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An Assessment of the Treasury Single Account Policy on Nigeria Economy

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Abstract

This paper assessed the Treasury Single Account Policy (TSA) recently introduced by the Buhari administration on Nigeria Economy. The adoption of this policy is seen by many as a step aimed at plugging loopholes in the Nigerian Financial System. TSA is known as a unified structure of government bank accounts enabling consolidation and optimum utilization of government cash resources. Or a public accounting system under which all government revenue, receipts and income are collected into one single account, usually maintained by the country's Central Bank and all payments done through this account as well. The paper also assessed the perceived positive and negative impacts of TSA on the economy and concluded that, any step taken in the direction aimed atplugging leakages in revenue generating agencies should be seen as a step in the rightdirection, especially during this period of dwindling earnings due to global falling oil prices. It also recommended that the financial regulators, including the CBN, should also be proactive and institute measures to correct any lapses or negative impact of the policy, as no law or measure is foolproof.

Keywords: *Policy, Nigeria Economy, Treasury Single Account*

Background to the Study

In February 28, 2015, the Jonathan led administration directed the Central Bank of Nigeria toissue a circular directing all deposit money banks to implement the Remita e-Collection Platform. The Remita e-Collection is a technology platform deployed by the Federal Government to support the collection and remittance of all government revenue to a Consolidated Account domiciled with the CBN. This marked the beginning of the full implementation of Treasury Single Account (TSA) system in Nigeria. (*The Stalwart Report* , 2015). Though Section 80 (1) of the 1999 Constitution as amended states that "All 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 from one Consolidated Revenue Fund of the Federation". Successive governments have continued to operate multiple accounts for the collection and spending of government revenue in flagrant disregard to the provision of the constitution which requires that all government revenues be remitted into a single account.

It was not until 2012 that government ran a pilot scheme for a single account using 217 ministries, department and agencies as a test case. The pilot scheme saved the country about N500 billion in frivolous spending. The success of the pilot scheme motivated the government to fully implement TSA, leading to the directives to banks to implement the technology platform that will help accommodate all MDA's in the TSA scheme.

Though it is globally recommended that no other government agency should operate bank accounts outside the oversight of the treasury. Institutional structures and transaction processing arrangements determine how a TSA is accessed and operated. The treasury, as the chief financial agent of the government, should manage the government's cash (and debt) positions to ensure that sufficient funds are available to meet financial obligations, idle cash is efficiently invested, and debt is optimally issued according to the appropriate statutes. In some cases, debt management including issuance of debt is done by a Debt Management Office (DMO). Judging by the provisions of the Financial Regulations (FR) and the 1999 Constitution of the Federal Republic of Nigeria, some Ministries/Extra-Ministerial Offices, Agencies and other arms of Government that collect revenue (such as Value Added Tax (VAT), Withholding Tax (WHT), fees, fines and interest) are expected to remit same into the Consolidated Revenue Fund (CRF).

It was in view of this that, Laolu Akande, the Senior Special Assistant to the Vice President on Media and Publicity, directed that all receipts due to the Federal Government or any of its agencies must be paid into TSA or designated accounts maintained and operated in the Central Bank of Nigeria (CBN), except otherwise expressly approved. He noted that the measure is specifically to promote transparency and facilitate compliance with sections 80 and 162 of the 1999 Constitution. In essence, bearing in mind the rate of corruption and recklessness in Nigeria, revenue leakages and dwindling earnings due to fall in global oil prices, it is the focus of this paper to make a case for Treasury Single Account (TSA) as an instrument for curbing corruption in public finance.

Conceptual Clarifications

Policy: It is a set of principles, rules and guidelines formulated or adopted by an organization to reach its long-term goals typically published in a booklet or other form that is widely accessible. It is designed to influence and determine all major decisions and actions, and all activities that take place within the boundaries set by them.

Furthermore, Edem (1982), viewed policy as the thinking at a level of abstraction which expresses the goals and means of achieving them. It is the basis of day –to – day administration and serves as a guide to administrators when deciding the line along which the system should be conducted. It therefore implies that policy is a guiding principle or framework which guides the planning and administration of an activity or industry, hence we have economy policy, educational policy, health policy, industrial policy shipping policy, etc. Government policy is any rule of action which intends to change a certain situation. Government uses policy to tackle a wide range of issues, and they keep evolving from one state to another because they are not static. Okoroma, (2003) also looked at 'policy' as area in which decisions are to be made, but it does not make the decisions. It usually provides a general guide that facilitates decision making.

