

# **Tashkent State University of Economics**

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## **Treasure system of Uzbekistan**

**Lecture#1: Basic principles of state treasure**

Tashkent

# Introduction

- ▶ In many countries, spending and raising of revenue by the government form a large portion of the nation's total economic activity.
- ▶ The decisions to mobilize resources and allocate resources remain one of the most pervasive challenges among all levels of government.
- ▶ Public finance covers the collection of revenues, exercise of spending, financing of deficits and the management of public assets, debts and other liabilities (Mainoma & Aruwa, 2015).
- ▶ Public finance is conducted according to the principles of centralized and decentralized management. The duties of the tiers of government, Federal, State and Local are in managing their finances are clearly defined in their relevant laws and taken as a basis for resource allocation.

# Introduction...

- ▶ The Economic Reform and Governance Project (ERGP) was approved by World Bank in December 2004 and in line with the federal government's goal to significantly strengthen governance, transparency, and accountability, reduce corruption and deliver services more effectively.
- ▶ The objectives of this project are twofold:
- ▶ (i) to improve the federal government's economic and financial management systems and processes; and
- ▶ (ii) to firmly establish a reform process of the federal civil service to improve professionalism and the government's ability to deliver services.

# Introduction...

- ▶ The Economic Reform and Governance Project (ERGP) has four broad areas of support:
  - ▶ (i) public resource management and targeted anti-corruption initiatives;
  - ▶ (ii) pilot civil service administrative reform;
  - ▶ (iii) pensions reforms; and
  - ▶ (iv) statistics and statistical capacity.
- ▶ The implementation of TSA is among the reforms that were aimed at improving the quality of the nation's Public Financial Management (PFM) systems by the Federal Government among the schemes under public resource management and targeted anti-corruption initiatives.
- ▶ Others include Government Integrated Financial Management Information System (GIFMIS); Automated Accounting Transaction Recording and Reporting System (ATRRS); Integrated Payroll and Personnel Information System (IPPIS); International Public Sector Accounting Standard (IPSAS) and many others.

# Introduction...

- ▶ The Federal Government commenced the implementation of TSA with the e-Payment component in April 2012 while the e-collections components of TSA commenced in January, 2015.
- ▶ The implementation of TSA is expected to improve cash management and control.
- ▶ In countries with fragmented government banking arrangements, the establishment of a TSA is viewed as a priority in the public financial management reform agenda (IMF, 2010).
- ▶ For instance, in Nigeria, ministries, departments, and agencies (MDAs) accounts were maintained in various bank accounts by revenue generating and spending agencies while the state of government financial affairs were unknown to the Ministry of finance and the office of the Accountant-General and making government to borrow for budget execution in the face of idle funds.

# A full-fledged TSA shares three essential features (IMF, 2010:5):

- ▶ First, the government banking arrangement should be unified, to enable ministry of finance (Mof) (or treasury) oversight of government cash flows in and out of these bank accounts.
- ▶ A unified structure of government bank accounts allows complete fungibility of all cash resources, including on a real-time basis if electronic banking is in place. The TSA structure can contain ledger sub-accounts in a single banking institution (not necessarily a central bank), and can accommodate external zero balance accounts (ZBAs) in a number of commercial banks.

## A full-fledged TSA shares three essential features (IMF, 2010:5)...

- ▶ Second, no other government agency operates bank accounts outside the oversight of the treasury. Options for accessing and operating the TSA are mainly dependent upon institutional structures and payment settlement systems.
- ▶ Third, the consolidation of government cash resources should be comprehensive and encompass all government cash resources, both budgetary and extra-budgetary. This means that all public monies irrespective of whether the corresponding cash flows are subject to budgetary control or not (e.g., in the case of reserve funds, earmarked funds and other off-budget/extra-budgetary funds) should be brought under the control of the TSA.

# A full-fledged TSA shares three essential features (IMF, 2010:5)...

- ▶ The cash balance in the TSA main account is maintained at a level sufficient to meet the daily operational requirements of the government (sometimes together with an optional contingency, or buffer/reserve to meet unexpected fiscal volatility).

# Prescriptions from Financial Authorities

- ▶ S.80 (1) of the constitution of the Federal Republic of Nigeria states that revenues or other moneys raised or received by the Federation (not being revenues or other moneys payable under this Constitution or any Act of the National Assembly into any other public fund of the Federation established for a specific purpose) shall be paid into and form one Consolidated Revenue Fund of the Federation.

