State-Owned Enterprises and the TSA

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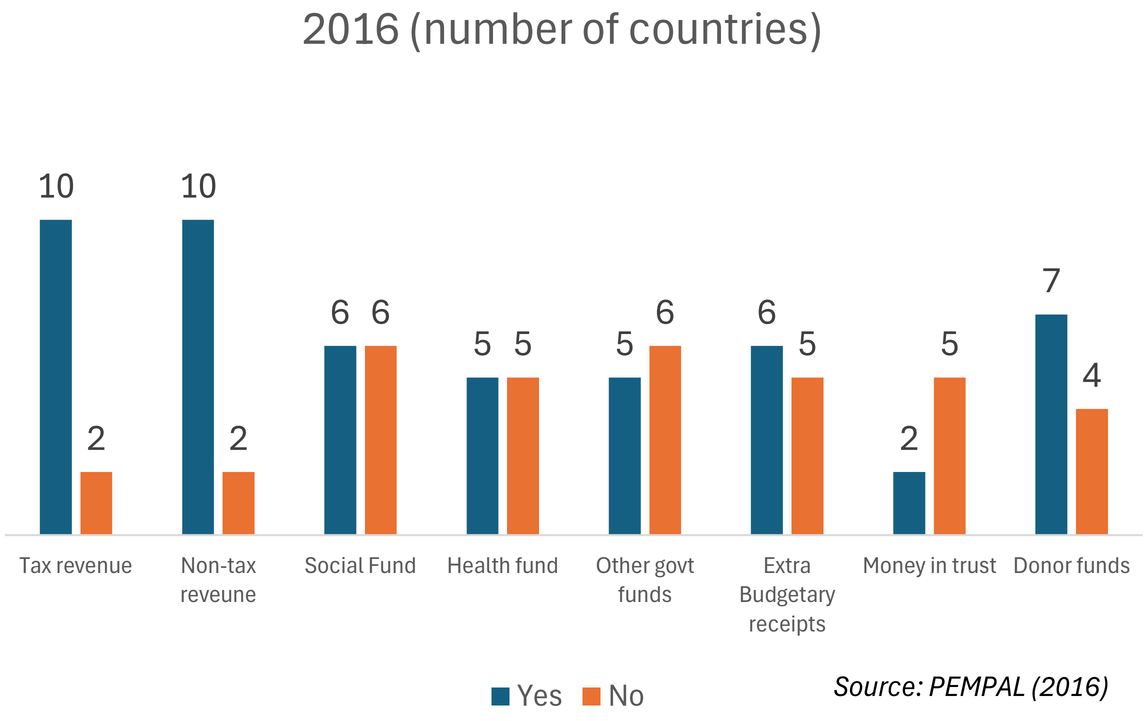
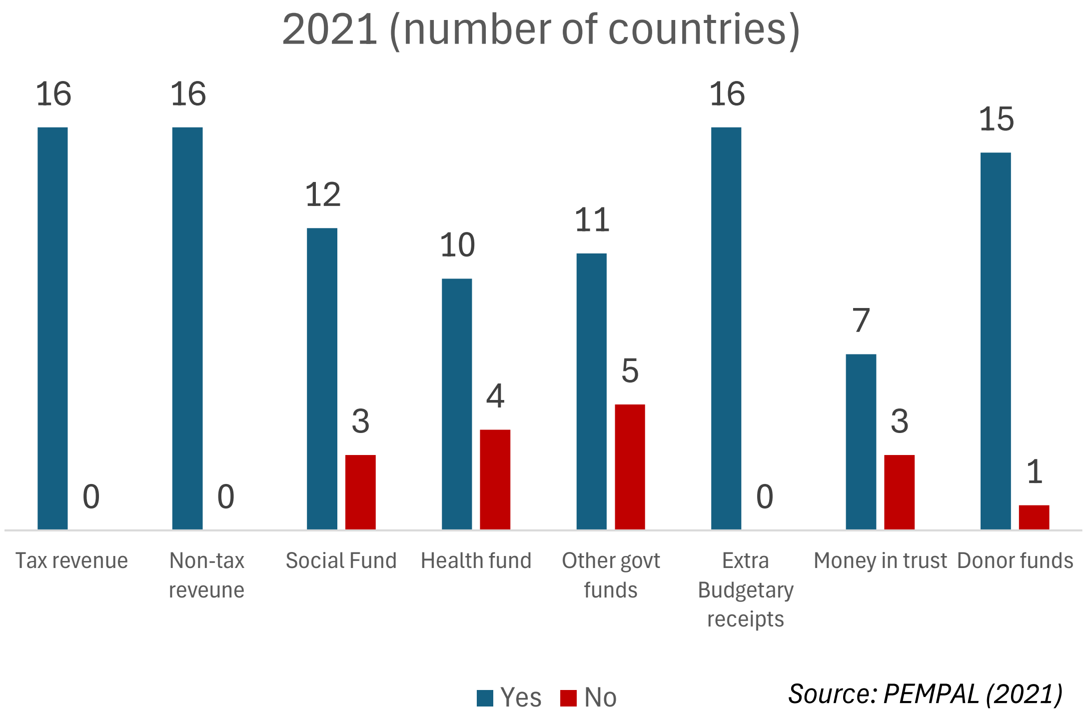
Content