Nigeria Economy

Nigeria is a middle income, mixed economy and emerging market, with expanding financial, service, communications, technology and entertainment sectors. It is ranked as the 21st largest economy in the world in terms of nominal GDP, and the 20th largest in terms of Purchasing Power Parity. It is the largest economy in Africa; its re-emergent, though currently underperforming, manufacturing sector is the third-largest on the continent, and produces a large proportion of goods and services for the West African sub-region. Nigeria recently changed its economic analysis to account for rapidly growing contributors to its GDP, such as telecommunications, banking, and its film industry. Previously hindered by years of mismanagement, economic reforms of the past decade have put Nigeria back on track towards achieving its full economic potential. Nigerian GDP at purchasing power parity (PPP) has almost tripled from $170 billion in 2000 to $451 billion in 2012, although estimates of the size of the informal sector (which is not included in official figures) put the actual numbers closer to $630 billion. Correspondingly, the GDP per capita doubled from $1400 per person in 2000 to an estimated $2,800 per person in 2012 (again, with the inclusion of the informal sector, it is estimated that GDP per capita hovers around $3,900 per person).

Although much has been made of its status as a major exporter of oil, Nigeria produces only about 2.7% of the world's supply (Saudi Arabia: 12.9%, Russia: 12.7%, USA:8.6%). To put oil revenues in perspective: at an estimated export rate of 1.9 M (300,000 m^3/d), with a projected sales price of $65 per barrel in 2011, Nigeria's anticipated revenue from petroleum is about $52.2 billion (2012 GDP: $451 billion). This accounts about 11% of official GDP figures (and drops to 8% when the informal economy is included in these calculations). Therefore, though the petroleum sector is important, it remains in fact a small part of the country's overall vibrant and diversified economy,(Wikipedia, 2015).

Single Treasury Account (TSA)

TSA is a unified structure of government bank accounts enabling consolidation and optimum utilization of government cash resources. It separates transaction- level control from overall cash management. In a nutshell, a Treasury Single Account is a public accounting system under which all government revenue, receipts and income are collected into one single account, usually maintained by the country's Central Bank and all payments done through this account as well. The purpose is primarily to ensure accountability of government revenue, enhance transparency and avoid misapplication of public funds. The maintenance of a Treasury Single Account will help to ensure proper cash management by eliminating idle funds usually left with different commercial banks and in a way enhance reconciliation of revenue collection and payment.

According to Onyekpere (2015), a TSA is a unified structure of government bank accounts enabling consolidation and optimal utilization of government cash resources. It is a bank account or a set of linked bank accounts through which the government transacts all its receipts and payments and gets a consolidated view of its cash position at any given time. Chukwu (2015), also observes that TSA is a network of subsidiary accounts all linked to a main account such that, transactions are effected in the subsidiary accounts but closing balances on these subsidiary accounts are transferred to the main account, at the end of each business day. With the implementation of the Treasury Single Account, Ministries, Agencies and Departments (MDAs) will maintain their individual accounts with the commercial banks, but daily funding of their disbursements are made from the central or main account, which is resident with the Central Bank, just as their closing balances at the end of day are transferred to the main account.

The TSA was conceived by the immediate past administration of President Goodluck Jonathan, but it remained a mere policy on paper due to lack of political will on the part of past administration to enforce it. But with Buhari on board as President, the enforcement has become a compulsory policy that all the revenue generating MDAs must comply with. They have been mandated to channel their earnings into a single account to be domiciled with the Central Bank of Nigeria (CBN). Federal Government's seriousness about enforcing the TSA was transmitted in a circular entitled, "Re: Introduction of Treasury Single Account (TSA) (e-Collection of Government Receipts)" by the Head of the Civil Service of the Federation, Danladi I. Kifasi. The circular dated August 7, 2015. He made it known that President Buhari has approved the establishment and operation of Treasury Single Account for e-Collection of Government Receipts for all Federal MDAs with effect from the date of this circular. Specifically, the circular was to aid transparency and facilitates compliance with sections 80 and162 of the Constitution of the Federal Republic of Nigeria 1999 (as amended).

Nevertheless, the erstwhile former Governor of the Central Bank of Nigeria (CBN) now the Emir of Kano, Mallam Muhammad Sanusi, spoke in Lagos at the Federal Government budget symposium organised by the Institute of Chartered Accountants of Nigeria (ICAN). At the conference entitled "Come Nigeria – The nation's fiscal challenges and way forward for the new administration", he urged President Buhari to plug revenue leakages in the country if he must make headway in its anti-corruption crusade. The former CBN boss maintained further that the NNPC had been a drain-pipe to the Nigerian economy for a long time. "Before the government goes borrowing, they need to find out why revenue is so low, given that our Gross Domestic Product (GDP) is supposed to be high." He said. Sanusi faulted the NNPC's swap of crude oil, saying that the country had always been on the losing side in the deal. He said: "Nobody does SWAP unless country likes Iran when it is under economic sanctions and can't sell its oil at the international market, or may be your crude is of very low quality" (New Telegraph Editorial,2015:17).

