



PEMPAL TREASURY COMMUNITY OF PRACTICE (TCOP) Thematic Group on Cash Management and Cash Forecasting

Videoconference, September 12, 2024

Introduction

1. On September 12, 2024, the PEMPAL TCOP Thematic Group on Cash Management and Cash Forecasting held a videoconference (VC). The objectives of the meeting were: (i) to discuss the recent TCOP knowledge product on the *Optimal Coverage of the Treasury Single Account (TSA)* and approaches to measuring TSA coverage and (ii) to firm up the agenda for the TCOP Thematic Meeting in Tirana, scheduled for November 2024. The meeting was attended by 45 TCOP participants from 16 PEMPAL countries (Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Croatia, Georgia, Hungary, Kazakhstan, Kosovo, Kyrgyzstan, North Macedonia, Romania, Serbia, Tajikistan, Türkiye, and Uzbekistan). The meeting was facilitated by the World Bank resource team comprising Ms. Elena Nikulina (TCOP Resource Team Leader), Ms. Galina Kuznetsova (PEMPAL TCOP Resource Team Member), Ms. Elena Dobrolyubova (TCOP Resource Team Member), Mr. Mark Silins (TCOP thematic advisor), Mr. Mike Williams (TCOP Thematic Advisor), and Ms. Tetiana Shalkivska (TCOP Secretariat).

2. **Ms. Elena Nikulina** opened the videoconference by welcoming participants and presented the meeting agenda. Ms. Nikulina highlighted that the videoconference was organized to prepare for the discussions at the TCOP thematic meeting in Tirana which will focus on strengthening and measuring treasury performance in cash management and forecasting. She emphasized that the issue of treasury performance is of special interest to the network now as the new PEMPAL strategy is being developed. In that context, this VC will focus on a key area of Treasury, TSA coverage. This area has been given specific attention in various TCOP thematic discussions and also documented in the knowledge product launched recently (see below). This is also an area where TCOP has made a positive impact on PFM reforms in the region. Since several TCOP countries (notably, Türkiye, Croatia, Serbia, Georgia, and Moldova) have recently expanded their TSAs or are currently extending TSA coverage, the objectives of the meeting remain highly relevant to the PFM reform agenda.

3. **Mr. Erekle Gvaladze, Treasury of Georgia, TCOP Executive Committee Chair** greeted participants and briefed the participants on the preparation for the Whole-of-Network Plenary (WNP) meeting planned to be held on March 25-26, 2025, in Vienna. Following the decisions taken at the Organizing Committee meeting on September 11, the topic of the WNP will be the ***Future of Public Financial Management***, and each COP can delegate two participants from each country in addition to ExCom members to take part in the event. Given the ongoing efforts to shape the PEMPAL strategy for the next five years, Mr. Gvaladze welcomed ideas from the TCOP community about the future of PEMPAL and noted that a one-day TCOP meeting will be

organized in Vienna after the WNP on March 27, 2025. Finally, Mr. Gvaladze noted that the next TCOP face-to-face meeting would take place in Tirana, Albania, on November 4-6, 2024, and wished participants fruitful discussions during this preparatory videoconference.

Optimal Coverage of the TSA: Overview of TCOP Knowledge Product

4. **Ms. Elena Nikulina** introduced the main presentation on the recent knowledge product on the optimal coverage of TSA¹. She highlighted that this note was prepared based on the presentation Mark Silins delivered at the meeting of the TCOP Thematic Group on Cash Management and Cash Forecasting in Vienna in November 2023. The note incorporated the outcomes of the group discussions carried out during that meeting, along with the original inputs from the survey of countries on this topic from 2021. Given the current efforts to expand the coverage of treasury services being undertaken by several countries in the PEMPAL region, this note could provide useful inputs for designing an efficient and effective TSA.

5. **Mr. Mark Silins** delivered the main presentation. He pointed out that the definition of the TSA has evolved over the past years and is no longer limited to a single bank account but can include a system of accounts held in a central bank or, in some countries, in a commercial bank through which the government transacts all its receipts and payments². Various country models of TSA have evolved, however, and defining the optimal coverage of TSA remains challenging.