Evolution of TSA Coverage in PEMPAL Countries: Flows into the TSA



Source: PEMPAL (2016)



Source: PEMPAL (2021)

The results show a continued expansion in coverage across countries (with the exception of trust money). It is likely that this expansion has continued into 2025.

Revisiting The Key Objective and Principles of a TSA

- A TSA is a bank account or a set of linked bank accounts through which the government transacts all its receipts and payments and gets a consolidated view of its cash position at the end of each day
- The government banking arrangement should be unified and fungible
- No other government agency should operate bank accounts outside the oversight of the treasury
- The TSA should have comprehensive coverage

A TSA system helps consolidate government cash balances, gives the ministry of finance/treasury oversight of all government cash flows and brings improvements in budget control and monitoring.

Israel Fainboim Yaker & Sailendra Pattanayak (2011) "Treasury Single Account: An Essential Tool for Government Cash Management", IMF Technical Notes and Manuals

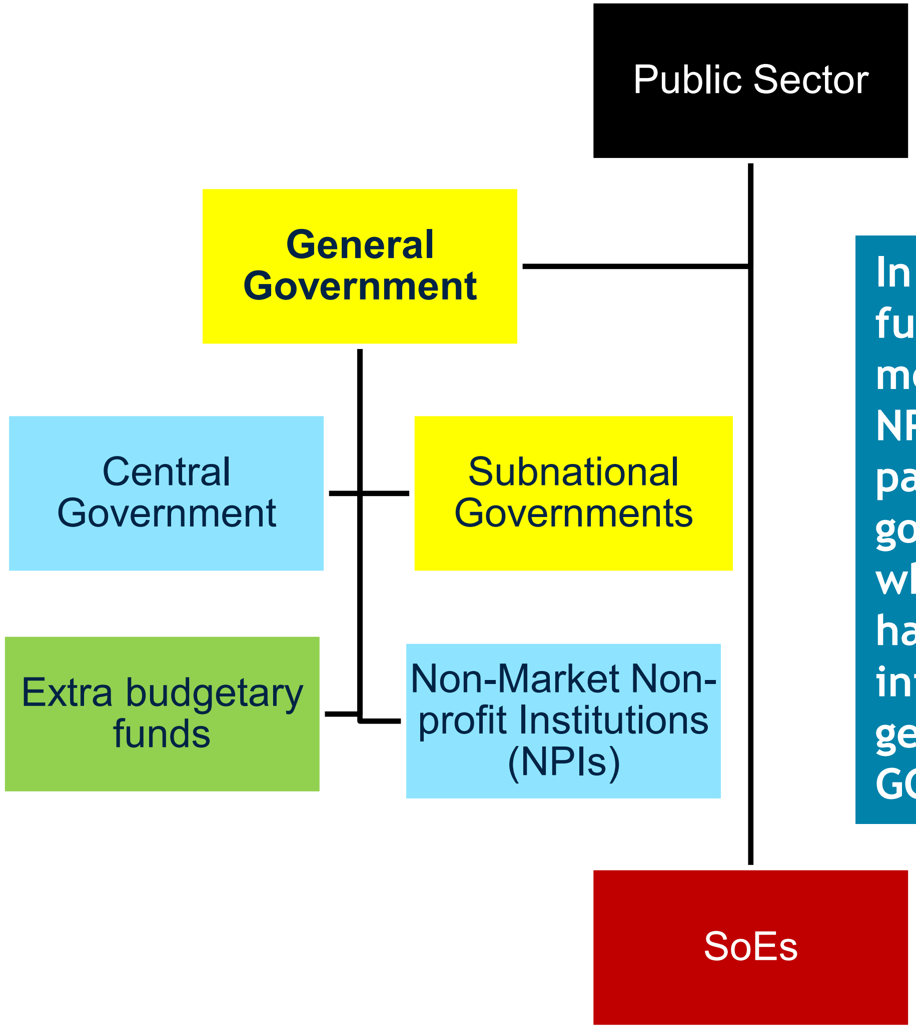
What is Comprehensive coverage that improves cash management for budget control and monitoring? In general expansion is recommended to include the entire general government (GFSM2014).