# Prescriptions from Financial Authorities...

- ▶ S, 80(2) No moneys shall be withdrawn from the Consolidated Revenue Fund of the Federation except to meet expenditure that is charged upon the fund by this or where the issue of those moneys has been authorized by an Appropriation Act, Supplementary Appropriation Act or an Act passed in pursuance section 81 of this Constitution.

# Prescriptions from Financial Authorities...

- ▶ S.701 (i) of Financial Regulations (FR) states that approved account shall be maintained under an official designation. S.701 (ii) FR prescribes that each establishment shall be allowed to operate only three (3) bank accounts as follows:
  - ▶ (a) Salary Account;
  - ▶ (b) Overhead Cost Account; and
  - ▶ (c) Revenue Account.
- ▶ No other bank account shall be allowed without the express approval of the Accountant-General.

# Prescriptions from Financial Authorities...

- ▶ S.701 (iii) FR No ministry shall be allowed to operate any bank accounts in the outstation office without approval of the Accountant-General.
- ▶ S.701 (iv) FR No multiplicity of bank accounts shall be allowed beyond the three account listed above.
- ▶ S.701 (v) FR Every organization shall submit a return of their bank accounts half-yearly to the Accountant-General giving details of all bank accounts maintained, the name of the bank, account number, designation and branch, name and rank of the signatories to the account.

# Prescriptions from Financial Authorities...

- ▶ S. 702. FR All Capital Accounts shall be maintained at the Central Bank of Nigeria or any other banks as maybe designated by the government of the federation and authorized by the Accountant-General.
- ▶ S. 704. FR Federal Government bank accounts in Nigeria shall be maintained at the Central Bank of Nigeria, or such other banks as may be authorized by the Accountant-General.
- ▶ The financial authorities had envisaged a Treasury into which revenues will be collected with few exemptions and authorization from the same treasury.

# TSA as a Public Cash Management tool

- ▶ The Federal Executive Council approved the cash management policy document, encompassing the TSA for implementation to strengthen Federal Government cash management, better budget implementation and service delivery.
- ▶ Therefore, the effectiveness and efficiency of TSA can be achieved if the Government Integrated Financial Management Information System (GIFMIS), Automated Accounting Transaction Recording and Reporting System (ATRRS), and Integrated Personnel and Payroll Information System (IPPIS) are effective.

