

PEMPAL TREASURY COMMUNITY OF PRACTICE (TCOP) Thematic Group on Evolution of Treasury Role and Functions

Impact of TCOP on PFM Reforms, Treasury Development, and Innovation

Videoconference, December 11, 2024

Introduction

1. On December 11, 2024, the PEMPAL Treasury community of practice held a videoconference on the *Impact of TCOP on PFM Reforms, Treasury Development, and Innovation*. The objective was to discuss practical examples of the impact of TCOP activities on PFM reforms and treasury development in member countries. The meeting was attended by 30 TCOP participants from 14 PEMPAL countries (Albania, Azerbaijan, Bosnia and Herzegovina, Croatia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Moldova, North Macedonia, Romania, Serbia, Tajikistan, and Türkiye). The meeting was facilitated by the World Bank resource team comprising Ms. Elena Nikulina (TCOP Resource Team Leader), Ms. Galina Kuznetsova, Ms. Elena Dobrolyubova (TCOP Resource Team Members), and Ms. Tetiana Shalkivska (TCOP Secretariat).

2. **Ms. Elena Nikulina** welcomed the participants and introduced the meeting objectives and the agenda. She highlighted that the meeting had multiple purposes. Given the ongoing process of the new PEMPAL Strategy development, it was important to capture the results achieved during the current PEMPAL phase that would help TCOP leadership prepare for the Whole-of-Network Plenary (WNP) scheduled for March 2025. On the other hand, this event was a logical follow-up to the recent meeting in Tirana where the approaches to measuring treasury performance were discussed. Thus, the topic could be relevant for the national treasuries and provide additional ideas on measuring and demonstrating the impact of treasury reforms. The agenda of the meeting included five country presentations, a short presentation by the resource team, and a discussion.

Country Cases

3. Representatives of five TCOP member countries (Georgia, Azerbaijan, Türkiye, Kazakhstan, and Tajikistan) made short presentations on the impact of TCOP on PFM reforms and treasury development in their countries.

4. **Mr. Erekle Gvaladze (TCOP Chair, Treasury of Georgia)** highlighted that presentations of international experts and exchange of experience with peers from other national treasuries at TCOP events triggered important improvements in treasury operations in Georgia, including (i) introducing the practice of information exchange between State Treasury and State Procurement Agency about payments, done according to budget appropriation, within existing contracts, that helped to reduce fraud significantly and (ii) introducing active cash management and cash buffer management practices. He pointed out that the impact of PEMPAL was much beyond the events per se and provided several examples of other PEMPAL countries (including Azerbaijan, Kazakhstan, and Uzbekistan) approaching Georgia bilaterally and learning from the Georgian experience. Noteworthy, the treasury reforms

conducted in Georgia had tangible and quantifiable results. Thus, introducing the risk-based approach to authorizing payments (the Green Corridor system) helped Georgia **triple** treasury staff productivity in this area. Implementing active cash management instruments resulted in additional interest revenues reaching 0.72% of the national annual budget. However, the benefits of government digitalization are not only relevant to the government. The introduction of the single tax code for individuals and legal entities and the automatic tax refund system has resulted in a drastic increase in tax refunds from GEL 615 million in 2019 to GEL 2266 million in 2022.

5. **Ms. Elena Nikulina** noted that Georgia was an excellent example of a country that both gained new knowledge at TCOP events to inform the treasury development and inspired other TCOP members to reform their treasury operations.

6. **Mr. Nazim Gasimzade (TCOP Deputy Chair, State Treasury Agency of Azerbaijan)** noted that often the current technical solutions limit the possibility of treasury reforms. However, important improvements inspired by peer experience shared at the TCOP events have been made by the treasury in Azerbaijan. In particular, since 2024, Azerbaijan has implemented a risk-based approach to processing payroll and utility payments (following the Georgian experience). Also, using the experience of Moldova, the treasury of Azerbaijan has streamlined the organizational structure. Thus, 12 regional treasury departments in Baku were merged into one; some consolidation also took place in the regions. Simultaneously, new divisions in the central treasury dealing with strategic and project management, methodology, and internal control were opened to facilitate the transformation of the treasury role and functions. The recent TCOP meeting in Tirana was very relevant to the ongoing reform process as Azerbaijan plans to implement individual-level KPIs for treasury staff in 2025. Finally, in 2025, the treasury of Azerbaijan plans to introduce the practice of temporary investment of idle TSA balances in commercial banks. Further improvements are also planned in the cash flow forecasting area. Overall, both TCOP events (including the meetings of TCOP thematic groups) and TCOP knowledge products (especially those related to cash management and the CFAT tool) have made a significant impact on the implemented and planned treasury reforms in Azerbaijan.

