

Experience of the Russian Federation in Reforming the Country's Treasury System

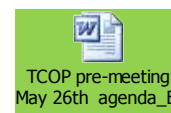
Moscow, Russia



In accordance with the Action Plan for the period 2012–2014, the Treasury Community of Practice (TCOP) of PEMPAL¹ conducted a meeting entitled “Experience of Russian Federation in reforming treasury system”. The meeting was held in Moscow on May 26th and took place on the eve of the PEMPAL CROSS COP Plenary in Moscow (May 27-29), which was devoted to the issues of fiscal transparency and accountability. Over 40 treasury representatives from 17 PEMPAL member countries participated in the TCOP meeting. The workshop was facilitated by

experts from the World Bank. Logistical support was provided by PEMPAL secretariat based at the Slovenian Centre of Excellence in Finance

The meeting took place in conformity with the agenda drawn up by the TCOP Executive Committee in cooperation with representatives of the hosting country - the Federal Treasury of the Russian Federation. The main goal of the meeting in Moscow was to give TCOP members an opportunity to learn about the most recent experience of the Russian Federation in reforming various areas of treasury activities. In particular, participants were presented the methods applied by the hosting country in creating the functional model of the Federal Treasury and personnel training, the practice of in-sourcing within the treasury system of the Russian Federation, the role of treasury in financial reporting generation, the experience in managing the treasury single account, as well as the approaches to delimitation of responsibilities within the budget execution process between the treasury and budget institutions. The framework for discussions in each of these areas was set up by presentations made by representatives of the Federal Treasury of Russia.



The above-mentioned topics were included in the meeting agenda based on the preferences expressed by the TCOP Executive Committee members in preparations of the event. TCOP members had already had opportunities to learn about certain aspects of the Russian treasury system activities within previous PEMPAL events, in particular at the workshop on treasury modernization strategies conducted in Moscow in June 2012 and at the thematic video conference on the experience of Russia in evaluating the performance of treasury units held in November 2013.

Opening the meeting, **Mr. Roman Artyukhin**, head of the Federal Treasury of Russia, welcomed the event participants and underlined the importance of the PEMPAL network as a platform for peer assisted learning and exchange of experience among finance professionals from member countries. As one of the participants in the first event of the PEMPAL Treasury Community of Practice in 2006 and in a number of other events conducted recently, the head of the Russian Treasury remarked the progress made by the PEMPAL network in providing knowledge resources and organizing experience exchange, as well as the increased role of the TCOP members themselves in

¹Public Expenditure Management Peer Assisted Learning (PEMPAL) aims to improve the efficiency, effectiveness and transparency of public expenditure in Central and Eastern Europe and Central Asia countries. The program supports activities that bring practitioners in public finance together in COPs to enhance peer learning through benchmarking performance for implementation of reforms in public finance. For more information on PEMPAL please go to www.pempal.com.



preparing the contents of the learning activities. PEMPAL member countries have been both donors and beneficiaries of knowledge in public finance management, which has been contributing to the high efficiency of peer learning among the network members.

