



PEMPAL TREASURY COMMUNITY OF PRACTICE

Videoconference of the Thematic Group on the Evolution of the Role and Functions of the Treasury

Preliminary Results of the 2022 Survey on Functions of the Treasury in PEMPAL countries

March 16th, 2023

On March 16th, 2022, members of the PEMPAL Treasury Community of Practice (TCOP) met via videoconference (VC) to get acquainted with and discuss preliminary results of the 2022 Survey on the Functions of the Treasuries in PEMPAL Countries, as well as contribute their suggestions for the design and thematic content of the 2023 TCOP Annual Plenary Meeting. The presentation on the preliminary results of the survey was delivered by Mr. Mark Silins (TCOP Thematic Advisor). The VC was attended by 29+ officials¹ from 13 PEMPAL countries (Albania, Armenia, Belarus, Croatia, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Moldova, North Macedonia, Serbia, and Uzbekistan). The meeting was facilitated by the World Bank resource team, including Ms. Elena Nikulina (TCOP Resource Team Leader), Mr. Mark Silins (TCOP Thematic Advisor), Ms. Yelena Slizhevskaya (TCOP Resource Team Member), Ms. Galina Kuznetsova (Head of PEMPAL Secretariat), and Ms. Tetiana Shalkivska (PEMPAL Secretariat).

Summary of Discussion

Opening Remarks

Ms. Elena Nikulina welcomed participants to the meeting on behalf of World Bank. She noted that while the COVID-19 pandemic had interrupted face-to-face meetings, PEMPAL continues to convene virtual events which have been well supported by members. Elena added that this meeting serves as a preparatory session for upcoming TCOP plenary meeting that will be held face-to-face in Almaty, Kazakhstan, in May. During the first part of the session the preliminary results of the 2022 survey on functions of the treasuries in PEMPAL countries will be presented. This is a repeat survey with the first one conducted in 2016 and discussed in the plenary meeting in Chisinau, Moldova. During the second part of the session the participants will have an opportunity to comment and contribute to the proposed agenda of the plenary meeting.

Preliminary Findings of the Survey on the Role and Functions of the Treasuries

Mr. Silins delivered the presentation on behalf of the resource team. He also acknowledged the contribution by Ms. Slizhevskaya, who collated the data from the responses and undertook the initial analysis. Twelve countries responded to the survey compared with 17 in the 2016 survey. Nine countries participated in both the 2016 and 2022 surveys. It is hoped that further countries will take the opportunity to complete the survey in time for the plenary meeting in Almaty where the results will be discussed in more detail.

¹ The number includes only those who provided full contact details

Mr. Silins worked through the responses to the survey and noted some interesting points which are summarized below:

- Most treasuries are part of the Ministries of Finance structure (8 of 12) which is consistent with the responses in 2016 (11 of 17).
- 8 of 12 countries surveyed have subnational offices with 6 of the 8 having two tiers. This is somewhat surprising given the developments in many countries towards end-to-end automation of processes which in some cases enabled elimination of the regional offices.
- Where subnational offices exist, most of the staffing remains at these levels – ratios between central and regional staffing are at least 1:4 and as high as 1:25.
- Benchmarking country treasury staff profiles against country populations and client numbers reveals significant disparity across respondent countries. A breakdown of staff profiles between central and subnational offices using client numbers shows that in general, subnational offices service a much lower number of clients than the central treasury. While this type of analysis is very simplistic and maybe misleading, it is certainly worthy of further discussion and investigation. One may suppose that some treasuries focus on serving spending units, while others work with ministerial level entities. The volume of transactions is also another factor.

- A review of major treasury functions reveals six functions which can be described as core, with all six existing across ten of the twelve countries survey (see the adjacent slide). These six core functions are: authorization and processing of payments; management of government bank accounts; budget execution reporting; cash forecasting; cash management; and consolidated financial reporting. The other functions are no longer common across the treasuries, and this partially explains the difference in staffing profiles across the treasuries of the PEMPAL countries.

Functions	Total
Authorization and processing of payments on behalf of the government	12
Management of government bank accounts (TSA and other)	12
Budget execution reporting	11
Cash forecasting	11
Cash management	10
Consolidated financial reporting	10
Management of the treasury information system	7
Training and education	5
IT support	4
Debt management	4
Public sector accounting policy and methodology	3
Management of the whole central financial management information system	3
Management of other government information systems	2

- Comparison of the share of treasury staff involved in processing and authorizing payments at central and subnational levels showed some surprising results in selected countries: 100% of one central office is reported to be involved in processing payments, and in three countries 40% or less of staff in subnational offices are involved in payment processing. Payments processed by the treasuries also showed huge variances, with a low of 1200 payments a day in one country and a high of 200,000 a day in another.
- The responses indicated that cash forecasting and cash management, both core functions in PEMPAL countries, are generally undertaken with a small number of staff resources.
- Most of the IT support is occurring outside of the treasuries - only five out of the twelve countries have an internally resourced and supported ICT function.
- Seven of twelve countries indicated that internal control function was not the responsibility of the Treasury but of a unit outside of the Treasury.

