

# Cost Effectiveness Evaluation and Public Sector Treasury Single Account Policy Implementation in Nigeria

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## Abstract

Government policies and projects in Nigeria have most times been implemented at a very high cost. Sometimes the policy or project is still below average performance or at the preliminary stage, yet the total budgeted cost has been expended. In this way most projects and policies are abandoned half way or variations of about half the initial contract sum is applied for to complete the project or give effective implementation to the policy. Though, the enormous benefits of TSA policy as it is being expected in Nigeria, there is need to evaluate the cost effectiveness of its implementation. The paper thus examined, cost effectiveness evaluation and Treasury Single Account Policy implementation in Nigeria. It x-rayed the meaning of TSA, the need for cost effectiveness evaluation of TSA policy, steps in cost effectiveness evaluation, TSA policy and the cost of implementation in Nigeria. The paper concludes that applying cost effectiveness evaluation in TSA policy implementation enhances the net financial position of government and also it enhances the monitoring of the funding system of TSA policy as well as the performance level of its implementation. We therefore recommend that cost effectiveness evaluation should be regularly carried on the TSA policy implementation and other government policies/projects and ensure actions are taken based on recommendations as this will boost public confidence on government, also government should ensure that cost effectiveness evaluation is carried out at the various stages of the TSA implementation as this will enhance the net financial position of government and finally, government should utilize cost effectiveness evaluation to monitor the funding of TSA policy implementation and assess its performance level at all times.

**Key Words:** TSA, Cost Effectiveness Evaluation, Policy Implementation and MDAs

## Introduction

Treasury Single Account is a system that provides a unified structure of various banks accounts that enable consolidation and optimal utilization of government financial resources (most especially cash and cash equivalent). The TSA has two components and they are collections (Inflow of funds into government's account at CBN) and payments (outflow of funds from government's account at CBN). The TSA revenue collections scheme is a comprehensive approach to the management and reporting of all federal government receipts (revenues, donations, transfers, refunds, grants, fees, taxes, duties, tariffs etc) deposited into the TSA and sub-accounts maintained and operated at the CBN.

Hassan (2015) viewed Treasury Single Account as a bank account or set of linked bank accounts through which government transacts all its receipts and payments and gets consolidated view of its cash position at any given time. Treasury Single Account does not necessarily mean government closing down all its accounts with the money deposit banks but a system that ensures these accounts are linked to a single government treasury account with the Central Bank of Nigeria. TSA is concerned with concentrating all government funds on one bank account for its proper management.

Cost effectiveness evaluation can be described as a systematic procedure of analyzing, and selecting among alternative courses of action in terms of financial requirements and the effectiveness in the attainment of specific objectives. The paper thus examined, cost effectiveness evaluation and Treasury Single Account Policy implementation in Nigeria.

## Introduction and Practice of Treasury Single Account Policy in Nigeria

Treasury Single Account is not entirely new in Nigeria as it is been perceived by many. The government (federal and state) had at one time or the other had course to call for her revenues to be consolidated in one account, though these actions were not sustained and wide spread.

Osuji (2015) noted that there is nothing so innovative about the TSA, we have always had it as part of our public sector financial management. Government once in a while calls back its funds to the central bank and we called it withdrawal of government deposits. The problem is that it has not been consistently employed.

The reintroduction of the Treasury Single Account policy by President Buhari Administration was through a circular issued by the Head of the Civil Service of the Federation, Danladi Kifasi, on August 7, 2015 directing all receipts due to the Federal Government or any of its agencies to be paid into the Federal sub-treasury account maintained in the Central Bank of Nigeria (CBN).

According to the circular, the implementation of the TSA, is expected to aid transparency and facilitate compliance with section 80 and 162 of the constitution of the Federal Republic of Nigeria 1990 (as amended) Section 80(1) of the 1999 constitution reads 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 form one consolidated revenue fund of the federation.

Affected by the TSA policy includes but not limited to all Government Ministries, Departments, Foreign Missions, Teaching Hospitals, Medical Centers, Federal Tertiary Institutions, Central Bank of Nigeria, Security and Exchange Commission, Corporate Affairs Commission, Nigerian Ports Authority, Nigerian Communication Commission and Federal Airport Authority. Others include the Nigerian Civil Aviation Authority, Nigerian Maritime Administration and Safety Agency, Nigerian Deposit Insurance Corporation, Nigerian National Petroleum Corporation, Federal Inland Revenue Services, Nigerian Customs Service and the Department of Petroleum Resources. To ensure effective take off and strict compliance to this policy the government set a deadline of September 15, 2015.