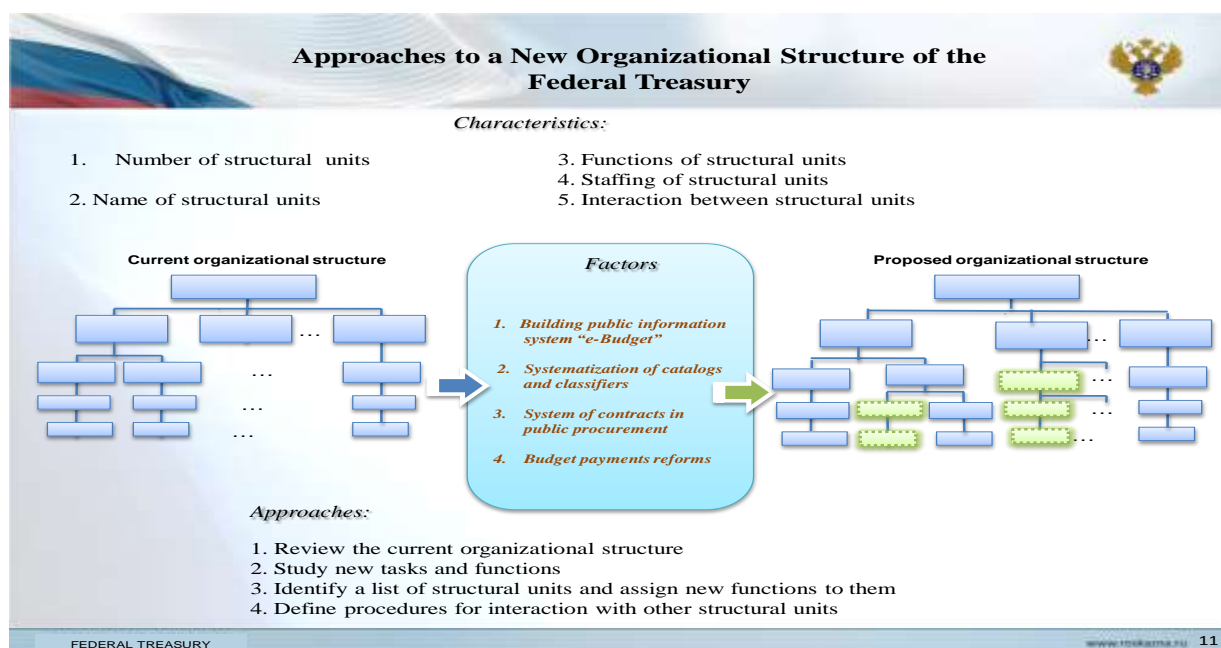
Mrs. Elena Nikulina, PEMPAL Program Team Leader, World Bank, thanked the host party for the significant contribution made by the Federal Treasury of Russia in preparations of the TCOP event, as

well as of the upcoming PEMPAL CROSS COP Meeting in Moscow on 27-29 May, mentioning that the event was a continuation of a series of activities aimed at familiarizing TCOP members with successes of the Russian Federation in reforming the treasury system in particular and the PFM system in general.

The chair of the Treasury Community of Practice, **Mrs. Angela Voronin**, also thanked the hosts and emphasized that the agenda of the meeting had been drafted based on the proposals of TCOP members, which was an evidence of a particular interest on the part of participants to the issues proposed for discussion.

After the welcoming words and presentation of the participants who were taking part in the TCOP activities for the first time, representatives of the host party made several presentations in the above-mentioned thematic areas. **Mr. Alexander Demidov**, deputy head of the Federal Treasury of Russia and TCOP Executive Committee member, made the first presentation on the approaches to building a functional model of the treasury system in Russia.

Figure 1 - Approaches to a New Organizational Structure of the Russian Federal Treasury



In his presentation, Mr. Demidov described the peculiarities of the current functional model of the Federal Treasury, shared the challenges faced by the country's treasury system at the moment and explained the need to develop an advanced functional model of the Federal Treasury. He also described the approach used by the Federal Treasury in undertaking functional analysis of the existing treasury system. The presentation also covered the aspects related to professional training of treasury specialists. After the presentation, there was a questions and answers session and Mr. Demidov gave detailed answers to a number of questions from the participants in the meeting on the organizational aspects of the current functional model assessment, on the research of factors affecting the efficient functioning of the treasury system, on the quality and profile of personnel involved in the development of the treasury functional model, etc.

The next speaker was **Mr. Dmitry Grishin**, head of the Interregional Operations Department of the Federal Treasury, who made a presentation on the role and place of the Interregional Operations Department of the Federal Treasury of Russian in federal budget provision. The presentation featured the goals of the Interregional Operations Department (IOD) of the Federal Treasury, the main objectives and functions of this department. IOD was created in order to refocus the activities of the Federal Treasury central office from technical operations to managerial functions. Within the questions and answers session, Mr. Grishin provided additional explanations on the background of the division's creation, plans for further development, and various indicators describing the activity carried out by IOD.