How Is Treasury Single Account (TSA) Run?

With particular reference to Nigeria, the Central Bank has opened a Consolidated Revenue Account as follows: Account Name: Accountant General (Federal Sub-Treasury),
Account No. 3000002095 to receive all government revenue and effect payments through this account. All Ministries, Departments and Agencies are expected to remit their revenue collections to this account through the individual commercial banks who act as collection agents. This means that the money deposit banks will continue to maintain revenue collection accounts for MDA's but all monies collected by these banks will have to be remitted to the Consolidated Revenue Accounts with the CBN at the end of each banking day. In other words, MDA's accounts with money deposit banks must be zerorized at the end of every banking day by a complete remittance to the TSA of all revenues collected. The implication is that banks will no longer have access to the float provided by the accounts they maintained for the MDA's. Difference types of account could be maintained under a TSA arrangement and these may include the TSA main account, subsidiary or sub-accounts, transaction accounts and zero balance account. Other types of accounts that could be operated include impress accounts, transit accounts and correspondence accounts. These accounts are maintained for transaction purposes for funds flowing in and out of the TSA.

An Effective TSA System should be operated on these three Key Principles:

1. The government banking arrangement should be *unified*, to enable ministry of finance/ treasury oversight of government cash flows in and out of these bank accounts and allow complete *fungibility of all cash resources*, including on a real-time basis if electronic banking is in place. Although a 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, these separate accounts should be integrated with a top account (called the TSA main account) usually at the central bank for

netting off their balances (usually at the end of each day) to get the consolidated cash position.

2. No other government agency should operate bank accounts outside the *oversight of the treasury*. Institutional structures and transaction processing arrangements determine how a TSA is accessed and operated. The treasury, as the chief financial agent of the government, should manage the government's cash (and debt) positions to ensure that sufficient funds are available to meet financial obligations, idle cash is efficiently invested, and debt is optimally issued according to the appropriate statutes.
3. The TSA should have *comprehensive coverage*, i.e., it should ideally include cash balancesof all government entities, both budgetary and extra-budgetary, to ensure full consolidation of government's cash resources.

Perceived Positive impacts of TSA on the Economy

The positive impact of TSA cannot be over-emphasized; hence, it is obvious that the primary benefit of a TSA is the mechanism it provides for proper monitoring of government receipts and expenditure. In the Nigerian case, it will help to block most if not all the leakages that have been the bane of the growth of the economy. We have a situation where some MDA's manage their finances like independent empire and remit limited revenue to government treasuries. Under a properly run TSA, this is not possible as agencies of government are meant to spend in line with duly approved budget provisions. The maintenance of a single account for government will enable the Ministry of Finance monitor fund flow as no agency of government is allowed to maintain any operational bank account outside the oversight of the ministry of finance.

Former Accountant-General of the Federation, Jonah Otunla, said that 36 MDAs out of the 394 had been trained on the new policy, and that the remaining 358 would be trained in batches. Otunla wondered if it was reasonable that the federal government's money be kept with banks by MDAs while the federal government goes to borrow money to finance budget deficit from banks and other sources. "This is quite absurd" (Vanguard Editorial,2015:18). In October 2013, former minister of finance Ngozi Okonjo-Iweala explained that the introduction of TSA had helped to reduce how government account was being overdrawn. She said, "93 MDAs had hooked on to the TSA platform while government's overdrawn position has dropped from N102 billion in 2011 to N19 billion in 2012" (Vanguard Editorial,2015:18).

Perceived negative impacts of TSA on the Economy

As a matter of fact, deposit money banks (DMB) stand to lose immensely from the implementation of TSA. This is because of the fact that public sector funds constitute a large chunk of commercial banks deposit. Indeed, it is estimated that commercial banks hold about N2.2 trillion public sector funds at the first quarter of 2015. The impact of this amount of money leaving the system can be imagined when one considers the fact that each time the monthly federal allocation is released by FAAC, the banking system is usually awashed with liquidity and as soon as this public sector funds dries up through withdrawal by the states, liquidity tightens again with interbank rates going up. Thus, the major negative impact will be the movement of funds of revenue generating parastatals such as Nigeria Customs Service (NCS), Nigerian National Petroleum Corporation (NNPC), Federal Inland Revenue Service (FIRS), Nigeria Immigration Service (NIMS), Nigerian Maritime Administration and Safety Agency (NIMASA), Federal Airport Authority of Nigeria (FAAN), Nigerian Ports Authority (NPA) out of commercial banks. In the coming years, we see a return of deposit 'wars' amongst banks as each DMB devices means of mobilizing funds from the private sector. We see a return of the era when women are employed by banks specifically for deposit mobilization and tacitly encouraged to use any means necessary to get funds for the bank. Also, most banks will have to downsize to cut their recurrent expenditures. We see increase in deposit interest rates as a major means of inducing customers and most importantly we see a drop in lending and in the profitability of banks, at least, in the short to medium terms until they fully come to terms with the impact of the policy and begin to properly position themselves for true and discipline banking business.

