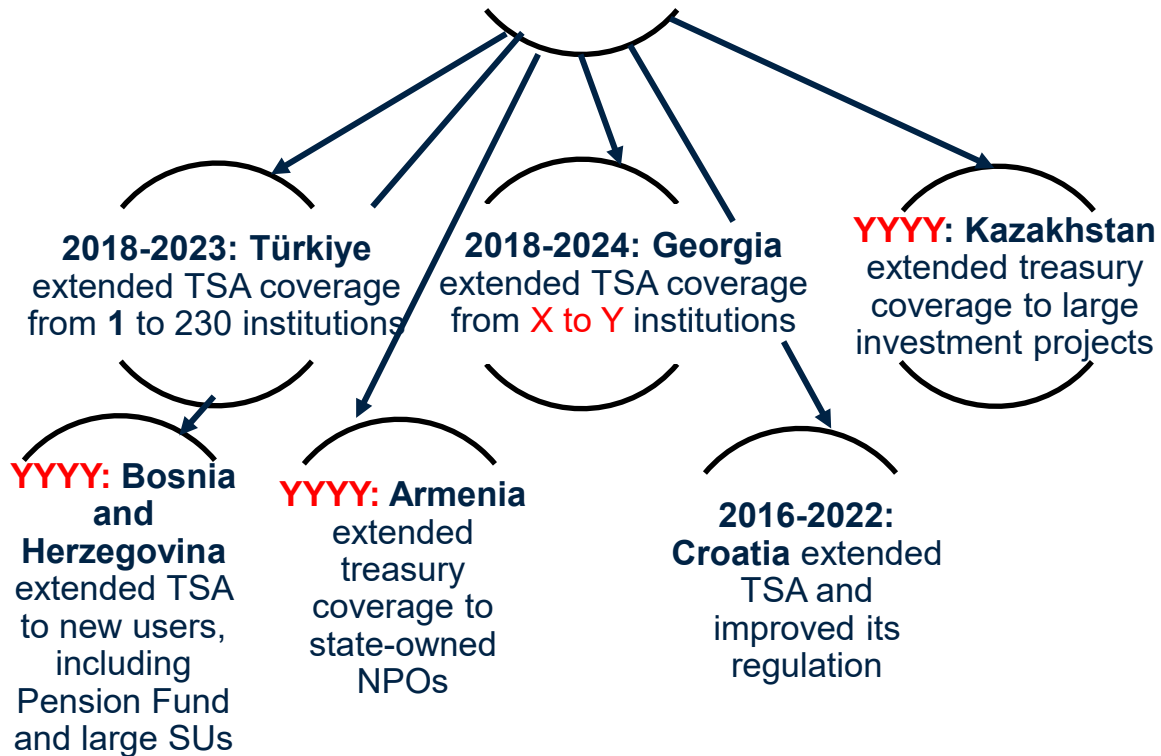
PEMPAL IMPACT: Following the presentation of the Georgian experience at the PEMPAL events, **Azerbaijan** and **Kazakhstan** implemented the **Green Corridor** approach for utility payments. This helped countries to save about XX \$ and XX \$ annually and improve the quality of treasury operations. **Other countries?**

NEXT STEPS: Georgia plans to use the potential of AI to identify risky transactions and process 90% of payments through the Green Corridor by **YEAR**.

TSA Design: Expanding TSA Coverage (TBC during the Meeting)