After that, the presentation by **Mr. Andrei Gurovich**, head of the Administrative Office of the Federal Treasury, followed with the topic: "In-sourcing in the Federal Treasury System: Experience and Prospects". From this speech, the participants in the meeting learned about the goals, objectives and activities related to reforming the support functions of the Federal Treasury, about the approaches to organization of the procurement activity for the purposes of the treasury system, the order of assessing the efficiency of the corresponding activity and further plans to improve functions related to ensuring normal functioning of the Russian treasury bodies.

Figure 2 - Performance Indicators of the Russian Treasury Support Center



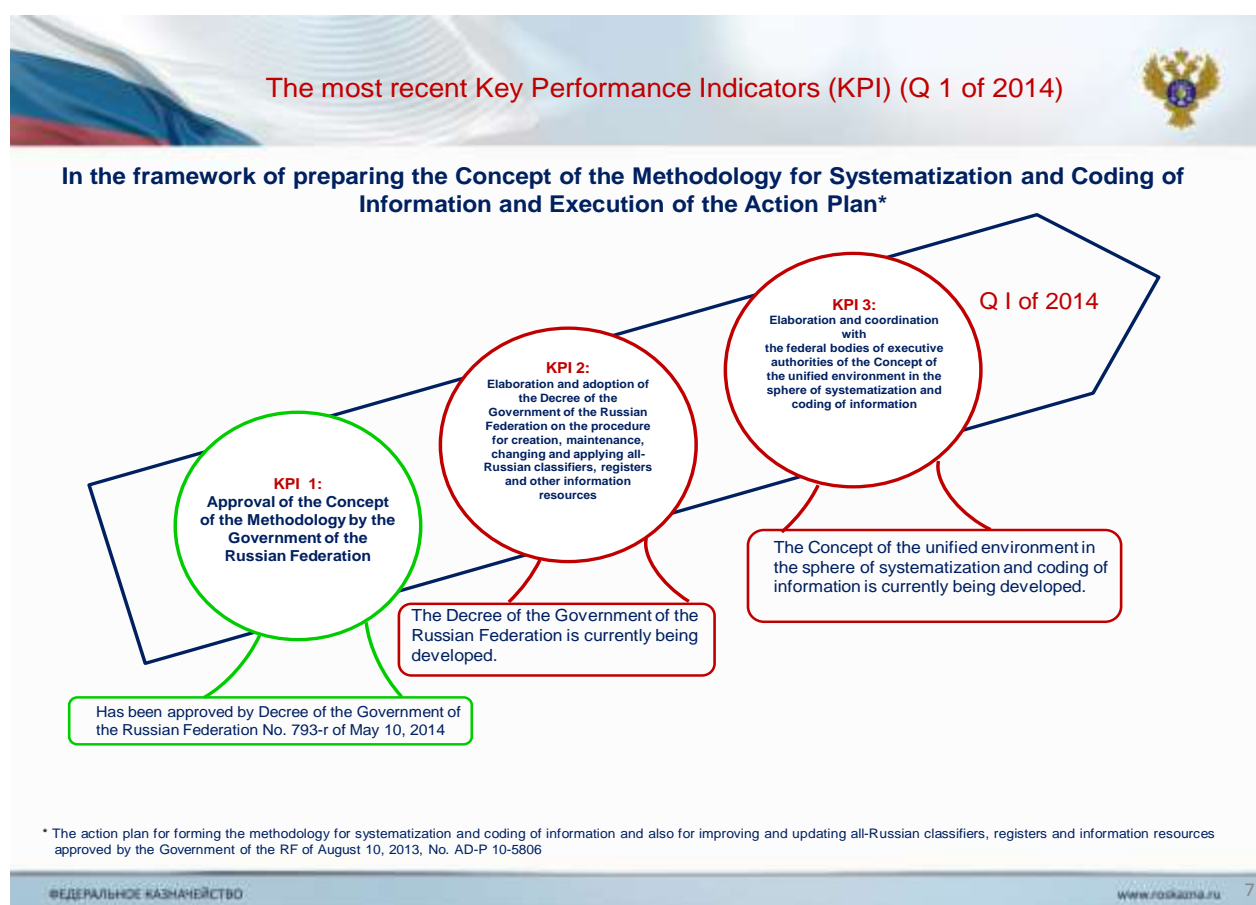
Key Performance Indicators of the FPI "RTSC"

