



REPUBLIC OF KENYA
THE NATIONAL TREASURY & ECONOMIC PLANNING

Telegraphic Address: 22921
Finance-Nairobi
Fax No.: 310833
Telephone: 2252299
Ref:AG3/104/1/VOL.III/(60)

Treasury Building
P.O. Box 30007
NAIROBI

19th November, 2025

TREASURY CIRCULAR NO.11/2025

All Principal Secretaries/Accounting Officers

All Chief Executive Officers of State Corporations & Semi-Autonomous Government Agencies

All Commissions and Independent Offices

All County Executive Committee Members for Finance

GUIDELINES FOR THE IMPLEMENTATION OF THE TREASURY SINGLE ACCOUNT SYSTEM

I INTRODUCTION

Purpose

- a) The purpose of this circular is to provide guidance on the implementation of the Treasury Single Account (TSA) system, and the changes in cash management and Exchequer processes that are essential for enhancing the TSA system of government banking arrangements across all National and County government entities.

Background

- b) A Treasury Single Account (TSA) is a unified structure of government bank accounts that gives a consolidated view of government cash resources. Based on the principle of unity of cash, a TSA is a bank account or a set of linked accounts through which the government transacts all its receipts and payments. A TSA is therefore not necessarily a single bank account.
- c) The TSA system is a critical reform initiative aimed at enhancing the efficiency, transparency, and accountability of public financial management in Kenya.
- d) Anchored in the Public Financial Management (PFM) Act, 2012 and the PFM (National Government) and PFM (County Government) Regulations, 2015, the TSA system is intended to facilitate greater visibility of public cash resources, improve government cash management, potentially reduce borrowing costs, as well as streamline government banking arrangements. The TSA system is also intended to streamline

the exchequer release process at national and county government levels with the objective of entrenching overall fiscal discipline.

- e) The implementation of the TSA system of cash management and banking arrangement was approved by the Cabinet on 24th January 2024. Since then, The National Treasury, in conjunction with the Central Bank of Kenya (CBK) and the Office of the Controller of Budget (COB), has been developing the requisite enterprise architecture aligned to the hybrid TSA system that enables efficiency in government cash management operations as well as visibility of public financial resources. The implementation is being undertaken over a three-year period as follows;

TSA implementation Road Map

Year	Financial Year	Implementation Milestones
1	FY 2024/2025	-Conduct an inventory of Government bank accounts -Develop the TSA System design and architecture -Automate the Exchequer release process -Implement Annual and Monthly cash plans for MDAs -Introduce a unified revenue-collection channel to enhance revenue visibility (E-citizen)
2	FY 2025/2026	-Implement the Invoice Twinning system -Aggregate government bank balances for improved visibility -Operationalize Just-in-Time funding to MDAs -Expand the Overdraft accounts mapping -Develop policy guidelines for investment of surplus funds -Design County automation processes -Undertake any required legal reviews -Update inventory of Government bank accounts
3	FY 2026/2027	-Roll out the automated County Revenue Fund withdrawal system -Phase out unnecessary operational accounts for MDAs -Roll out the GDI system for visibility of bank accounts in commercial banks -Undertake any required legal reviews

Legal Framework

- f) **Section 2(1) of the PFM Act, 2012** defines a TSA, in relation to the National Government, as *a centralized bank account system where all deposits and payment transactions are processed for State Departments, Commissions and Independent Offices, and any other national government entity which draws directly from the Consolidated Fund.*
- g) In relation to the county government, as *a centralized bank account system established in each county where all deposits and payment transactions are processed for county departments and any other county entity which draws directly from the County Revenue Fund.*
- h) **Section 28 (2) of the PFM Act, 2012:** States that: *"The National Treasury shall establish a Treasury Single Account into which all revenues received by national*

government entities shall be deposited and from which all payments of money to or on behalf of national government entities shall be made'

- i) **PFM (National Government) Regulations, 2015:** Gives effect to Section 28 (2) of the PFM Act, 2012 by establishing the TSA. Regulation 96 provides that:

- (1) *The National Treasury shall ensure operating cash balances in the Treasury Single Account sub-accounts are kept to a minimum through consolidation into a Treasury Single Account.*
- (2) *The Treasury Single Account shall reflect at the minimum the following features—*
 - (a) *unified banking arrangements to enable the National Treasury to have proper oversight of national government cash inflows and outflows on these bank accounts;*
 - (b) *that no national government entity shall operate bank accounts outside the Treasury Single Account unless expressly authorized by the Cabinet Secretary;*
 - (c) *notwithstanding the requirement under sub-paragraph (b), the Cabinet Secretary may authorize exemption from the requirements of sub-paragraph (b); and*(d)
 - (d) *the comprehensive consolidation of government controlled public monies encompassing all government cash resources, including National Exchequer Account, special funds, trust funds and other public funds unless expressly exempted by the Cabinet Secretary.*
- (3) *National government deposits or exchequer releases to national government entities by the National Treasury shall be deposited in the Treasury Single Account sub-accounts and shall form part of cash balances of these accounts.*
- (4) *Unless exempted by an Act of Parliament or by judicial order, all deposit bank accounts of the national government's entities shall be sub-accounts of the Treasury Single Account for the national governments.*