According to the presidency “By that deadline all Federal Government revenues must go into the Central Bank Treasury Single Account (TSA), except otherwise expressly approved”. The Head of the Civil Service of the Federation Danladi Kifasi urged the MDAs to ensure strict compliance with the deadline to avoid sanctions when he wrote “ In this regard, His Excellency, Mr. President has directed that all MDAs are to comply with the instructions on the Treasury Single Account (TSA) unflinching by Tuesday, September 15, 2015. Heads of MDAs and other arms of government are enjoined to give this circular the widest circulation and ensure strict compliance to avoid sanctions”.

#### **BENEFITS OF TREASURY SINGLE ACCOUNT (TSA) POLICY IMPLEMENTATION TO NIGERIA PUBLIC SECTOR**

1. The effective implementation of TSA is expected to end the public sector accounting practice of several fragmented accounts for government receipts, incomes and revenues.
2. TSA will help to check losses or leakages of legitimate income accruing to the Federation Account.
3. The frequency of borrowing by government MDAs and the cost associated with debt servicing will reduce to a great extent.
4. TSA is expected to enhance budget implementation and provide some transparency as it concerns unspent budgetary allocation by ensuring they are carried forward to another year.
5. TSA is believed would help in curbing corruption by ensuring accountability in the financial management of public sector financial resources.
6. Reduction in delays by banks in remittance of revenue collected on behalf of government and other sharp practices in other to temporarily trade with the money at the expense of government.

#### **APPROACHES TO TREASURY SINGLE ACCOUNT POLICY IMPLEMENTATION**

There are different approaches that could be explored in implementing TSA depending on the objective of the administration implementing it.

##### **i) Involvement of Money Deposit Bank**

The TSA can be adopted by significantly involving the money deposit banks in collection of all government receipts, incomes and revenues as well as payment of government expenditures (e.g salaries of civil servants). Using this approach, the various bank accounts held by MDAs in money deposit banks need do not necessarily have to be closed rather they must be operated as a zero-balance accounts where any closing balance must be transferred to TSA at the Central Bank of Nigeria (CBN) on a daily basis to give government a consolidated cash position, however the number of banks involved may be streamlined to two or few where the number is much.

This collection services rendered by these bank could be based on a given percentage turnover value of transactions. This may relatively give a high cost collection figure given that government budgeted revenues runs into trillions of naira. Perhaps, government could pay less if this is based on a unit price per transaction instead. This model is evident in Peru; even the TSA is actually managed by a commercial bank rather than the central bank. Also in the United Kingdom (UK) there is significant involvement of commercial bank.

#### ii) **Involvement of a Consortium/Consultant**

The consortium/consultant here is an organization with operational expertise and professional/technological skills of managing finances. This is similar to using money deposit banks to implement the TSA. However, the consortium/consultant will not take over the money deposit function of banks as they are not banking institution but will principally serve as administrator(s) to the TSA. Their functions include enforcing compliance by MDAs, tracking all government funds to the TSA, dealing with all administrative and technical issues arising from the TSA implementation. This aspect of their duty is very important as Oyedele (2015) had observed that “some MDAs generate revenue in various foreign currencies and TSA should also cater for them especially dealing with exchange difference accounting in their respective annual reports given that the means of establishing exchange differences at the end of the period by translating closing foreign currency balances may no longer be applicable”.

The services of the consortium/consultant could be based on commission which is tied to a percentage of the total value of revenue administered or tracked to the TSA per annum. The present administration in Nigeria under president Buhari on his introduction of TSA is considering adoption of this model. This model is not without its criticism, although the TSA and its entire process is still being evaluated in Nigeria. Agbajileke (2015) quoting senator Amori noted “now that all monies accrued to the Federation Account is now in one single account, we need to put up a safeguard on how it can be properly managed so that it does not impact negatively on the economy because if it does, not only the government, the country will also suffer, not just one person”. He maintained that it is based on this that the motion is being proposed to really open up issues surrounding the new policy with a view to averting any negative impacts.

