TECHNICAL NOTES AND MANUALS

# Treasury Single Account: An Essential Tool for Government Cash Management

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# Treasury Single Account: An Essential Tool for Government Cash Management

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**This technical note and manual (TNM) addresses the following main issues:**

- Discusses the problems of fragmented government banking arrangements and how a treasury single account (TSA) could address them.
- Explains the concept of a TSA and describes its features.
- Discusses the design issues that need to be considered in setting up a TSA system.
- Discusses the preconditions and key sequencing and implementation issues that need to be addressed in establishing a TSA.

## Introduction[1]

Government banking arrangements are an important factor in managing and controlling government's cash resources. They are critical for ensuring that (i) all tax and non-tax revenues are collected and payments are made correctly in a timely manner; and (ii) government cash balances are optimally managed to reduce borrowing costs (or to maximize returns on surplus cash). This is achieved by establishing a unified structure of government bank accounts via a treasury single account (TSA) system.

A TSA is a prerequisite for modern cash management and is an effective tool for the ministry of finance/treasury to establish oversight and centralized control over government's cash resources. It provides a number of other benefits and thereby enhances the overall effectiveness of a public financial management (PFM) system. The establishment of a TSA should, therefore, receive priority in any PFM reform agenda.

Note: Both Sailendra Pattanayak and Israel Fainboim are Senior Economists in the Fiscal Affairs Department of the International Monetary Fund.

[1]This TNM is based on the IMF working paper "Treasury Single Account: Concept, Design and Implementation Issues," 2010, 10/143 (*http://www.imf.org/external/pubs/cat/longres.cfm?sk=23927.0*). It has benefited from review and comments by M. Cangiano, M. Lazare, colleagues from FAD PFM divisions, and I. Storkey and M. Williams (both FAD consultants).