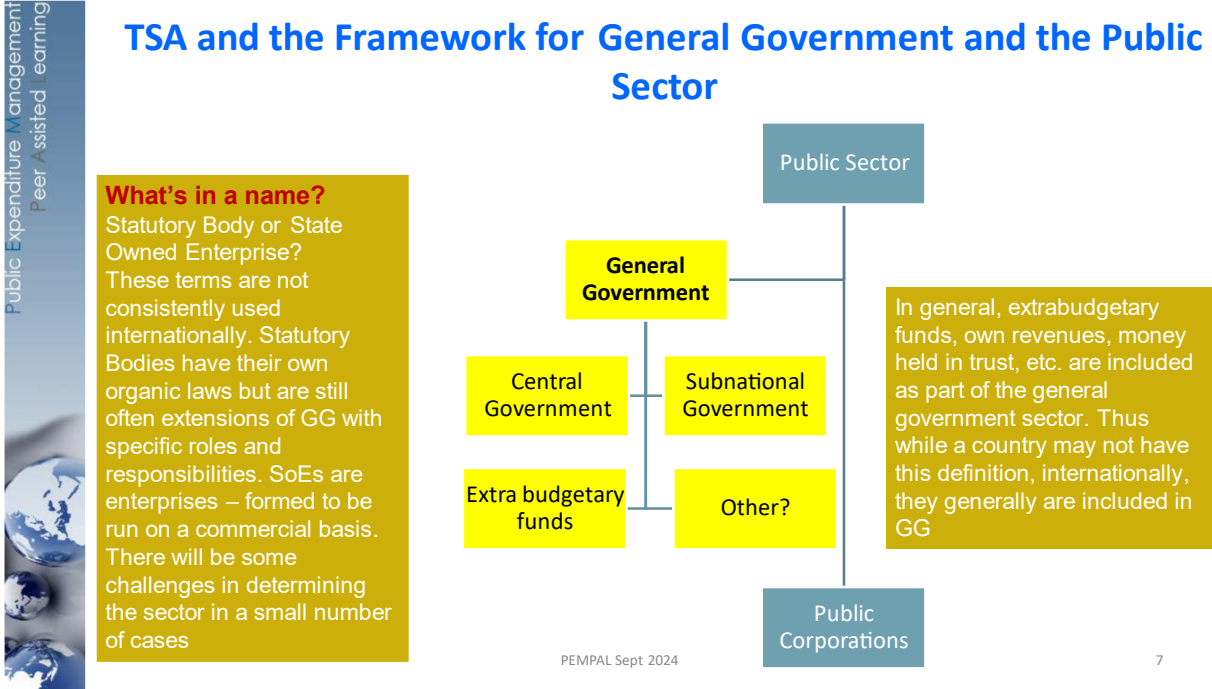


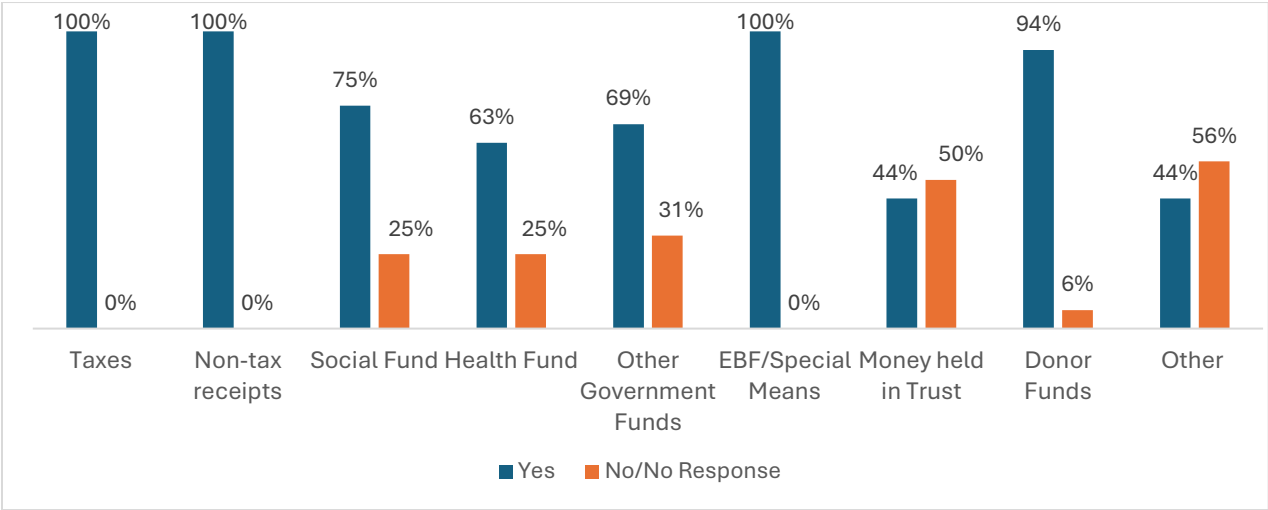
Figure 1: TSA and the Framework for General Government and the Public Sector