7. **Ms. Elena Nikulina** congratulated Mr. Nazim Gasimzade and noted that organizational reforms are always sensitive, as the redeployment issues come up. She recalled that similar reforms in Moldova were quite difficult as the country had to radically downsize the network of regional branches. **Mr. Dan Berladean (State Treasury, Moldova)** confirmed that the number of regional treasury offices in Moldova was reduced in 2015 from 38 to only five.

8. **Mr. Barış Can (Ministry of Treasury and Finance, Türkiye)** highlighted that by supporting formal and informal knowledge and experience sharing, TCOP allows to leverage the experience and expertise of distinguished experts, observe and analyze a range of innovative and adaptable practices, and follow the latest trends in treasury operations. The discussions of the TCOP Thematic Group (starting from the meeting in Ankara in 2016) helped Türkiye to significantly improve the efficiency of its TSA, drastically extend the TSA coverage, and increase the interest revenue on the idle TSA balance. Since 2018, the coverage of TSA has increased **by 276** institutions, it now covers all public institutions, except the local government. Due to the extension of the TSA, the treasury now can access the balances amounting to

some ₺250 billion, use these funds as a cash buffer and thus reduce the borrowing needs. The additional revenue from temporary investment of TSA balances in 2024 has reached ₺75.7 billion (Fig. 1).

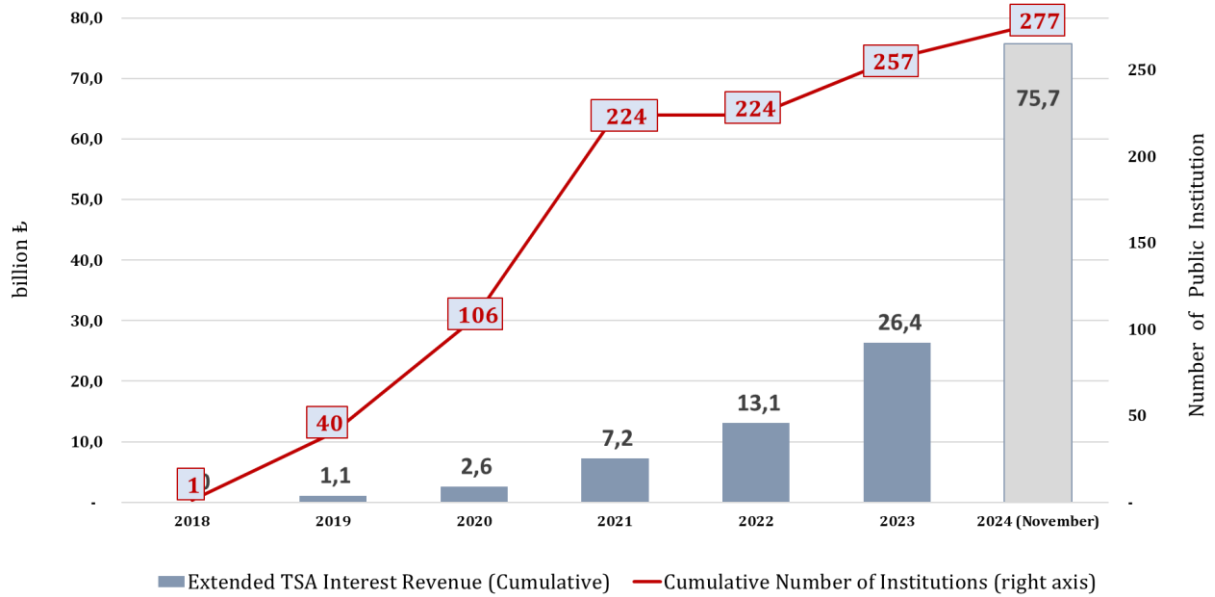


Fig. 1: TSA Extension and TSA Interest Revenue in Türkiye in 2018-2024

9. Moreover, due to higher staff capacity and the economy of scale, the treasury’s return rate has been significantly higher than that of other institutions (Fig. 2). Therefore, cash consolidation also had an important economic impact.