II THE TREASURY SINGLE ACCOUNT SYSTEM HYBRID MODEL

- a) The Government has adopted a TSA hybrid model which blends different TSA approaches that align with Kenya's unique financial system.
- b) As per the provision of Regulation 96 of the PFM (National Government) Regulations, 2015, the hybrid model entails Ministries, Departments and Agencies (MDAs) maintaining their accounts at the CBK, as part of TSA sub accounts.

- c) State Corporations and Semi-Autonomous Government Agencies (SAGAs) retain their bank accounts in commercial banks with The National Treasury maintaining full visibility of their bank balances.
- d) The National Treasury and the CBK are implementing robust data integration system to monitor and obtain overall government cash position. The hybrid TSA model aims to achieve visibility and consolidated end-of-day reporting of government cash balances. The National Treasury will have an aggregated view of all cash balances both in CBK and in commercial banks to enable informed decisions regarding government resources.
- e) All bank accounts for public entities domiciled at the CBK and in commercial banks for the purpose of computing overall government cash position, are deemed as sub-accounts of the TSA.
- f) The automation of County Revenue Fund withdrawal processes will pave way for implementation of a TSA system in each of the forty-seven county governments, mirroring the National Government model.
- g) County government bank balances do not form part of the National Government TSA system.

III UPGRADE OF CBK CORE AND INTERNET BANKING SYSTEMS

- (a) Effective 25th August 2025, the CBK upgraded its Core and Internet Banking Systems to enhance operational efficiency, strengthen security, and provide greater scalability. This upgrade streamlines transactions through improved automation and system integration, while delivering enhanced user experience for the National and County Government and other stakeholders using government payment platforms.
- (b) With the upgrade of the CBK's Core and Internet Banking system, it is now possible to implement key features of the TSA model that are necessary to facilitate efficiency in government cash management and exchequer operations.

IV CASH MANAGEMENT FOR MDAs UNDER TSA SYSTEM

a) Review of Cash Management Processes in a TSA environment

The new TSA system entails significant changes to the cash management and exchequer processes, including the adoption of mechanisms such as Invoice Twinning, Funds Check and Just-in-Time (JIT) funding. These measures will align disbursements with budget priorities, reduce idle balances, eliminate unauthorized expenditures at entity levels and ensure that the funds released

by The National Treasury reach the intended beneficiaries. The enhanced features in the exchequer process include but are not limited to;

- (i) **Annual and Monthly Cash plans:** In addition to having an approved budget, all MDAs are required to prepare Annual and Monthly cash plans aligned to their expenditure patterns. This is a prerequisite for payment processing and the submission of exchequer requisitions.
- (ii) **Invoice Twinning:** The Exchequer release process under the TSA environment links/ties the release of funds directly to the invoice batches submitted by MDAs. This ensures that only the invoices that formed the basis

for the release get settled. The approach eliminates the cherry-picking of invoices at both MDA and county levels—practices that often contribute to the accumulation of pending bills. It also enhances transparency by ensuring that only approved and verified invoices are eligible for payment, thereby reducing the risk of fraud or duplication. In addition, it fosters stronger supplier relationships by minimizing payment delays and improving the overall credibility of government financial operations.

- iii **Balance Check:** To support the twinning concept, the Exchequer release process incorporates a Balance Check functionality enabled in the newly upgraded CBK T24 Core Banking System. This functionality ensures that no payment instruction can proceed to CBK Online Banking without first confirming that the respective MDAs and county government bank accounts have sufficient funds to fully cover the respective invoices. This will ensure that payments do not pile in Internet Banking awaiting funding which in some cases result in pending bills.
- iv **Just-In-Time funding:** The Exchequer release process will accommodate JUST-IN-TIME funding, initially as an administrative process and later a system-enabled functionality ensuring invoices are raised when payments are ready to be settled, and disbursement made as soon as exchequer allocations are approved by the Controller of Budget (COB). This will eliminate the build-up of idle balance in the MDAs' sub-accounts. MDAs should therefore place requisitions for funds only when required for immediate use, thus optimizing liquidity management, reducing unnecessary holding costs and surplus balances in the TSA sub accounts.
- v **Liquidity Management:** Pursuant to paragraph II(e) above, and with reference to the TSA sub-account structure, attention is drawn to Regulation 96(2)(d) of the Public Finance Management (National Government) Regulations, 2015. The Regulation provides that the Treasury Single Account (TSA) constitutes a comprehensive consolidation of all government-controlled public monies, including the National Exchequer Account, special funds, trust funds, and other public funds, unless specifically exempted by the Cabinet Secretary.