¹ The knowledge product can be found here: <https://www.pempal.org/knowledge-product/optimal-coverage-treasury-single-account>

² The principle of a single head account remains, with either sub-accounts or zero balance accounts used to consolidate cash each day

6. **Mr. Silins pointed out that the TSA is a key component of managing public finance** entailing not only consolidation of cash but also ensuring proper coverage of allocation decisions through the budget, coverage of the Financial Management Information System (FMIS), payments and revenue collection, the balance sheet beyond just cash, and moving beyond cash and other fiscal information to include coverage of performance. The objective is, where possible, to ensure the coverage of the whole general government (Figure 1) in all these areas, with all cash held in the TSA.

7. **The thematic survey conducted by TCOP in 2021 demonstrated that in most TCOP countries TSA coverage is extensive** largely reflecting coverage of general government as defined in the GFSM2014 framework. Most countries include extra-budgetary funds and other extra-budgetary resources in the TSA, including donor grants and loans (Figure 2). The management of trust/deposit money remains mixed with less than half of the respondent countries confirming funds are held in the TSA. Seven countries indicated that funds are held in the TSA in addition to the eight categories identified in the survey but only two gave specific examples.



* Percentage of total PEMPAL countries that responded to the survey is shown.

Figure 2: TSA Coverage in PEMPAL Countries: 2021

8. **While funds may be in TSA, in some cases these may not be fungible and therefore not available for internal cash management purposes.** A lack of fungibility limits the ability of national treasuries to utilize funds for short-term internal reallocation to reduce the cost of external borrowing. Therefore, while including cash in the TSA is beneficial from a management perspective, full cash consolidation requires fungibility to maximize the utility of cash resources internally.

9. **Mr. Silins presented the arguments for consolidating cash balances and highlighted some potential issues from the perspective of spending units that should be addressed.** The benefits of consolidation include access to a greater range of investment and borrowing tools, reduced reconciliation and settlement across the government and with the banking system, increased ability to manage cash in the public interest, and the ability to produce more timely consolidated reports. Potential issues are related to the perceived loss of autonomy or control on the part of the spending units, timeliness of cash availability,

and possible loss of returns on cash holdings (Figure 3). Ideally these issues need to be addressed for the successful extension of treasury coverage.



Arguments for Consolidation/Separation are common across Different Funds and Types of Money in General Government

Opportunities	Issues (which can be managed)
<ul style="list-style-type: none"> Is the fund largely reliant on government for funding? Are they controlled entities to be reported in GG Sector? Do they have the skills to manage cash effectively? A central cash manager can access a greater range of investment and borrowing tools - expert role Reduced reconciliation/settlement across government Timely consolidated reporting Bank partners have a vested interest in managing cash to their advantage – whole of govt contract/MOU Bank Reconciliation workload is reduced 	<ul style="list-style-type: none"> Perceived loss of autonomy/independence control Real control over spending decisions - budget entities/fund managers often see bank account as fundamental to control over resources Timeliness of cash availability Returns on cash holdings

Figure 3: Cash Consolidation: Opportunities and Issues

10. **Notably, there is a rationale for keeping some institutions and their funds, such as state-owned enterprises (SOEs), future funds, and private money outside the boundaries of TSA.** State-owned enterprises operating on a genuine market basis³, that are not part of the general government, should remain at arm’s length from the government and therefore should not be included in the TSA. Future funds established to set aside certain revenues for future generations have different investment objectives and are outside the current operational focus of the budget and should also be excluded. Finally, national treasuries should generally also be restrained from accepting private money so as not to distort the competitive environment for private banks.

11. **Inclusion of subnational governments in the general government TSA is largely an issue of whether subnational governments are controlled by central government.** For many PEMPAL countries, subnational governments have some autonomy but remain largely dependent on the central government for resources. In these cases, inclusion in the TSA makes sense, although Mr. Silins noted that in other regions, subnational governments are largely autonomous. However, some countries, such as China, opt for creating separate TSAs at the subnational level – in China’s case there are separate TSAs at each of the five levels of government for each government. Even where subnational governments are autonomous, their size and capacity may justify consolidation in the central TSA. This may be particularly relevant where capacity for

³ In some cases, entities defined as SoEs are extensions of general government or not viable businesses. Where these entities remain largely dependent on the budget inclusion in the TSA maybe justified. These entities should be reviewed on a case-by-case basis.

cash management at the local level and access to more sophisticated borrowing and investment instruments may be limited.