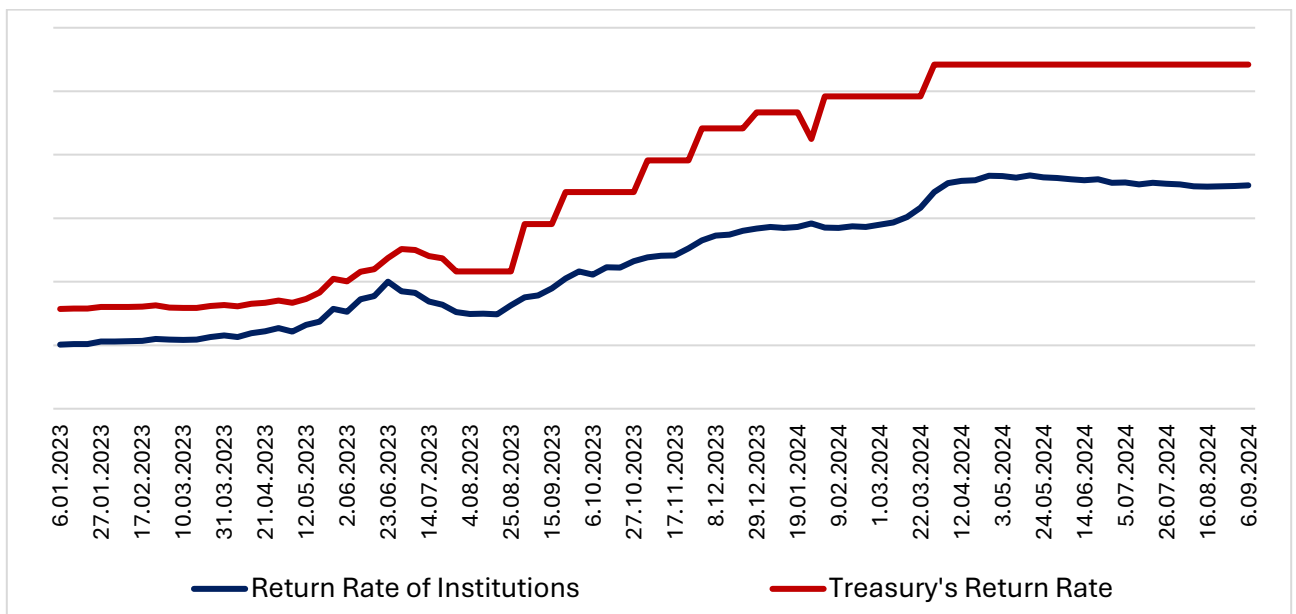


Fig. 2: Return on Cash Surpluses by the Treasury and Institutions

10. **Ms. Elena Nikulina** noted that the first meeting of the Cash Management Thematic Group was held in Ankara in March 2016, and several countries, including Moldova, presented their achievements in terms of TSA coverage there which provided inspiration for the Turkish colleagues. Further discussions on TSA coverage were conducted at several TCOP events, and Türkiye's example clearly illustrates the benefits of expanding the TSA coverage.

11. **Mr. Rakhat Tokbayev (State Treasury Committee, Kazakhstan)** pointed out that PEMPAL helped to intensify the international cooperation of Kazakhstan with other countries both within and outside ECA. Thus, the TCOP Plenary in Almaty in 2023 was attended by sixteen TCOP member countries and five countries from PEMNA. Only in 2023-2024, the State Treasury Committee exchanged visits with their peers in nine countries, most were facilitated or informed by PEMPAL (including Albania, Austria, Hungary, Serbia, and Georgia). TCOP events and knowledge products have influenced treasury development in Kazakhstan in several critical areas. Firstly, the TSA coverage has been extended. Secondly, cash management has improved. In 2025, Kazakhstan plans to introduce the practice of placement of surplus cash on the stock market. Thirdly, significant progress has been achieved in integrating the core treasury FMIS with other government systems, including e-invoice, e-procurement, and the legal entities database supported by the Ministry of Justice. Fourthly, following the presentation of the Georgian experience of the “green corridor” project, Kazakhstan implemented a similar approach to processing utility payments. Finally, the discussions at TCOP events prompted Kazakhstan to implement the treasury oversight system to minimize the risks of misappropriations in large investment projects.

12. **Ms. Elena Nikulina** noted that the scope of bilateral cooperation of the State Treasury Committee of Kazakhstan was impressive and pointed out that the TCOP resource team would follow up on details of some of the reforms mentioned in the presentation. She also noted that the study visit to Seoul organized by TCOP in 2015 was one of the events that influenced the interest of PEMPAL countries in integrating FMIS with other systems.

13. **Mr. Muhammad Amirkhonov (Central Treasury, Tajikistan)** in his presentation demonstrated that the themes of almost all TCOP plenaries conducted since 2011 had a lasting impact on the treasury reforms agenda in Tajikistan. In particular, the experience of FMIS development in other PEMPAL countries has impacted the design of FMIS in Tajikistan and its integration with other systems (including e-procurement). Moreover, Tajikistan chose to use the Turkish FMIS as a basis for FMIS with relevant adaptation to the country's needs. Currently, the centralized system for public sector accounting is being developed. The experience of TCOP member countries on the internal control in the treasury system was largely used for drafting the new treasury instructions and developing FMIS. Also, the TCOP knowledge product on Government Treasury Single Account (TSA) and Cash Management inspired important improvements in treasury processes. The TSA coverage has been increased and further improvements in raising funds fungibility are being considered. Currently, Tajikistan is considering the implementation of the CFAT tool for cash forecasting presented at several TCOP events. TCOP has also had a positive impact on developing Tajikistan's bilateral relations with treasuries from other PEMPAL countries, including Türkiye and Georgia.