TSA and the Framework for General Government and the Public Sector

What's in a name? NPIs or State Owned Enterprise?

These terms are not consistently used internationally. NPIs have their own organic laws but are still often extensions of GG with specific roles and responsibilities.

SoEs are enterprises - formed to be run on a commercial basis. There will be some challenges in determining the sector in a small number of cases



In general, extrabudgetary funds, own revenues, money held in trust, and NPIs etc. are included as part of the general government sector. Thus, while a country may not have this definition, internationally, they generally are included in GG

State-Owned Enterprise and Non-Market Not-for-Profit Institutions

State-Owned Enterprises

- Defined as **Corporations** in GFS are entities that are capable of generating a profit or other financial gain for their owners, are recognized by law as separate legal entities from their owners, and are set up for the purposes of engaging in market production. SoEs include organizations that **sell their goods and services on the market at economically significant prices.**
- They are commercial entities that are owned and/or controlled by a government, which can be full or partial, and engage in commercial activities for the provision of goods and services. These entities can range from large, critical providers of basic services like electricity and transportation to mixed-ownership companies with a commercial focus.
- They operate as government-owned businesses, are outside of general government in the broader public sector. Most SoEs will have their own assets and liability management expertise and strategies, and in general it is best they remain at arm's length from government.

Non-Market Not-for-Profit Institutions controlled by Government

- **Nonprofit institutions (NPIs)** are legal or social entities created for the purpose of producing or distributing goods and services for free or at prices that are not economically significant.
- Therefore, **nonmarket institutions are mostly financed by the government**. Nonmarket units also include SoEs that **sell most of their output to the government units** (for instance, government-owned IT that provide IT support exclusively (or almost exclusively) to the government).
- Only NPIs discharging a government function and designated as government units should be integrated in the TSA and budget.
- Many Non-Market NPIs, which are not commercial, are incorrectly defined as SoEs in PEMPAL countries.

Examples of SoEs and Non-Market Institutions*

State-Owned Enterprises

- Utility Companies
- Mining Corporations
- Airlines/Train/Bus Companies
- State-Owned Banks

Non-Market Institutions

- Regulatory or Advisory Bodies
- Government Printing Offices
- IT Entities servicing government clients
- Hospitals and Health Clinics
- Universities

*These are general examples only - in all cases, there can be exceptions, for example, where an SoE is not selling goods and services at market rates

Summary - What Is Usually in the TSA and What Should Be Outside the TSA?

