

# TSA Project Account: Concept and Design

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# Overview of Presentation

- Treasury Single Account – Definition and Key Features
- Cash Management and TSA Benefits
- Integrating Donor Funds Within TSA
- Proposed TSA Structure
- Donors and National Bank of Rwanda issues
- Proposed Action Plan

# TSA Principles

- Unified structure of government bank accounts
- Public monies seen as fungible under a consolidated fund
- Encourages efficient use of cash resources
- TSA covers all budgetary and extra budgetary funds
- TSA can contain ledger sub-accounts for monitoring purposes
  - Subaccounts should not contain overnight balances

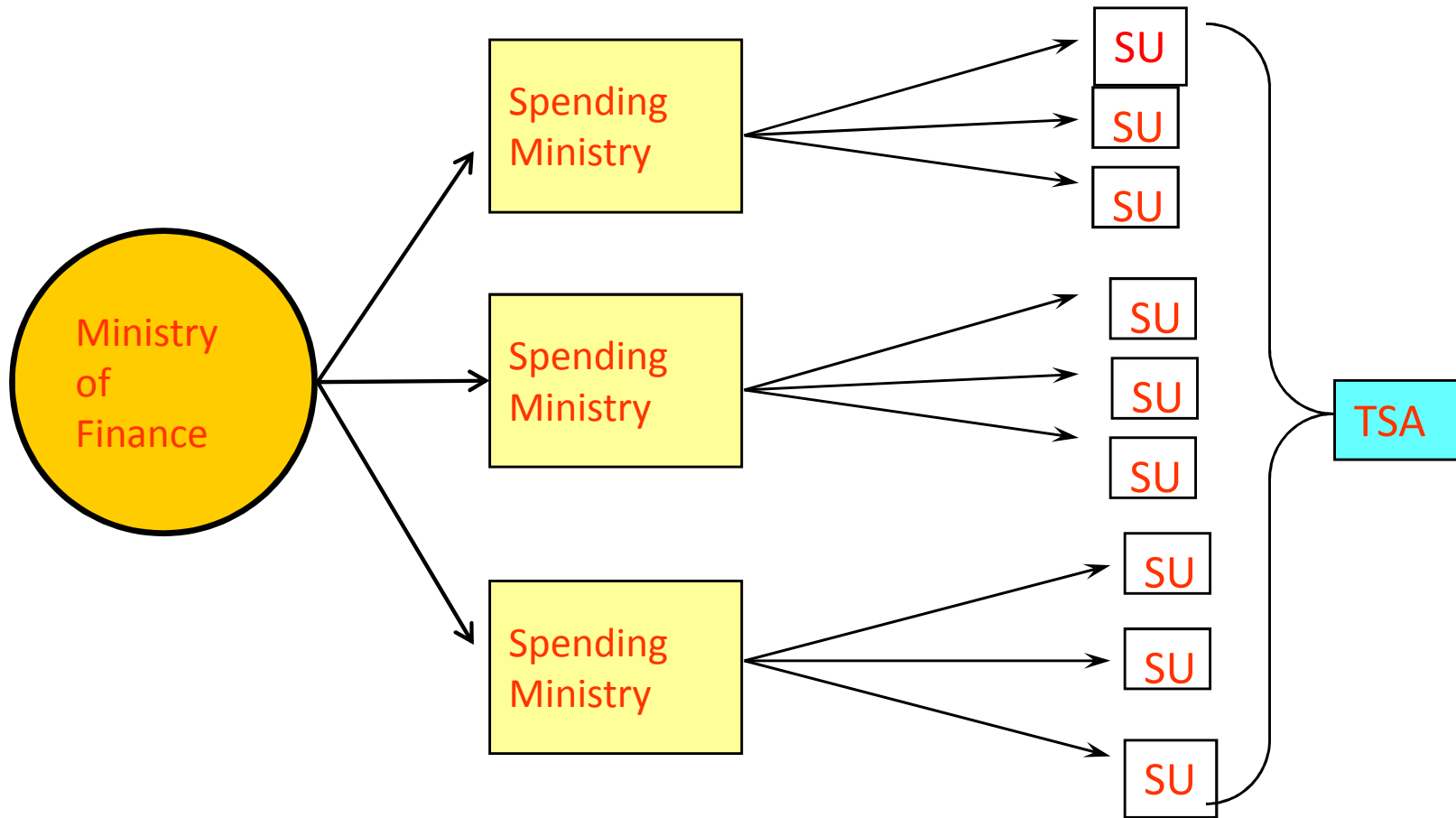
# TSA and Consolidated Fund

- All government revenues should accrue to common pool
- No need for revenue specific or expenditure specific bank accounts
- Revenue and expenditure transactions should be classified through:
  - A well developed Chart of Accounts
  - Not by maintaining distinctive bank accounts

