**PEMPAL Treasury COP**

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

**Experience of Moldova Treasury Reorganization**

**Video conference, April 18, 2018**

TCOP themtic group on evolution of the roles and functions of the treasury met through videoconference on April 18, 2018. The meeting was attended by 12 participants from 7 countries. to this presentation by Ms. Svetlana Placinta, Head of Methodology Department, State Treasury, Ministry of Finance of Moldova. The session was introduced by the Head of the TCOP ExCom, Ms. Angela Voronin, who is also the Head of State Treasury of Moldova.

The reorganization of the State Treasury of Moldova took place on 1 January this year, two years after the launch of the new FMIS. Ms. Svetlana Placinta informed participants that the reorganization of the Treasury was part of a government wide process, which sought to reduce overall staffing numbers to allow pay increases for a smaller higher skilled workforce. In August 2017, the government issued a resolution to reorganize the MoF reducing staff by 60%.

The advent of automation with the introduction of the FMIS in January 2016, allowed the Treasury to focus on further process improvements, reducing manual steps and the role of the Treasury in the payment process. Moldova introduced “a green corridor”, where most payments are now subject to a reduced level or no manual checking by the Treasury staff. Payments selected represent a lower level of risk either due to the ex-ante controls that exist in their preparation, or because the recipient is a repeat beneficiary such as with salaries, scholarships and utility payments. Moldova has also expanded remote provision of treasury services using e-signature and e-services, as they seek to minimize the use of paper-based documents. Travel time has also been reduced for clients with servicing banks providing cash payments based on an electronic advice from the Treasury. This is currently only for Moldovan Lei, but they are also piloting foreign exchange at present.

These efficiencies allowed the Treasury to reduce from 38 to just five regional offices. 255 staff were reduced to just 89 and accommodated in five locations. In addition, the central treasury office was also reduced from 41 to 30 staff,

The timing of the downsizing was particularly challenging, with typical high-volume end of year processing coinciding with the proposal to release staff. The downsizing process was also very painful, as few alternate jobs were available for the released officials and not all existing staff had the required skills for the future nature of the work. The workloads for retained staff also increased which has in turn stimulated the Treasury to examine further opportunities for efficiency. While the change management process has been tough, it has resulted in higher salaries for the retained staff, efficiency improvements and there is expected to be reduced “rent seeking” as staff now receive a reasonable level of remuneration.

Azerbaijan queried how the Treasury determined the optimal size of the Treasury workforce going forward. Moldova explained that the size was less by design and more a centrally driven decision across the public service. But once they knew the target size they had to decide how to redistribute work and reduce manual processes. There is however, an ongoing challenge to determine the optimal workloads and they consider current workloads are still too high.

Mark Silins, TCOP Treasury Advisor, was invited to comment. He indicated that he can sympathize with Moldova on two levels. Firstly, he was directly involved in a similar downsizing in Australia in 1996, where the entire regional network was closed. The advent of technology made the ongoing role questionable. He also has worked extensively in Moldova including doing a review of regional offices and business processes way back in 2001, after the previous system was launched across the country. These processes are always challenging, and he was aware that many staff had been with the MoF for a long period of time. Reducing staff is always tough.

While this process was externally driven, ICT has been the basis for change in Moldova more broadly. It often takes an external force to bring about change. Many countries have transformed the public service in general through automation, making it more policy oriented, seeking higher skilled people to improve performance. Salaries generally also increase to create higher quality and higher performing staff and to improve retention rates.

Mr. Silins indicated that what happened in Moldova, and previously in Georgia in 2010 will take place in other PEMPAL countries too. Modern Treasuries cannot continue to be centres for transaction processing – this is not a “value adding “ role in a modern automated government environment. We cannot hold back these changes. All of us need to be thinking about this and seek alternate roles for staff, roles that reflect higher skills and more useful outputs and activities. For staff whose entire role is processing, the future is unfortunately grim. He suggested that the value added new roles include advanced (active) cash management, developing strategic reporting tools for managers and decision-makers, along with tailored training and education. Pre-audit may not necessarily be value added in the future. Another challenge for Moldova will be maintaining moral for the workforce still employed. While people with be thankful they have jobs, the loss of colleagues and work pressures will have an impact.

Head of PEMPAL program, Ms. Elena Nikulina also sympathized with Moldova having also worked long term in the country and with the MoF and Treasury. She highlighted that change management will often be painful, but one lesson is that it should be managed strategically, particularly to ensure that other challenges such as end of year cut-offs are not unduly impacted. The results in Moldova are impressive. The future focus now should be on further reducing workloads through improvements in technology.

The full presentation by Moldova can be found here: <https://www.pempal.org/node/3313>