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Indicator	Measure	Value
1	2	3
Timely execution of requests	timely executed requests to the total number of requests	90-100%
Ratio (%) of services accepted by the Customer with no objection	'no objection' services to the total number of services	90-100%
Ratio (%) of services executed untimely	number of untimely services to the total number of services	0%
Ratio (%) of timely transmitted accounting documents (notifications) for internal settlements	ratio of documents executed in due time	90-100%
Ratio of work load	ratio of estimated work time to the factual work time	90-100%
SMART-tasks	ratio of set tasks to the executed tasks	90-100%
Satisfaction of the Federal Treasury employees by the service level	total score given by the employees by scale (1 to 10) to the number of employees who gave their evaluations	10 points (introduction of a survey system)

The first plenary session of the meeting was closed by the presentation by **Mr. Aleksey Kristinin**, deputy head of the Social and Economic Information Systematization and Classification Department, on "Systematization and Classification of Financial Information – New Functions of the Russian Treasury". According to the recent regulatory changes, and based on successful experience of automating treasury operations across Russia, the Federal Treasury was vested with a new authority to carry out inter-agency coordination of activities related to systematization and coding of various types of technical, economic and social information. The speaker described the current situation in systematization and coding of such information, the progress made in systematization and classification of the relevant information, as well as further actions in this area planned for the nearest future.

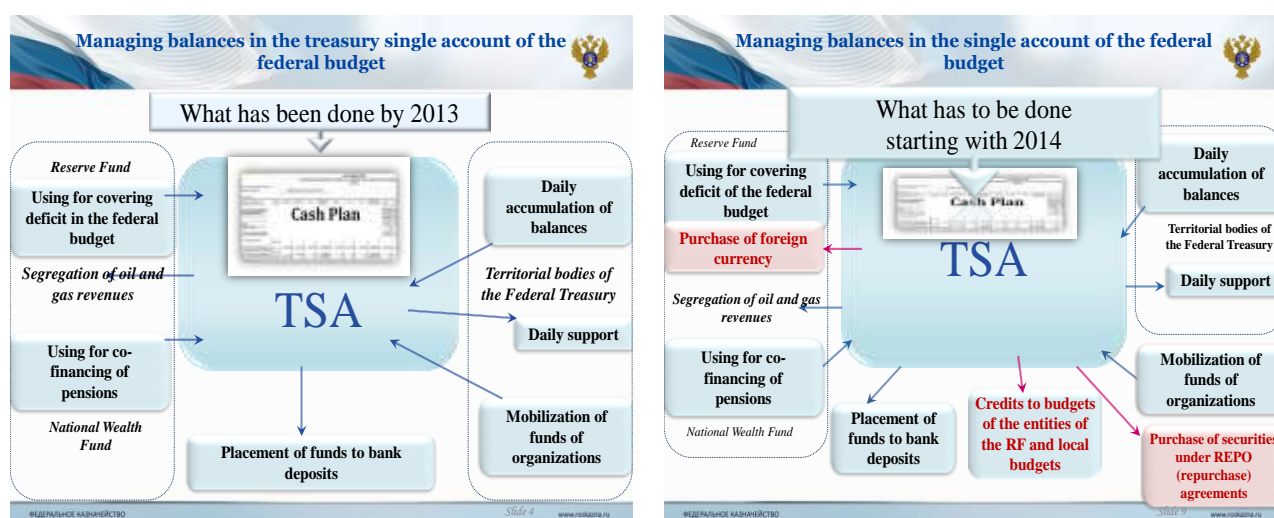
Figure 3 - Key Performance Indicators for Information Systematization and Classification Activity



The second half of the meeting was dedicated to discussions in small groups. Based on an electronic pre-event survey, all the participants of the meeting were split into three groups according to their priority professional interests.