# TSA Benefits

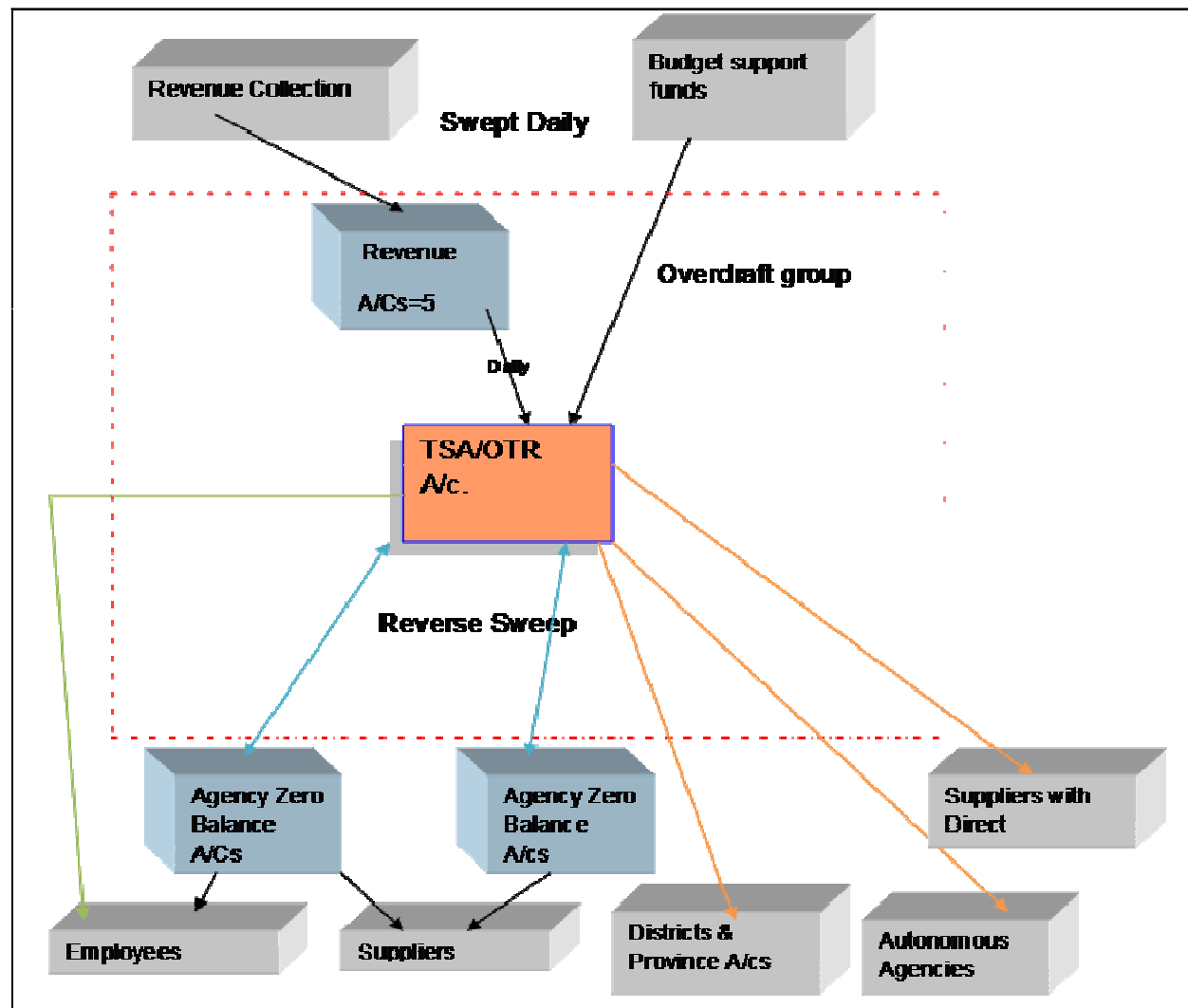
- Ensures complete, real time information on government cash resources
- Assists with accurate and reliable cash flow forecasts
- Improves operational and appropriations control
- Discrepancy between Fiscal & Monetary policies