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

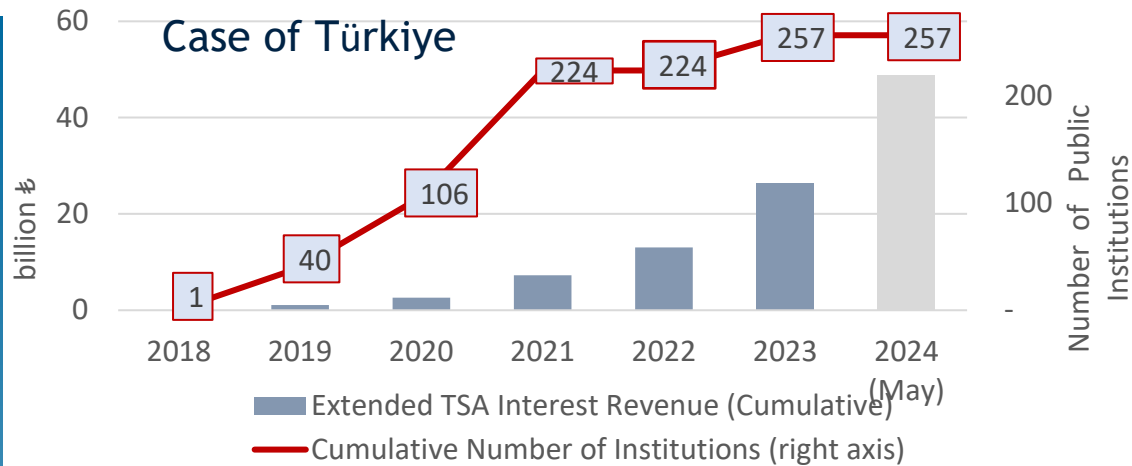


REFORM: Expanding the coverage of the TSA helps governments manage public funds more efficiently and reduce borrowing costs. Cash consolidation also helps to reduce the costs of accounting and reporting.

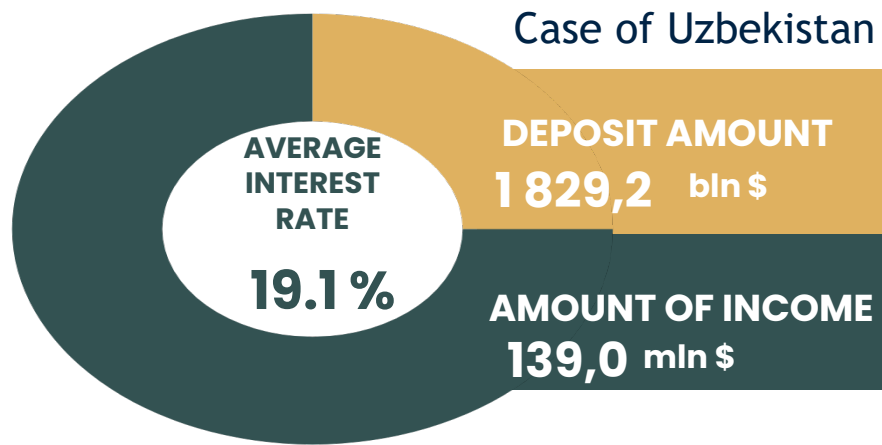
PEMPAL IMPACT: Following the discussions of TSA design and coverage during PEMPAL events, 11 countries expanded the TSA scope or upgraded the TSA in 2016-2021.

NEXT STEPS: Countries aim to further extend treasury coverage (Georgia, Serbia) and focus on ensuring the fungibility of funds on the TSAs.

Active Cash Management: Using Idle Balances for Public Good (TBC during the Meeting)



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, 7 countries reported improvements in cash management practices between 2016 and 2021. 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 in 2017-2024 - 275 US\$ mln, in Uzbekistan in 2020 – 2024 – 139 US\$ mln. Improvements in this area are also reported by Kazakhstan and Kyrgyzstan.

NEXT STEPS: More countries are considering introduction of a cash buffer, expanding the range of active cash management instruments used, enhancing the quality of cash forecasting,

Conclusion: Some Quantifiable Treasury Reforms Impacts



- ❑ Optimizing treasury organizational structure and downsizing
 - ❑ Reduced budget expenditure to fund treasury staff (staff reduction * average cost per staff per year, **can include not only payroll but also office support costs**)
- ❑ Extending treasury coverage & risk-based treasury controls
 - ❑ Number of payments per 1 staff authorizing payments
 - ❑ Number of institutions – direct treasury clients per 1 treasury staff
 - ❑ Average transaction cost of payment authorization before & after reform (payroll of staff involved in payment authorization/number of payments authorized)
 - ❑ % of automatically authorized payments (dynamics)
- ❑ Extending TSA coverage & active cash management
 - ❑ Additional revenues earned from temporary investment of idle TSA funds (total or **less temporary borrowing costs**)
- ❑ Other
 - ❑ Misappropriations of budget funds & other violations prevented by the treasury control, amount
 - ❑ Discrepancies/errors in reporting (dynamics)
 - ❑ ...

THANK YOU!