Recently, the Central Bank with its threat to sanction commercial banks that failed to comply with the Federal Government's directive on the remittance of government's revenue to the TSA, fined First Bank of Nigeria Limited and United Bank for Africa Plc the sum of N4.818 billion. According to a circular obtained from banking industry sources, while the CBN imposed a penalty of N1,877,409,905.12 on First Bank, UBA was fined N2,942,189,651.45 for its failure to comply with the policy. It was observed that First Bank concealed N37,548,198,102.41 belonging to the Nigerian National Petroleum Corporation's (NNPC) instead of remitting it to the TSA as directed. Meanwhile, UBA concealed N58,843,793,029.05 of the same NNPC funds, which attracted the penalty,(Thisday Editorial,2015:26).

As expected, the implementation of TSA has elicited divergent responses. For instance, the Committee of Vice Chancellors of Federal Universities urged the government to exclude universities from TSA policy. A delegation of the Committee led by Professor Michael Faborode, during a courtesy visit to the Accountant General of the Federation, (AGF), AlhajiIdris Ahmed, said that the universities by means of their operations and services should be regarded as peculiar establishments, which should not be treated as purely public service in function or categorized as revenue generating agencies.

Faborode also observed that, the Tertiary Institutions have different designated accounts that might not be the best pulling it all into one account at once. As it stands, activities in most of our Higher Institutions are grounded, and might lead to a serious distortion of the regular academic calendar that has taken much efforts to be stabilized in the country for some time now. To be precise, the payment of school fees in most institutions has been tied to the E-portal of the individual tertiary institutions. And currently, it is already taking longer than necessary to integrate such E-portal to Remita platform. This is forcing some institutions to postpone, indefinitely, the re-opening dates for the 2015/2016 academic session.Consequently, they called for a review of the inclusion of the universities and other tertiary institutions in the TSA circular. Faborode, who spoke on behalf of his colleagues during the visit, noted that the implementation of the TSA in tertiary institutions might distort the effective functioning of the institutions since government allocations are hardly enough to carter for the needs of the institutions. He also told the AGF that universities collect third party funds for provision of services, praying that this function should not be disrupted on account of the TSA implementation. But the AGF, in his response allayed the fears being expressed by the universities and some of other government agencies that the directive of the President on the establishment and operation of TSA for the e-collection of government receipts for all the MDAs, would negatively affect the operations of some of the specialised agencies. He explained that the reform would rather improve their efficiency and increase the rating of the nation's economy.

Conclusion

The implementation of this policy is a critical step towards curbing corruption in public finance. This is in line with the commitment of the current administration to combat corrupt practices, eliminate indiscipline in public finance and ensure adequate fund flow that will be channeled to critical sectors of the economy in order to catalyze development. Nigerians are excited at the directive by President Buhari as this will mean that some government agencies that have been known to be withholding funds from the Federal Government are now under compulsion to remit same to the federal treasury. These agencies include: Nigeria Customs Service (NCS), Nigerian National Petroleum Corporation (NNPC), Federal Inland Revenue Service (FIRS), Nigeria Immigration Service (NIMS), Nigerian Maritime Administration and Safety Agency (NIMASA), Federal Airport Authority of Nigeria (FAAN), Nigerian Ports Authority (NPA), etc.Finally, the system will likely reduce the mismanagement of public funds byrevenue-generating agencies. It is also expected to help check excess liquidity, inflation, highinterest rates, round-tripping of government deposits, and the sliding value of the naira.

Recommendations

1. The TSA is a good innovative but ought to have been implemented in stages. This paper recommended that tertiary institutions and other non-generating agencies should be excluded from this policy or allow to maintain at least one additional account (school fees accounts) with a commercial bank for the singular purpose of collecting students' school fees, which are the only revenue that can be generated from higher institutions.
2. The financial regulators, including the CBN, should also be proactive and institute measures to correct any lapses or negative impact of the policy, as no law or measure is foolproof.
3. The fear that it will negatively affect commercial banks, and possibly lead to massive job losses, should be addressed. Furthermore, total commitment and sincerity of purpose are required of those who are to implement this policy. The agencies of government that are affected by the measure are thus enjoined to ensure that it

succeeds. They must subsume their personal interests under the greater need of the country. Altogether, what Nigeria requires at this time is the political will to push this reform measure through. I suggest that all stakeholders play the roles expected of them to ensure a successful implementation of this policy to actualize the "CHANGE" agenda of Buhari administration.

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