SoEs

Future Funds

Private Money

TSA (General Government)

Treasury	Provincial Treasury Accounts	Controlled Subnational Government Accounts
EBFs	Line Ministry Accounts	Autonomous Budget Unit Accounts
Deposit Accounts	Reserve Account	Donor Accounts

Non- Market Not for Profit Institutions

Autonomous Subnational Government Accounts

Social Funds that invest Members' Private Funds

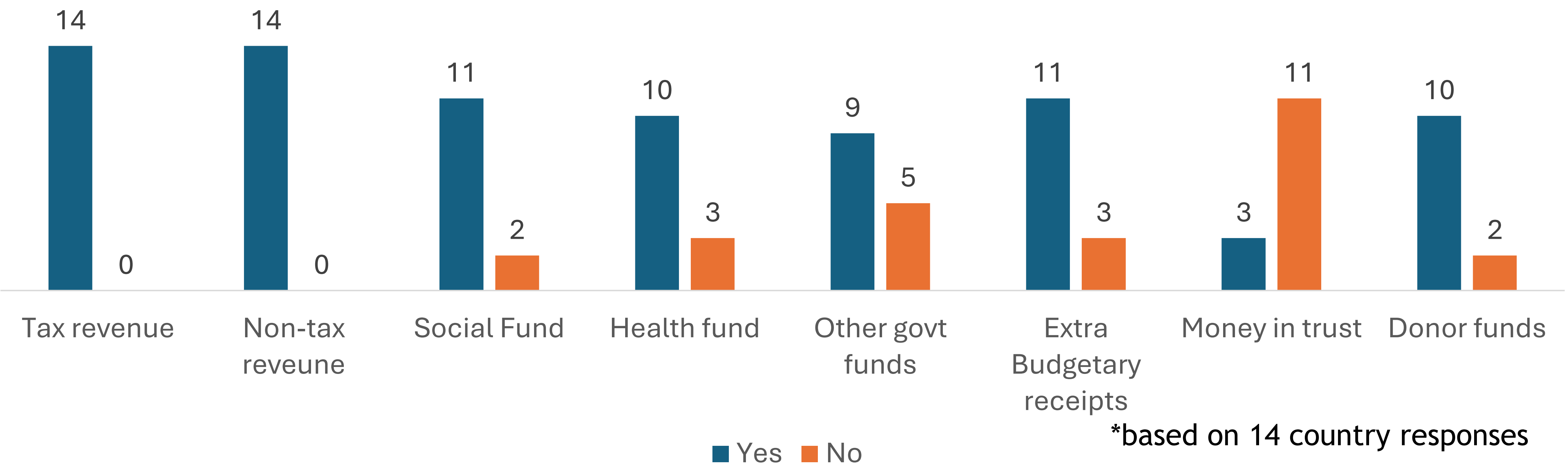
SoEs are operating as commercial businesses and need autonomy and control over their own resources. They will have their own asset and liability management capacity - their cash management objectives will be designed to support their business operations. This may not integrate well with government's broader cash management requirements.

Planning for Integrating Non-Market NPIs into the TSA

- Undertake a **Sectorization exercise** to properly classify institutions as part of general government or outside general government in the public sector (only general government institutions should be consolidated)
- Ensure the current **infrastructure and capacity** can support the expansion, including the **Unified Chart of Accounts**
- Assess any implications this may have on operational flexibility for institutions – **consult directly with the institutions**, including consideration of service level agreements
- Compliance with existing government policies – e.g. procurement rules. Will **central controls** and **review** be imposed on these institutions?
- Consolidated Reporting issues IPSA/IFRS
- Coordination with the Central Bank, including **impact on commercial banks,** particularly regarding **liquidity**
- **How to integrate** into the TSA? – full integration within FMIS, consolidation of cash balances either directly or through use of Zero Balance Accounts - Do you need to consolidate transaction processing or just cash?
- Gradual approach – Consider **a pilot exercise** with one or two NPIs before expanding further
- There may be SoEs, which are under-performing and which are highly dependent on government funding to remain operational. While in general these should remain outside the TSA, there may be strong reasons to consider integration. These should be looked at on a case-by-case basis.