Accordingly, all balances in these accounts form part of the Government's consolidated cash resources and may be utilized by the National Treasury to meet short-term liquidity and cash management requirements of the Exchequer.

b. Exchequer funding process in the TSA environment

i. Exchequer Requisition Process at MDA Level

1. MDAs shall submit invoices due for payment to their respective accounts departments. The accounts department will be responsible for processing invoice batches, validating and approving them for payment.
2. MDAs shall identify invoices that require exchequer funding and conduct validation procedures, including verification of supplier details, bank account confirmation, tax compliance, and all other due diligence measures. A formal request for exchequer funding shall then be submitted to the Exchequer Services Department, at The National Treasury, for the verified and approved invoices.
3. The Exchequer Services Department shall generate a unique request number consolidating all selected invoices for funding.

ii. Exchequer Release Process at the National Treasury

1. The Exchequer Services Department based on the availability of funds, shall review, consolidate, and validate requisitions received from MDAs. Upon validation and approval by the Principal Secretary, National Treasury, a consolidated exchequer request shall be submitted to the Controller of Budget (COB) via IFMIS for review and approval through the issuance of a Grant of Credit.
2. The Controller of Budget (COB) shall examine and validate the exchequer request, approve or reject the Grant of Credit through IFMIS.
3. After the issuance of the Grant of Credit, the IFMIS system shall automatically generate a reference and forward it to the Exchequer Services Department for processing. The Grant of Credit shall be directly linked to the original invoices submitted in the exchequer requisition.
4. On receipt of the Grant of Credit from the COB, the Exchequer Services Department shall process the approved Exchequer requests and generate a Treasury Order for funds release.
5. Consolidated MDAs' Exchequer requests contained in the electronic Treasury Order are then transmitted to the TSA Sub accounts (MDAs' operational accounts) at the Central Bank of Kenya (CBK) via Internet Banking.
6. Upon successful interfacing of the invoice payment request with CBK's Internet Banking system, the Exchequer Services Department shall approve the

request, authorizing the transfer of funds from the Exchequer Account to the respective TSA Sub accounts (MDAs operations accounts).

7. CBK shall execute the funds transfer to the designated MDA accounts upon verification of the Grant of Credit approval in IFMIS.
8. After funds are credited, the MDAs' Heads of Accounting Unit (HAUs) shall proceed with the payment of the invoices directly linked to the approved Grant of Credit and exchequer allocations through their respective TSA Sub accounts Online Banking platforms.

c. Compliance and System Enhancement

- (i) System enhancements strictly prohibit MDAs from transmitting payments for invoices that don't have sufficient balances or are not linked to an approved Grant of Credit from the COB.
- ii) Invoices can neither be substituted nor cherry picked. MDAs' invoices and reference numbers are twinned together with the exchequer funding.
- iii) The IFMIS-to-CBK payment process is reconfigured to ensure that all invoices approved at the requisition stage are correctly tagged with the Grant of Credit upon COB approval. The tagging system prevents duplication in case of payment cancellation or stoppage.
- iv) Inter-account transfers between TSA sub-accounts at the CBK e.g., from Recurrent to Development, Deposit to Recurrent, or vice versa - are strictly prohibited.

d. Appropriations -In-Aid (AIA) Payments

To secure proper segregation of funds, the new process designates MDA operational accounts as TSA sub-accounts. For this reason, Recurrent and Development accounts are the exclusive recipients of Exchequer releases. Consequently, AIA funds will continue to be withdrawn/dispensed from the TSA sub-accounts (Recurrent and Development) but through an Internal Grant generated in IFMIS. The Internal Grant will be transmitted to CBK's online banking environment, the objective of which is to avoid the commingling of exchequer disbursement, thereby safeguarding the integrity of the twinning concept.

e. Stopped, Returned or Voided Payments

A comprehensive process for managing Stopped, Returned, or Voided Payments will be integrated within the IFMIS and Online Banking System. This process ensures that such payments do not compromise the invoice twinning mechanism or violate the requirement for maintaining zero balances in TSA sub accounts (operational accounts). The new system will automatically recalibrate payment status to align with exchequer funding and Grant of Credit protocols.

f. Treatment and Reporting of Clawbacks / Unutilized Funds

For the purpose of this guidance, clawbacks refer to funds previously released to an MDA that should subsequently be returned to the Exchequer on account of:

- (i) Unutilized cash balances;
- (ii) Overpayments;
- (iii) Cancelled or expired commitments; or
- (iv) Funds that were improperly or erroneously requested.