# Current TSA in Rwanda



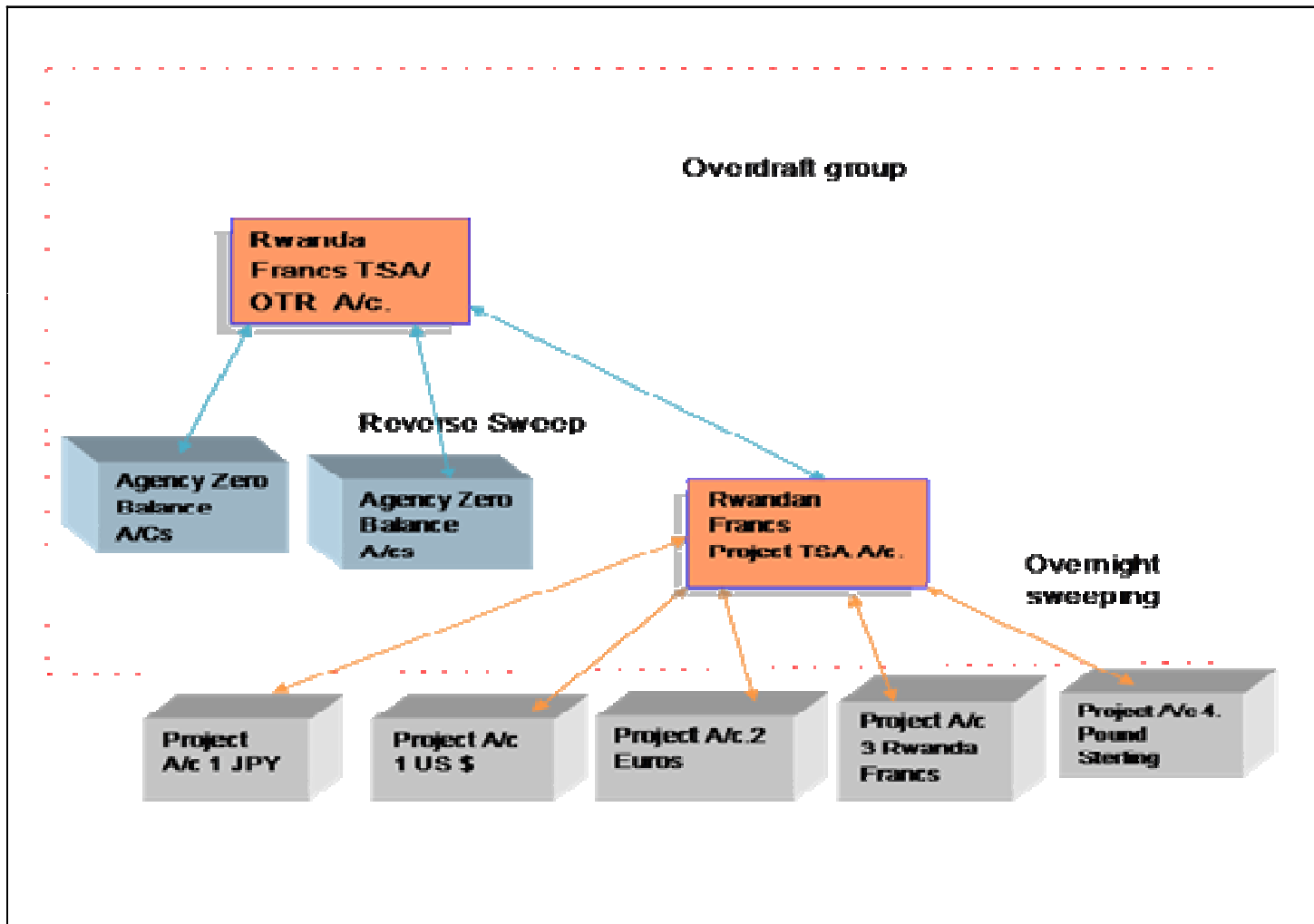
SU = Spending Units

Figure 1: Government of Rwanda's Current TSA Structure



Source: MINECOFIN (2011).

Figure 2: Sweep Project Accounts into Project TSA in RWF



Source: MINECOFIN (2011)



