

Implementation of Treasury Single Account in the ECA region

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Treasury Single Account

This is the concept of all cash inflows and outflows going through a single bank account

In some countries this is enshrined in the law. In Australia this is part of the constitution

Section 81 – All money shall be paid into one consolidated public account

Section 83 – No money may be paid from the Consolidated Public Account unless under an appropriation made by law

Reality

- In most countries some additional bank accounts exist:
 - Donors
 - Extra budgetary funds
 - Special means
- In these cases the TSA is a virtual concept BUT it does not have to be this way

What is a Treasury Single Account?

- It is a mechanism for cash management: *having all cash contained in a single account simplifies liquidity management and reconciliation.*
- It does not always mean only one physical bank account: *sometimes it will involve sub-accounts or even sweeping of bank balances from/to revenue or payment accounts – zero overnight balances.*
- By using the COAs you can still segregate funds for control purposes

Why do separate bank accounts exist?

- Independent control from the Treasury
- Funds cannot be withheld for cash rationing
- Treasury system does not have synthetic and analytical accounts to separately control funds
- Delays in executing payments
- The need for access to cash payments
- Under-developed banking system

Are Separate bank accounts required in 2008?

In most cases we have separate bank accounts because we have not designed our Chart of Accounts/ Budget classification properly

An appropriately designed Chart of Accounts will allow funds to be segregated within a single bank account

The key elements of the Budget Classification

**Source of
Funds
Structure**

Function

**Administrative/
Organisational**

Programme

Location

Economic

Source of Funds Block

Fund
(1)

Sub-fund/Donor
(2)

Component/
Grant
(4)

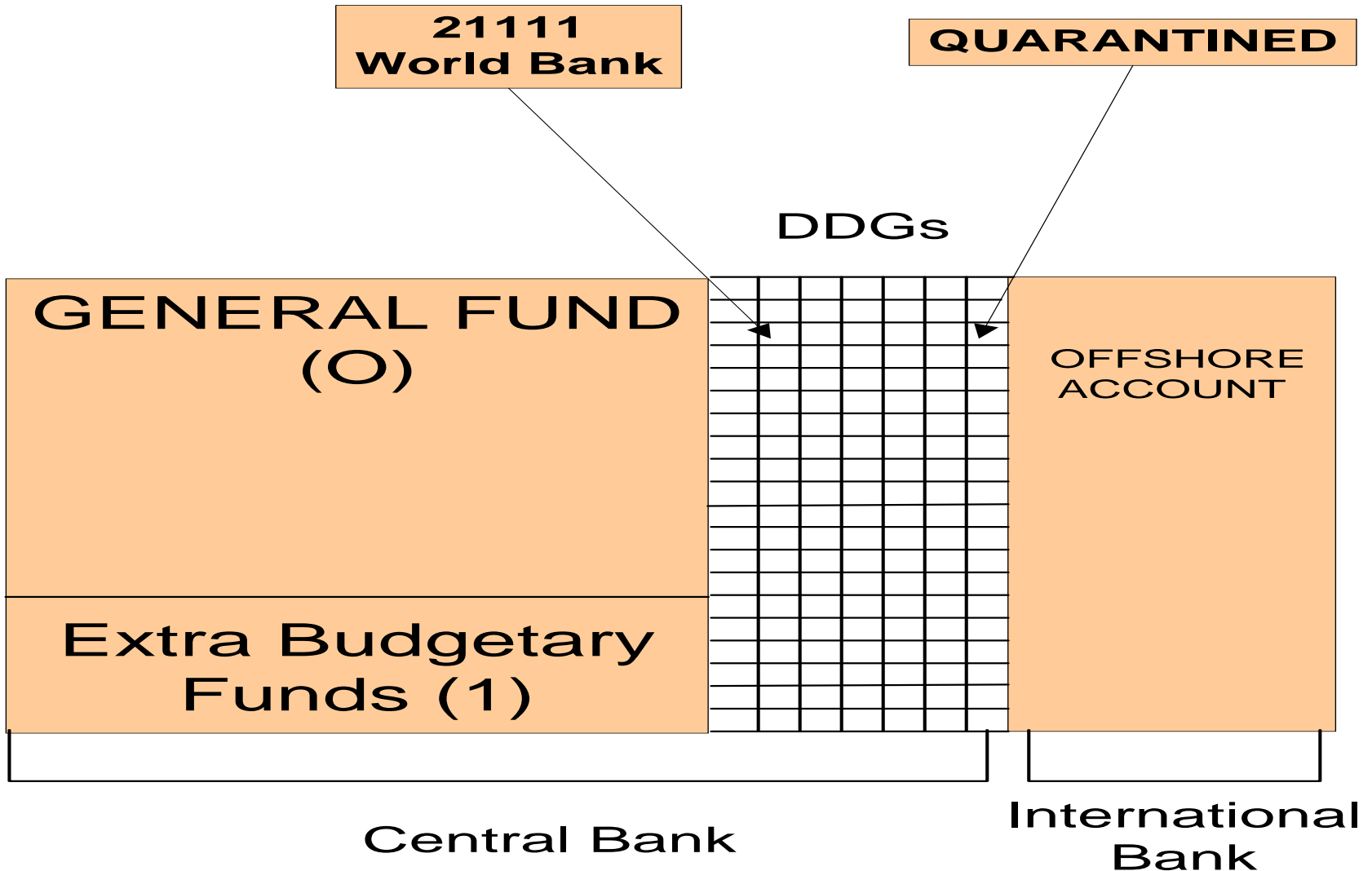
Sub-Component
(5)

Project
(6)

The numbers in brackets denote the cumulative size of the numeric characters used in the coding block at the specific level. For example 6 digits are used to describe each project within a specific funding source. This is a unique number

No.	Fund	SubFund/Donor	Component/Grant	Sub-Component	Project
0	General Fund				
1	Extrabudgetary Funds				
11	Extrabudgetary Funds	Health Insurance Fund			
2	Donor Finances				
21	Donor Finances	World Bank			
211	Donor Finances	World Bank	GSAC		
2111	Donor Finances	World Bank	GSAC	Component 1	
21111	Donor Finances	World Bank	GSAC	Component 1	MEF Development Project

Treasury Single Account



TSA – Issues for consideration

- Legal control over opening and closing of bank accounts – *both budget institutions and commercial banks*
- Address the reasons for separate accounts
 - *Timeliness of payments*
 - *Special Means is still public money*
 - *Control over funds*
 - *Full integration of cash management*
 - *Elimination of cash rationing*
 - *Interest payments*
 - *Elimination/reduction of cash payments*

Bank Account – Technical Specifications for FMIS

- Must be able to support single treasury account, sub accounts and multiple bank accounts

In other words, the system must be flexible to support current and evolving needs