2025 Brief TSA Survey: Preliminary Results*

Flows into TSA in Some PEMPAL Countries in 2025



*based on 14 country responses

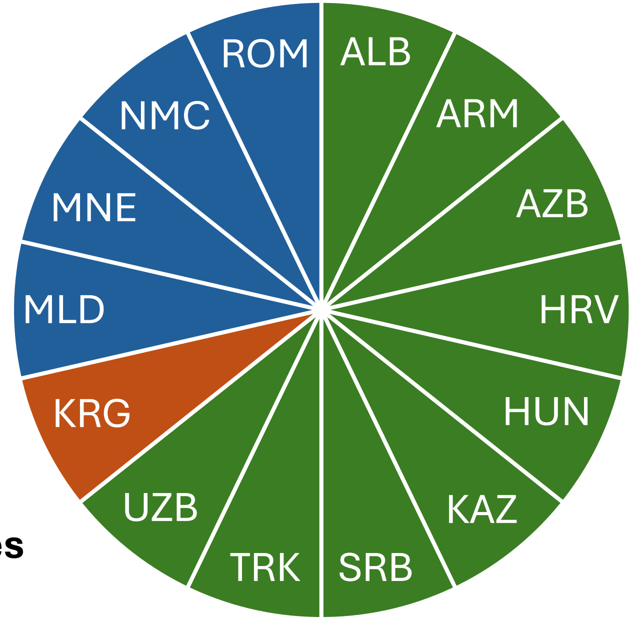
Preliminary survey results suggest that most central government revenue sources in PEMPAL countries **are consolidated on the TSA.**

Recent and Planned Changes in TSA Coverage

Changes in TSA Coverage since 2021

No change in TSA coverage

Extended TSA coverage

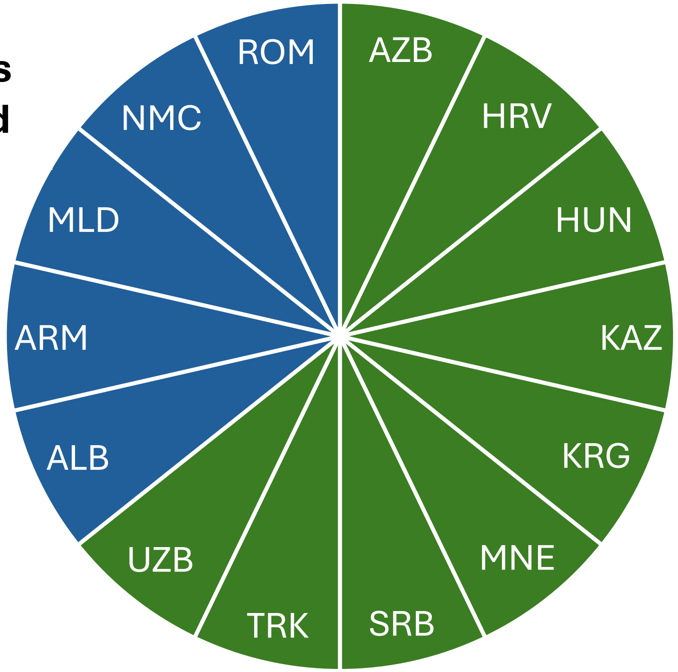


Mixed changes (some units added to TSA, some removed)