MDAs with clawback funds are required to submit a clawback report to the National Treasury at the end of each month, or as soon as practicable, to facilitate the recovery of such funds from the TSA sub-accounts to the Exchequer Account. Proper books of accounts shall be maintained to record the clawbacks and any corresponding adjustments to exchequer issued.

Unutilized funds are Exchequer disbursements that remain unused by the close of the reporting period due to time lapse and must therefore be surrendered back to the Exchequer at the close of the Financial Year.

V EXCHEQUER RELEASE PROCESS FOR COUNTY GOVERNMENTS

The Exchequer requisition and disbursement protocols at the County Government level will mirror/replicate the National Government exchequer process, in respect of withdrawals from the Consolidated Fund to the County Revenue Fund (CRF) as well as from the CRF to the counties' operational accounts (Counties TSA sub accounts).

The system upgrades will be implemented as soon as the automation of the withdrawal process from the CRF to County operational accounts at the Controller of budget level, is completed.

VI AUTOMATION OF EXTERNAL PAYMENTS

As part of the TSA reforms, the Government is automating the legacy Payment Advice (PA) process for public debt and other external payments of MDAs through the introduction of an Electronic Payment Advice (E-PA) to cater for payments made in foreign currencies.

The new system streamlines workflows, reduces errors and delays, ensures accurate reconciliation, and enhances transparency through traceable approvals. It also strengthens budget control via improved cash flow planning. The automation entails the integration of IFMIS, CS-Meridian and Central Bank systems, thereby enabling seamless end-to-end processing.

Approval will be effected within IFMIS by designated persons. The enhanced process will form part of exchequer request and release process for Public debt as well as MDAs' external settlements.

VII CASH MANAGEMENT AND BANKING ARRANGEMENTS FOR STATE CORPORATIONS AND SAGAs

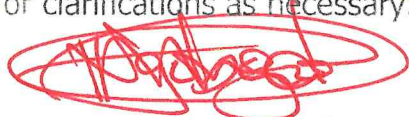
- (a) Attention of State Corporations and SAGAs is drawn to Section 88. (1) of the PFM Act 2012 which provides that, *'The National Treasury, shall when granting authority to Accounting Officers to open and operate bank accounts, require them to include as a pre-condition to that bank, that the Cabinet Secretary may request bank statements for that account without any reference to the authorized bank signatories of that bank account'*.
- (b) In addition, Regulation 96 (4) of the PFM (National Government) Regulations 2015 provides that: *'Unless exempted by an Act of Parliament or by judicial order, all deposit bank accounts of the national government entities shall be sub-accounts of the Treasury Single Account for the national governments.'* The conditions for exemptions are specified in Regulation 82 (1).
- (c) In this regard, and to enhance visibility of National Government entities' balances held in commercial banks, the National Treasury shall have visibility of bank balances in all public entities commercial banks accounts through a system currently in development.

d) Investment of Surplus Funds in Government Securities.

- i) The National Treasury issued Treasury Circular No. 4/2017 dated 2nd May, 2017, Treasury Circular No. 3/2018 dated 26th March 2018 regarding the investment of surplus funds by State Corporations, public universities, and Semi-Autonomous Government Agencies (SAGAs). The National Treasury further issued Treasury Circular No 14/2018 dated 27th November, 2018 on among other things, guided on investments of surplus funds in Government Securities.
- ii) While reinforcing the guidance in the referenced circulars, the National Treasury urges all State Corporations, Semi-Autonomous Government Agencies (SAGAs), and other National Government entities that draws funds from the Consolidated Fund to invest surplus and deposit funds in Government Securities directly through the Central Bank of Kenya, without using intermediaries. Public entities are therefore advised to liaise with the CBK to facilitate the opening of Dhow CSD accounts upon approval by The National Treasury. Any investment in other asset classes require prior approval from The National Treasury.

VIII TECHNICAL SUPPORT

MDAs or relevant system users who may experience any challenges in processing their transactions in the TSA (twinning environment) may contact the National Treasury, through the IFMIS and Exchequer Services Departments, for assistance or clarifications as necessary.



HON. FCPA JOHN MBADI NG'ONGO, EGH
CABINET SECRETARY