12. **Mr. Silins elaborated on the implementation tactics for ensuring optimal TSA coverage.** These tactics should, inter alia, highlight the benefits of cash consolidation both for the general government and for the proposed consolidated units, preferably in quantitative terms. It is also important to understand the reasons for resistance to inclusion in the TSA on the part of the units and address them accordingly. Possible solutions include developing memoranda of understanding between the treasury and units outlining the roles and responsibilities of all parties, performance requirements, and arrangements for sharing investment returns. In some cases, a gradual transition to the TSA entailing first the inclusion in the general ledger and FMIS and then in the TSA may be more effective. It is also advisable to secure political support for cash consolidation to ensure commitment before proceeding.

Discussion

13. **The presentation spurred an active discussion.** **Ms. Darka Bukovać, Croatia** asked for clarification on whether consolidation entailed the information about cash balances or cash balances themselves. **Mr. Mark Silins** clarified that true consolidation entails the funds themselves. **Mr. Erekle Gvaladze, Georgia** noted that some international financial institutions make direct payments under their projects or transfer funds to Project Implementation Units. He asked whether there is any practice of using TSA for processing payments under IFI-funded projects. **Mr. Mark Silins** noted that while IFIs have repeatedly stressed the need to use country systems, for fiduciary reasons direct payments are often preferred. **Ms. Elena Nikulina** pointed out that there are some countries in ECA where treasury systems are used for executing payments under the World Bank projects. The decision to use country systems depends on the outcomes of the donor assessment of country fiduciary risks. Ms Nikulina also indicated that if such experience is of interest to the thematic group, a separate VC can be organized to discuss this directly with relevant World Bank financial management specialists.

14. **Mr. Bariş Can, Türkiye,** highlighted that while the objective to merge all the resources in the TSA is well justified, there are some legislative and political reasons hindering the inclusion of local governments in the TSA. He wondered how to ensure effective cash management where municipalities are included. **Mr. Mark Silins** pointed out the crucial role of good quality forecasting and noted that in many cases municipalities are not different from other types of spending units – they must provide bottom-up forecasts for their future cash needs like any other participant in the TSA. To this end, **Ms. Mimoza Pilkati Peço, Albania,** commented that in Albania local governments do not differ from other spending units, they receive transfers from the central government and are subject to centralized automatic control of payments against cash plans that local governments approve. **Mr. Mike Williams** commented that, where local governments are in the TSA, they should be included in the cash forecast. He also noted that the approaches to TSA coverage in different countries vary, and often local governments are not included in the TSA for political reasons.

Measuring Performance of the TSA

15. **Mr. Mark Silins highlighted the limitations of the existing performance indicators measuring TSA coverage and presented the TCOP resource team’s ideas on a possible new indicator that could be used for this purpose.** The PEFA 21.1 indicator on consolidation of cash balances has some limitations. In particular, it focuses on the central government only, does not account for fluctuations in cash balances over time, and does not focus on the fungibility of funds on the TSA. The indicator used for measuring TSA coverage in the 2021 TCOP TSA and Cash Management Survey also had limitations as it did not focus enough on the fungibility of funds in the TSA. To address these limitations, the resource team suggested a new indicator that could be tested through self-assessment in preparation for the meeting in Tirana (Figure 4).



A good PI should measure the effectiveness of the TSA too in ensuring governments commitments are paid in time

Proposed new Indicator for testing through self -assessment in preparation for the Tirana meeting:

TSA Coverage for each of the three most recent months for which data are available, please indicate

	End Month 1 (specify)	End Month 2 (specify)	End Month 3 (specify)	Average
A. Cash balances in the TSA under control of the Treasury and available to meet commitments (in local currency)				
B. Total of other controlled government balances in the banking system (in local currency) *				
C. = A/(A+B) x 100 percent				

IPSAS requires all cash balances of controlled entities in the reporting entity to be reported – cash which is not fungible must also be separately reported in the notes

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Figure 4: New Proposed TSA Coverage Indicator

16. **Ms. Elena Nikulina** added that it was planned to include the proposed indicator in the home task for the group discussions during the Tirana meeting, along with some other indicators measuring performance in cash management and cash forecasting. It is envisaged that during the group discussions, each country will present the self-assessment results and reflect on the experience of applying such indicators.