14. **Ms. Elena Nikulina** congratulated Tajikistan on significant progress in treasury digitalization and other areas of treasury operations and noted that the approach of linking treasury reforms to specific TCOP events presented by **Mr. Muhammad Amirkhonov** is exemplary.

Resource Team Presentation & Discussion

15. **Ms. Elena Dobrolyubova** presented the TCOP Impact Map – a summary of the impact of TCOP on various aspects of treasury development constructed based on the analysis of TCOP member surveys and thematic surveys in 2018-2024. She noted that the TCOP Impact Map may be adjusted and asked interested participants to provide further suggestions and comments. The version of the TCOP Impact Map updated based on the discussions held during the videoconference is presented in Fig. 3.

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			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				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																				
Feedback 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)																				

Fig. 3: TCOP Impact Map

16. **Ms. Elena Dobrolyubova** also demonstrated several thematic success stories that could be included in the TCOP leadership presentation during the WNP in March 2025, focusing on implementing Green Corridor, expanding TSA coverage, and introducing active cash management practices. **Ms. Elena Nikulina** noted that, based on the country presentations, TCOP success stories should also include the progress in integrating FMIS with other systems, such as e-procurement.

17. **Mimoza Pilkati (General Directorate of Treasury, Albania)** noted the impact of TCOP on cash management and automating treasury processes. She confirmed the interest of Albania in providing further information on the TCOP impact, including the impact of specific events. **Ms. Andrea Kocelj Bračić (State Treasury, Croatia)** also confirmed the readiness to provide further information on the impact of TCOP on PFM reforms in Croatia, as required. **Mr. Muhammad Amirkhonov** noted that Tajikistan also implemented a risk-based approach to processing treasury payments and expressed his willingness to compare this approach with the one implemented by Georgia (the “Green Corridor” project).

18. **Ms. Naida Carsimamovic**, PEMPAL Advisor, congratulated TCOP on the significant impact of the community on treasury modernization. She noted that the success stories that could be prepared based on the discussions held could focus on specific themes or specific countries and could utilize diverse formats.

19. **Ms. Elena Nikulina** thanked everyone for participating in the videoconference and noted that follow-up information requests will be sent to TCOP member countries to clarify some specific details. **Mr. Erekle Gvaladze** thanked the participants for their invaluable input and used the opportunity of the VC to congratulate everyone on the upcoming New Year.

Conclusions

20. TCOP events and knowledge products have made a significant impact on PFM reforms, treasury development, and innovation in PEMPAL countries. This impact can be traced back to specific meetings or knowledge products. Noteworthy, depending on the specific country context, TCOP impact may have a lagging effect with the ideas presented and discussed 8-10 years ago being still relevant for other countries.

21. The impact of treasury modernization efforts yields quantifiable results. For instance, temporary investment of idle TSA cash balances in Georgia resulted in additional revenues amounting to about 0.6% - 0.7% of the national budget annually. Extending TSA coverage and managing consolidation cash has helped Türkiye to increase interest revenue at least twice, compared to the decentralized cash management practices. These additional revenues can be used to finance national development objectives. Optimization of treasury organizational structure results in reduced treasury operating costs, whereas the introduction of risk-based treasury controls helps to drastically increase the productivity of treasury staff: in Georgia, the number of payments processed per staff has tripled after the Green Corridor project was implemented.

22. The impact of TCOP is not limited to TCOP events, as the new knowledge, contacts, and networking experience help member countries develop their bilateral relations. TCOP members provided numerous examples of bilateral cooperation between national treasuries in ECA enabled by the PEMPAL network, ranging from exchange of visits (for instance, between Serbia and Kazakhstan) to in-depth cooperation on automating financial management functions (between Türkiye and Tajikistan).

23. To facilitate documenting the advanced practices and promising solutions, TCOP members proposed to prepare thematic success stories that could document the impact of the community and also provide further inspiration to other countries in their efforts to raise the effectiveness and efficiency of national treasuries. The resource team will follow up with member countries to better document TCOP's influence on treasury development and measure the impact of treasury modernization and will support the preparation of such success stories to inform the WNP in March 2025.