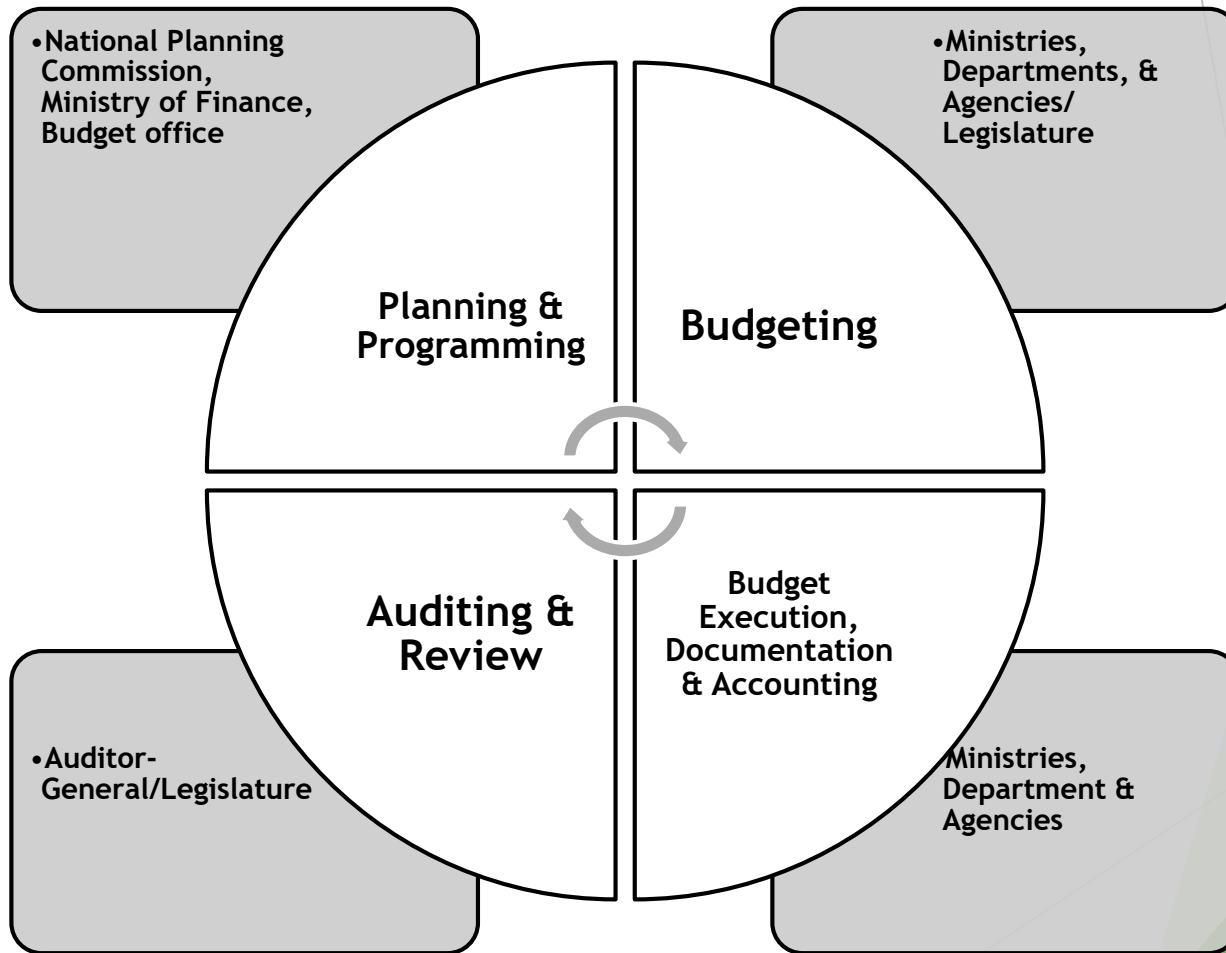
# TSA as a Public Cash Management tool

- ▶ The implementation of TSA facilitates public cash management as follows (IMF, 2010):
- ▶ 1. Allows complete and timely information on government cash resources: In countries with advanced payment and settlement systems and an Integrated Financial Management Information System (IFMIS) with adequate interfaces with the banking system, this information will be available in real time. As a minimum, complete updated balances should be available daily.

# TSA as a Public Cash Management tool...

- ▶ 2. Enables efficient cash management: A TSA facilitates regular monitoring of government cash balances. It also enables higher quality cash outturn analysis to be undertaken (e.g., identifying causal factors of variances and distinguishing causal factors from random variations in cash balances).
- ▶ 3. Reduces bank fees and transaction costs: Reducing the number of bank accounts results in lower administrative cost for the government for maintaining these accounts, including the cost associated with bank reconciliation, and reduced banking fees.

# TSA and Public Financial Management cycle



# TSA facilitates public financial management in the following ways:

- ▶ **Improves appropriation control:** The TSA ensures that the MoF has full control over budget allocations, and strengthens the authority of the budget appropriation.
- ▶ **Improves operational control during budget execution:** When the treasury has full information about cash resources, it can plan and implement budget execution in an efficient, transparent, and reliable manner. The existence of uncertainty regarding whether the treasury will have sufficient funds to finance programmed expenditures may lead to sub-optimal behaviour by budget entities, such as exaggerating their estimates for cash needs or channeling expenditures through off-budget arrangements.

# GIFMIS and TSA:

- ▶ GIFMIS and Commitment Management: GIFMIS will facilitate the management of commitments
- ▶ GIFMIS and Cash Management: GIFMIS will facilitate an efficient cash management system through implementation of the Treasury Single Account for all Agencies of the Federal Government.
- ▶ GIFMIS and Financial Reporting: GIFMIS will facilitate improvement in Transparency and Accountability in the management of the Federal Government resources

# Conclusion and Recommendations

- ▶ The purview of public financial management is considered to be threefold: governmental effects on (i) efficient allocation of resources, (ii) distribution of income, and (iii) macroeconomic stabilization.
- ▶ TSA makes it possible for government to efficiently allocate resources, however it effects on distribution of income and macroeconomic stabilization needs to be re-examined.
- ▶ This effects can be moderated through the TSA design. A centralized TSA where the CBN is the treasury may have serious effects on (ii) and (iii) above.

# Conclusion and Recommendations

- ▶ TSA is found relevant for the three of the four phases of public financial management. A TSA needs a strong information system infrastructure like the Financial management information system.
- ▶ The government needs to continuously monitor and upgrade the GIMIS, ATRRS, and IPPIS to ensure the full effect of TSA on public financial management.
- ▶ TSA remains the key to ensuring transparency and accountability in public financial management. All tiers of government are strongly advised to embrace this scheme. Designing a TSA that takes into account specific country contexts as well as the preconditions and desirable sequencing for its successful implementation is recommended.

**THE END**

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