Plans to Change TSA Coverage in the Next 3 Years

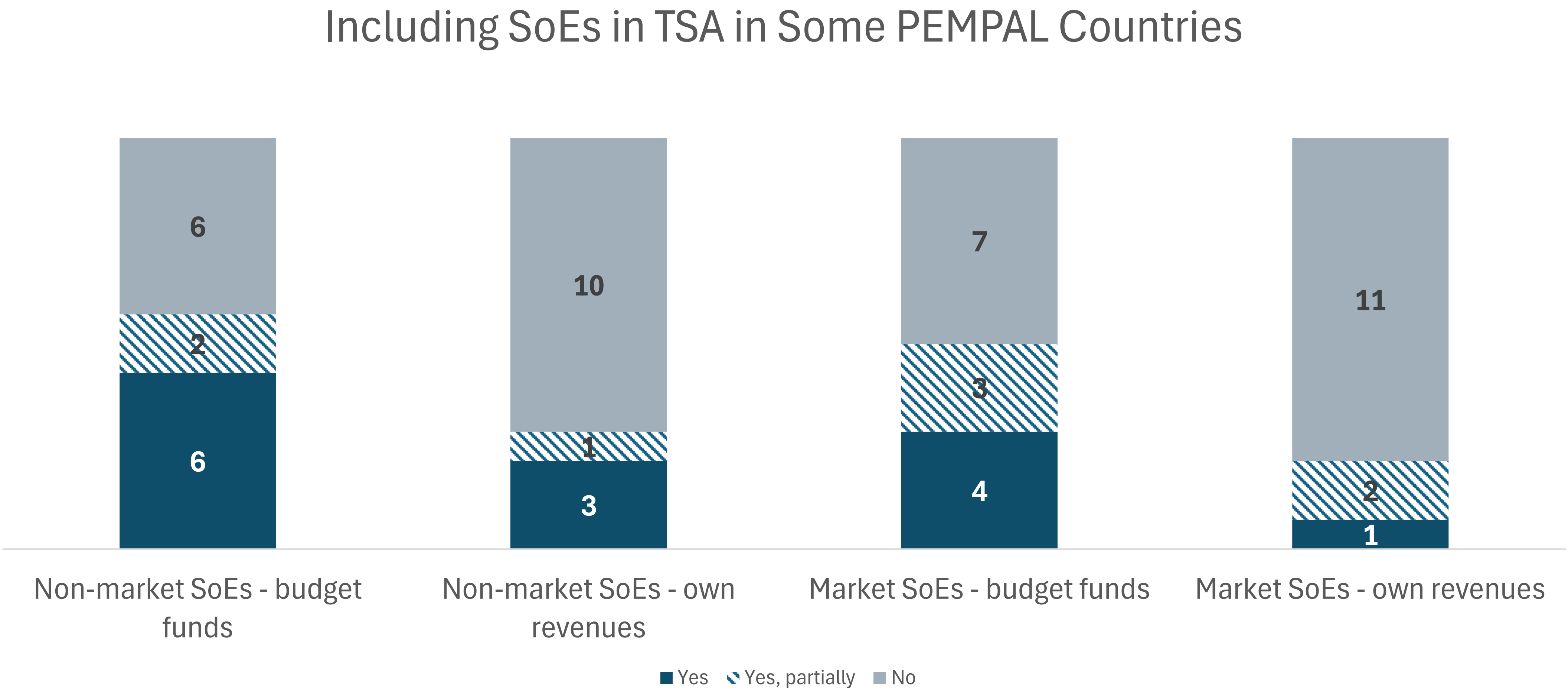
No changes planned

Plan to further extend TSA coverage



Source: Brief TSA Survey (preliminary results)

Treasury Coverage of SoEs in Some PEMPAL Countries



Source: Brief TSA Survey (preliminary results)

2025 Brief TSA Survey: Next Steps

- September 2025: Survey launched
- October 15, 2025: Discuss preliminary results
- **November 1, 2025: Additional/ amended survey responses**
- **January – February 2026**: Finalizing TSA Survey Note

Summary and Concluding Remarks

In general, the boundary for the TSA is the GFSM definition of **general government**, which **excludes SoEs**

SoEs need **autonomy** from government to ensure cash and other management issues are arranged **to support business objectives** - those objectives may not align with budgetary cash management requirements

Non-market NPIs within general government **should be consolidated into the TSA**, but this needs to be undertaken in a planned and sequenced manner, in consultation with all stakeholders, including the central bank, commercial banks that maintain cash balances for these institutions, and the institutions themselves

TSA scope continues to be on the reform agenda in PEMPAL countries. We hope that the brief TSA survey will be another TCOP input to inform the reform efforts.

THANK YOU!