The first group discussed issues of managing balances in the Treasury Single Account. The framework for discussions in this group was set by the presentation by **Mr. Oleg Drozdov**, head of the Financial and Budget Operations Department of the Russian Treasury. The speaker gave a detailed description of the activities of the Federal Treasury in the context of new powers related to managing balances in TSA, as well as activities in this area planned for 2014.

Figure 4 - Activities of the Russian Federal Treasury related to managing balances in the TSA in 2013 and plans for 2014



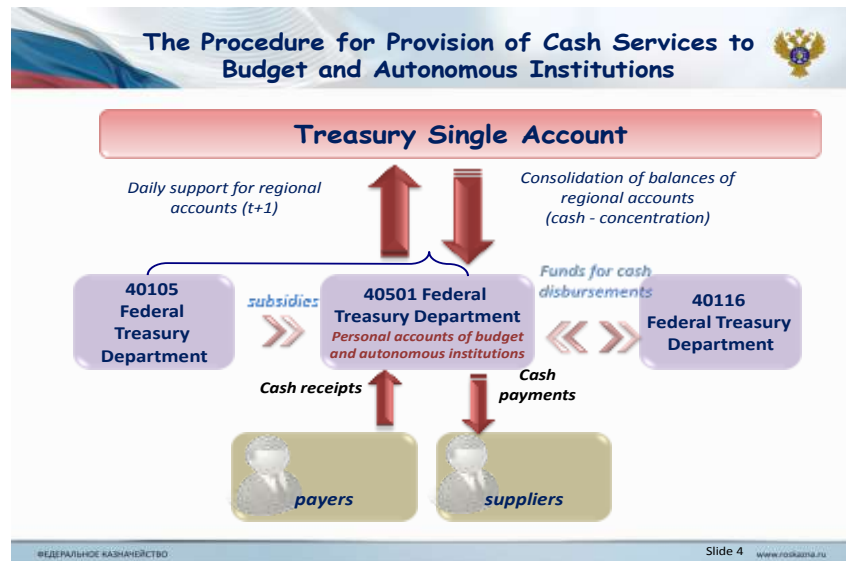
Within the discussion, group members learned about the peculiarities of the process of placing money in bank deposits, attracting funds of organizations, granting loans to constituent entities of the Russian Federation and local budgets, purchasing securities based on REPO agreements and so on.

The second group discussed issues related to the role of treasury in financial reporting generation. **Mr. Anton Dubovik**, head of the Budget Accounting and Reporting Department of the Russian Federal Treasury, made an introductory presentation for the participants in the group on the order of organizing budget accounting and reporting in the Russian Federation. Among the main issues discussed by the group, there were:

- *The regulatory framework of budget accounting and reporting;*
- *The main subjects of accounting and reporting procedures;*
- *Budget (accounting) bookkeeping: main objects of accounting;*
- *Budget classification;*
- *Integration of the chart of accounts and budget classification;*
- *Budget (accounting) reporting: reporting forms;*
- *Consolidated budget reporting.*

The third group discussed the topic related to delimitation of responsibilities between the treasury and budget institutions in the process of budget execution. The introductory presentation was made to the participants in the group by **Mrs. Oksana Pavlyukova**, deputy head of the Federal Budget Execution Provision Department of the Russian Federal Treasury. The head of this Department, **Mrs. Yekaterina Semyonova**, also took part in the discussions. The authors of the presentation proposed to the participants in the group to examine issues related to delimitation of responsibilities between the treasury and budget institutions using the applied public expenditure management technology.