## Table 2: Donor Issues: Concerns and Proposed Remedies

AREA	ISSUE	DISCUSSIONS WITH DPS	RESOLUTION
<b>Contracts</b>	<b>Does the government of Rwanda have the legal (contractual) right to sweep donor funds into a Treasury Single Account?</b>	Most Development Partner (DP) contracts provide for the establishment of bank accounts, nature of fund (currencies), and proposed disbursement schedule. There does not appear to be any legal impediment to the Government of Rwanda to sweep donor accounts. However, Development Partners are requesting information on how a project TSA would be structured; and, if there are any potential impacts on their project accounts.	Development Partner Agreements stipulate bank account and payment structure only. Discussions with various DPs indicate that sweeping into a project TSA account is not a major issue. MINECOFIN has already agreed in principal through the Development Partner Meetings (DPM) and Development Partner Review (DPR) that project accounts will be swept. These are stipulated in the minutes to the meeting, which are currently retained on the MINECOFIN website.
<b>Project TSA Account</b>	<b>Non-diversion of Funds</b>	Donors would like assurances that project funds that are brought into the main TSA will not be diverted?	Based on the experience of the current TSA, funds are being swept and reversed swept with regularity. The project TSA will follow similar structural arrangements which will assure that funds will be fully restored.
	<b>Minimizing Exchange Rate Volatility:-</b> This issue is dependent on the structure of the Project TSA account. Development Partners want to minimize exposure against exchange rate related fluctuations.	The protection of foreign currency holdings is a paramount issue for development partners. In brief, donors are unwilling to see the value of their assistance exposed to fluctuations in the value of the RWF, particularly if the funds are used directly or indirectly to purchase overseas goods or services. Development partners have also expressed concern in this eventuality that either their assistance will have less impact than planned; or that they could be put under pressure to top up their support.  1. Is there any exchange rate risk? 2. How will DP foreign currency accounts be protected against exchange rate volatility?	Under GoRs proposed Project TSA structure the National Bank of Rwanda will sweep, and convert foreign currency project accounts on a nightly basis and reverse sweep in the morning - returning funds. Two factors assist in fully restoring the funds: 1) there is little or no volatility evidenced in the RWF versus other currency movements; and, 2) the National Bank of Rwanda has agreed, in principal, to sweep back all funds using the same exchange rate that they were swept in the previous evening. MINECOFIN and NBR will sign a memorandum of understanding stipulating that the same exchange rate will be used in sweeps and reverse sweeps.

## Table 4: National Bank of Rwanda: Project TSA Issue(s) and Resolution(s)

AREA	ISSUE(S)	RESOLUTION(S)
<b>IT</b>	A new IT software system is being considered. The technical specifications are currently being completed - the architectural design of project TSA should be confirmed well in advance of the issuance of the IT Terms of Reference. The primary issue for the National Bank of Rwanda is that they would like to have the conceptual structure of its approved Project TSA (Drop-dead day end of June 2011).	MINECOFIN has already chosen its project TSA modality. This has been conveyed to the National Bank of Rwanda.
	<ol style="list-style-type: none"> <li>1. Can Current NBR IT structure support a Pilot Project TSA structure (as envisaged)?</li> <li>2. If there delays in the new IT software systems, can current NBR IT systems support further roll-out of the Project TSA?</li> </ol>	<ol style="list-style-type: none"> <li>1. NBR IT system currently supports a main TSA structure.</li> <li>2. A pilot project TSA functionality should pose little or no issues to the current system.</li> </ol>
<b>Exchange Rate</b>	Could a unique exchange rate be used to sweep/reverse sweep funds for the overnight sweeps.	<ul style="list-style-type: none"> <li>▪ MINECOFIN discussions with NBR indicate that one exchange rate could be used for sweep/reverse transactions.</li> <li>▪ An MoU between MINECOFIN and NBR will be developed where this is specifically identified and agreed.</li> <li>▪ The MOU will provide assurances to Development Partners of the viability of the Project TSA modality.</li> </ul>
<b>Reporting</b>	Would there be any change to current reporting formats?	No there would not be substantial changes to the reporting framework.

# Proposed Action Plan

**Table 1: Project TSA - Proposed Action Plan**

Area/Recommendations	Near Term	FY11/12- FY 12/13	FY13/ 14	Output
<b>Part A. Project TSA</b>				
<b>1. Reducing Number of Project Accounts</b>				
March 2011- June 2011: Monitor and then streamline current number of project accounts.	X			Reduction of project accounts- (below 700).
MINECOFIN to issue instruction to close dormant accounts. Instructions Issued in July 2011 to close accounts by September 1, 2011.	X			
<b>2. Pilot Government RWF Project TSA</b>				
MINECOFIN to develop a framework document to be presented to NBR and Development Partners that provides for the specific procedures how donor flows, sweeping arrangements, and how payment transactions are to be handled.	X			
Inventory Government of Rwanda Project Bank Accounts that have form the Project TSA arrangement	X			
Reporting Template should be developed by the NBR for reporting on project accounts under a Project TSA Framework.	X			
Letters to Project Managers to be issued by MINECOFIN in July 2011 informing them of the arrangement	X			
Letter to NBR stipulating that which project accounts should be made sub-accounts of the Project TSA to be issued by MINECOFIN in July 2011	X			
Pilot Project accounts to be brought into Project TSA started by August/September 2011	X			Piloted project accounts brought into main TSA by 01/31/ 2012.
<b>3. Review of Pilot Project Accounts</b>				
Review of progress, efficiency and effectiveness of Pilot (December 2011/ January 2012)		X		

*Thank you*