**PEMPAL – Treasury Community of Practice**

**Thematic group “Cash management”**

***Videoconference, 29 October 2015***

On 29 October, 37 participants from 13 countries (and 17 different locations) took part in a three-hour video conference on cash management. This was the sixth event for the working group, with four video-conferences taking place in May, September and November of 2014, and April 2015, and a plenary meeting held in Tirana, in May 2015. The leader of the World Bank resource team for TCOP, Elena Nikulina, and TCOP advisor, Ion Chicu, also participated. The video link was centered around a presentation by TCOP thematic advisor Mark Silins, on the Treasury Single Account (TSA) – embedded below. Agenda of the videoconference is embedded below.

 

Ms Nikulina introduced the presentation by highlighting that TSA has been a focal topic at earlier TCOP events. The May plenary meeting indicated that it was timely for the COP to revisit the topic, as there continues to be conceptual differences in the way countries implement and refer to cash consolidation.

The key messages of the presentation were:

* TSA underpins not just cash management but a strong PFM system through the consolidation of cash balances;
* Ideally this should extend to all cash balances within the central general government including statutory bodies (but excludes government enterprises);
* There should be a single cash manager in government – the cash manager is focused on managing and forecasting cash not on controls over spending;
* The core principle should be that all balances are included in the TSA unless there are clear demonstrated benefits for whole of government in excluding specific balances;
* TSA must be real in name and in its nature – balances outside of the TSA reduce the coverage of the TSA and potentially, the effectiveness of cash management;
* A single bank account is no longer the focus – today effective TSA models include a consolidation account with zero balance transit accounts; and
* TSA can be effectively implemented irrespective of whether a decentralised or centralised (or hybrid) transaction system is in place.

A number of questions were posed by participants including:

* Is it necessary to physically consolidate the cash balances or is the key focus on the timely presentation of information and reporting of the cash position. Response – If cash managers are undertaking cash management operations then physical consolidation will be important. For example, overnight investment of consolidated balances explicitly in the market or the consolidation of balances for offsetting overdraft facilities;
* Is cash information sufficient to effectively manage cash? For example forced payments through court orders could have a significant impact on daily cash balances. Response – to forecast and manage cash effectively, accurate information on commitments, contingencies and the actual timing of cashflows are important. Indeed active cash management is very dependent on the quality of forecasting much of which is dependent on a reasonable assessment of what may happen;
* Not all development partners (DP) will agree to the consolidation of their earmarked grants for cash management. Response – DP financing is often encumbered and subject to specific additional controls. However, at a minimum, countries should seek banking arrangements that allow the consolidation of all idol cash balances to increase investment returns and reduce borrowing costs for the government;
* It would be beneficial to extend TSA coverage to statutory bodies, but how do you overcome resistance to this? It is important to emphasis that the objective of consolidation is improved cash management. Those entities that maybe contributing to these arrangements must be provided assurance that their funds will be available when they are required and that centralization of the cash is not focused on centralized controls over spending.

The VC concluded with a discussion regarding the next planned face-to-face meeting of the Cash Management and Forecasting Working Group, scheduled for Ankara, Turkey from 16-18 March 2016. Representatives of the Treasury of Turkey indicated that they were well advanced in developing the agenda. It is also anticipated that an earlier survey on the TSA will be revisited, and expanded to provide further analytical content for the Ankara event.

Considering group members’ large interest for the TSA models topic, another videoconference on these issues will be organized before the Ankara event.