- Regarding risk management - of the eight responses five indicated it was led within the Treasury with three indicating responsibility lay outside of the Treasury; and
- Participants were also asked questions regarding new functions, functions which have been eliminated and any trends in functions. One of the common trends illustrated by the survey was the expansion of the types of funds and entities serviced by the treasuries. Speaking of the functions that diminish in importance three countries indicated that the ex-ante control function of the Treasury is likely to be eliminated in coming years.

Mr. Silins concluded his presentation by again noting that the findings are preliminary, and other countries are encouraged to take part in the survey to ensure that the dataset is as broad a representation as possible. The presentation highlighted many areas which should provide a rich opportunity for debate in Almaty at the plenary meeting, including:

- What is the evolving role of the subnational offices? How do some countries cope with no subnational offices while other countries continue to rely on these structures?
- What are the reasons behind very low numbers of staff relative to population, client, and payment levels in some countries? Automation is one answer, but the difference in functions performed above the traditional core treasury functions is also worth separate attention.
- What is understood by the terms internal control and risk management – is there a central role for PEMPAL treasuries in these areas?

Questions and answers

Representatives of Belarus Treasury commented that they felt that comparing staffing levels to payments, population and client numbers may be misleading and needs to be considered carefully. Ms. Nikulina and Mr. Silins separately responded by agreeing that the ratios must be analyzed carefully. The purpose behind the survey is to gather data and then undertake further discussions and analysis on how the treasury functions are organized in different PEMPAL countries.

Representatives of the Treasury Committee of Kazakhstan thanked the speaker for the interesting presentation and shared that despite the above-mentioned caveats it already provided important insights, especially since this type of analysis is not a common one for the treasuries. Following the addition of new functions, the share of Kazakhstan treasury staff involved in payment processing decreased to 40 percent, illustrating the change.

Representatives of Croatian Treasury noted that they do not have subnational treasuries and wanted a better understanding of the primary role of these structures. Mr. Silins and Ms. Nikulina reminded that the former Yugoslavia had in place a highly automated payment system for the whole economy called the ZPP. When Croatia and other countries became independent the capabilities of the ZPP remained in place allowing electronic payments directly into the banking system. No such systems were in place in many other countries at that time, particularly in transition economies. This made those countries to keep subnational treasuries close to the clients ensuring timely processing of payments. The big question for now is indeed how has this role evolved with modernization and automation and are subnational treasuries still required in all countries?

Representatives of the Albanian Treasury provided comments on how the institutional setup of their ministry influences the distribution of functions on cash management and forecasting and their respective survey responses. Following up on the question of central versus subnational treasury offices

it was shared that indeed expansion of information system’s capabilities to the subnational spending units decrease the workload of the regional treasuries. At the same time new functions emerge, such as implementation of the International Public Sector Accounting Standards, and regional treasuries are expected to back up this process by becoming centres of excellence in public sector accounting.

Ms. Nikulina once again invited all countries that had not completed the survey to do so, and indicated the link was still active and would be resent to interested countries.

Preparations for the 2023 Annual TCOP Plenary Meeting

The final item on the agenda was the discussion of the upcoming plenary meeting in Almaty, Kazakhstan which is scheduled for four days, from May 23-26, 2023. Given the considerable length of time since the last face to face meeting pre-COVID, which was back in October 2019, it was decided to allocate four rather than the usual three days to allow adequate time for a



Overview / Objectives

Dates – May 23-26 (4 days)
Location – Almaty, invitation received from the Treasury Committee of Kazakhstan

Objectives

- Discuss the findings of the 2022 survey on treasury functions and deepen the understanding of the trends with a particular focus on selected functions (*functions of focus for 'deep dives' to be decided*)
- Exchange latest information (news) on the relevant developments in the member countries (*volunteers invited*)
- Reconnect the members after a long period of virtual operation of the COP

Общая информация \ Цели

Даты - 23-26 мая (4 дня)
Место - Алматы, получено приглашение от Комитета Казначейства Казахстана

Цели

- Обсудить результаты опроса о функциях, проведенного в 2022 г, и углубить понимание тенденций, которые он подтверждает, с акцентом на отдельные функции (*нужно решение на каких функциях будем делать акцент*)
- Обменяться информацией о последних событиях в участвующих странах (*приглашаются желающие поделиться новостями*)
- Восстановить контакты между членами сообщества после длительного перерыва в очных встречах

comprehensive agenda. In addition to deep diving in the discussion on the modern role of the treasury and further analysis of the findings in the survey, the meeting will provide an opportunity to discuss treasury controls and risk management, as well as get an update of the latest developments in the use of information technologies in treasury operations. Several international speakers will contrast the centralized Francophile treasury model with the decentralized Anglophile model, as well as present recent developments in control frameworks for both models due to digitization. This should be particularly interesting for participants as most PEMPAL country systems have evolved based on the centralized Francophile model. A significant portion of agenda will be allocated for country updates (news).

Participants of the videoconference were invited to comment on the plenary agenda, volunteer to present on the mentioned topics or on recent country developments, and to suggest their preferred modality for each of the sessions. The World Bank resource team present at the meeting had taken a note of the members’ comments and suggestions. Ms. Nikulina thanked everyone who had contributed to the discussion for the flow of ideas and expressed her hope to see many of the participants in person in Almaty in May.