17. **Mr. Bariş Can** noted his support of the proposed indicator. However, there is also a need to use additional indicators to measure the operational performance of the cash management function. He noted that in Türkiye several indicators are used, and committed to share this experience during his presentation in Tirana. Mr. Can also emphasized that some of the data used for calculating the proposed indicator is sensitive, and in the case of Türkiye only the figures for the outcome (line C) can be provided. **Ms. Elena Nikulina** confirmed that this was possible noting that it would also be beneficial to point out which cash

balances are included in categories A and B. **Ms. Mimoza Pilkati Peço** asked whether the cash balances of the spending units which are held in commercial banks but included into monthly reporting should be included in category A or B. **Ms. Elena Nikulina** clarified that since these balances could not be used for cash management purposes, they should be reflected in category B.

Progress in Preparation of the TCOP Thematic Meeting in Tirana

18. **Ms. Mimoza Pilkati Peço on behalf of the hosting institution briefed the participants on the progress in preparation of the TCOP Thematic Meeting in Tirana planned for November 4-6, 2024.** She informed participants that the Minister of Finance of Albania and the General Secretary of the Ministry of Finance would open the event. The Ministry of Finance of Albania will prepare three presentations for the first day of the meeting: an overview of the PFM Strategy of Albania until 2030 and the role of treasury in its implementation; a comprehensive performance framework for cash management and forecasting in Albania; and elaborating on the interaction between the cash management and debt management functions. The presentations will highlight the progress achieved since the last meeting of the Cash Management Thematic Group in Vienna in November 2023.

19. **Ms. Elena Nikulina** presented the agenda for the second and third days of the thematic meeting. Several countries committed to delivering presentations including Croatia, Georgia, Hungary, Türkiye, and Uzbekistan. **Ms. Elena Nikulina** thanked the volunteers and highlighted that further proposals for presenting country news could be communicated through the registration form for the meeting in Tirana. She noted that guest speakers from countries outside PEMPAL are also being considered.

20. **Ms. Elena Dobrolyubova** presented a thematic survey on measuring treasury performance which will be circulated before the event. Through the survey, the TCOP resource team would be able to collect data on all performance indicators that are used by the national treasuries in PEMPAL countries and present the outcomes during the thematic meeting in Tirana. The survey results would be useful both for the national treasuries of TCOP countries designing their performance frameworks and for drafting the PEMPAL strategy till 2030.

21. **Ms. Elena Nikulina** stressed again the relevance of the TSA design to the current PFM reforms agenda in PEMPAL countries and emphasized the importance of early registration for the Tirana thematic meeting. She thanked everyone for the productive discussion and thanked the interpreters for their support during the meeting.

Conclusions

22. **The thematic survey conducted by TCOP in 2021 demonstrated that while in most TCOP countries the TSA coverage is comprehensive, not all the funds included in the TSA are fully fungible.** Due to the lack of fungibility, countries do not gain the full benefits of consolidation and have limited opportunities to reduce the cost of borrowing or access additional financial instruments to maximize revenues from investing temporarily available funds. The recent TCOP knowledge product *on the Optimal Coverage of the TSA* presented at the meeting provides arguments for cash consolidation and increased fungibility. It reviews the sources of funds that should be included in a TSA and identifies the types of funds

that would typically be excluded from the TSA. Since several TCOP countries are working on further extension of treasury coverage, this knowledge product could make a positive impact on the TSA design and help improve the efficiency of public financial management both within and outside the PEMPAL region.

23. **The ongoing efforts on TSA expansion in several TCOP countries call for using actionable performance indicators to measure TSA coverage.** To overcome the limitations of the existing indicators, the TCOP resource team proposed a new indicator for TSA coverage. The TCOP members agreed to test the indicator through a self-assessment and discuss the outcomes of this self-assessment during the meeting in Tirana.

24. **Since performance management was listed among priority subjects by TCOP member countries in the 2024 TCOP Thematic Survey, the resource team designed a thematic survey on measuring treasury performance.** The survey results will inform the discussions in Tirana and lay the ground for the possible future work on performance measurement in national treasuries. The survey will be launched around September 19, and the proposed deadline for country responses is October 10, 2024.

25. **The participants firmed up the agenda for the meeting in Tirana.** In addition to the presentations by the Treasury of Albania, TCOP representatives from Croatia, Georgia, Hungary, Türkiye, and Uzbekistan confirmed their readiness to present their experiences. Additional volunteers from TCOP member countries are also welcome.