Figure 5 - The Order of Providing Cash Services to Budget and Autonomous Institutions



Within the discussions, the group highlighted the conditions necessary to carry out federal budget expenditure, characterized the types of budget institutions, and described the order of providing cash services to budget and autonomous institutions.

A particular interest of the participants in group 3 was related to the experience of Russia in cash management and issues related to functioning of the Treasury Single Account. Following the discussions, Georgian delegation expressed a wish to invite participants from the Russian Federation to join the activities of the Thematic Group on Cash Management created within the Treasury Community of Practice.

At the end of the day, the meeting participants came back together for the closing plenary session to summarize group discussions and make general conclusions of the day-long event. In their comments on group discussions, the participants mentioned comprehensiveness of information, high level of professionalism and openness of colleagues from the Russian Federation in presenting their experience in the areas of treasury activities under discussion. Comprehensive answers were given to all the questions, and the Russian colleagues expressed their readiness to assist with any further questions on the part of TCOP members from other countries, should there be any.

The main conclusions based on the results of the TCOP Meeting in Moscow on 26 May:

- *Based on the information about the reforms of the treasury system in the Russian Federation presented at the meeting, TCOP members from other countries highlighted the significant positive dynamics of the process and important progress made by Russia since the TCOP Workshop in Moscow in 2012;*
- *The issues proposed for discussion by the TCOP Executive Committee and representatives of the Russian Federal Treasury were of a particular interest for the TCOP members, which resulted in a very active participation in discussions and the overall success of the event;*
- *Functional analysis is an important diagnostic instrument for preparation of the functional improvements of the treasury system. The Federal Treasury of Russia approaches such analysis as a regular activity and invests significant staff and financial resources into its organization. Unique methodology of functional analysis was thus developed and could be shared further with the interested colleagues from other countries;*
- *Establishment of the Interregional Operations Department within the Russian Federal Treasury has significantly contributed to refocusing the activity of the Federal Treasury*

central office from technical operations to managerial functions. This experience might be of interest for other TCOP member countries;

- *Transfer of all the functions related to administrative support of the functioning of the Russian Federal Treasury to the single Russian Treasury Support Center (RTSC) has improved efficiency of this activity and resulted in noticeable savings of public funds used for procurements. The set of performance indicators applied in assessment of this activity can serve the basis for further improvement of RTSC functioning;*
- *Based on successful experience of the Federal Treasury in automating treasury operations across Russia, the Treasury has been vested with a new function to carry out inter-agency coordination of systematization and coding of various types of technical, economic and social data. Organization of delivery of this function poses a new challenge for the management of the Federal Treasury.*
- *The participants in the meeting highly appreciated the preparatory work of the resource team on organization of discussions in small groups, which allowed TCOP members to focus on issues of their priority professional interest, and helped the host party to prepare the necessary information on the discussed issues in advance. The practice of making introductory presentations by the host party at the beginning of discussions in small groups has been a success and will be continued in the future.*

Closing the meeting, Mr. Alexander Demidov expressed a hope that the information about the experience of his country in reforming the treasury system prepared by representatives of the Russian Federal Treasury had been interesting and useful for the meeting participants. He thanked TCOP members for active participation in discussions, as well as for the feedback on the presented experience, which would be useful for the host party within current reforms. Elena Nikulina on the part of the World Bank and Angela Voronin on the part of TCOP members thanked colleagues from the Federal Treasury for an excellent preparation of the event and openness in the process of experience sharing.

All the materials related to the TCOP meeting in Moscow on 26 May can be downloaded from the PEMPAL website by using the following link: <http://www.pempal.org/event/read/111?&lang=ru>. Also, information on the carried out meeting was posted on the official website of the Russian Federal Treasury: http://roskazna.ru/novosti/?ELEMENT_ID=18974&spphrase_id=241756