#### iii) **Involvement of the Central Bank only**

This approach advocates the use of only the Central Bank or apex bank of that country, like in Nigeria, the Central Bank of Nigeria (CBN). Here the TSA is centrally maintained by the Central Bank and all revenues accrue directly to it. This means the Central Bank dedicating a unit of its operations to the collections and management of the TSA. This approach is expected to thrive with the installation of real time financial system in all the MDAs and wide use of mobile money e-payment system in the country.

### **The Concept of Cost Effectiveness Evaluation**

Cost effectiveness evaluation can be described as a systematic procedure of analyzing, and selecting among alternative courses of action in terms of financial requirements and the effectiveness in the attainment of specific objectives.

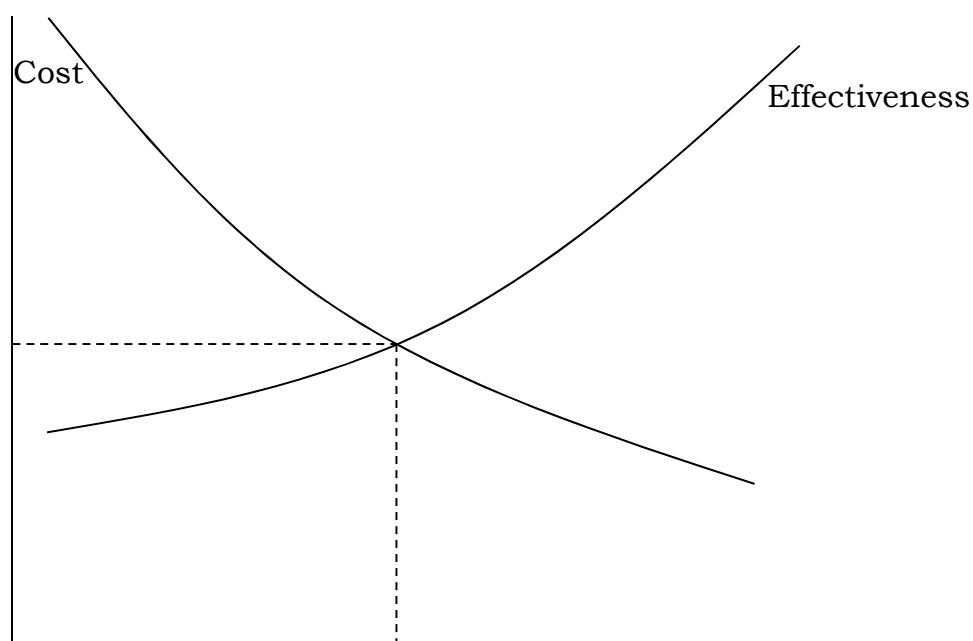
#### **Steps in Cost Effectiveness Evaluation**

1. **Consideration of the objectives:** This implies articulating the goals or objectives to be achieved. A clear articulation and statement of objectives is *sin-qua-non* for effective public sector policy or project implementation, like the TSA policy, adequate consideration of its objective is critical to its effective.
2. **Identification of alternatives course of action:** This means identifying others ways of utilizing human and material resources to achieve the same set objectives. Here effort must to identify the various approaches of TSA implementation. The variety of approaches is automatically the alternative courses of action which attention must be paid.
3. **Effectiveness measures:** This involves provision of measures which are relevant to the set objectives and comparison of the effectiveness of each alternative measure in actually attaining the set objectives. Here, the effectiveness of the TSA can be measured in terms of transparency in the financial management of government resources, the sustainable of policy and compliance level and increase in economic growth rate.
4. **Cost Estimates:** Certain resources would be utilized to implement each of the alternatives courses of action. The various TSA implementation approaches have its cost estimates which must be evaluated.
5. **Selection of a Decision Criterion:** This involves the setting of standards by which all the alternative courses of action are to be evaluated in terms of costs, budgeted periods and their effectiveness.

### Decision Criterion in Evaluating the Cost Effectiveness of TSA Policy Implementation in Nigeria.

The approaches to the TSA implementation is not expected to give the same cost estimate nor effectiveness level thus, the need to consider the factors for selecting decision criterion.

- i) Maximizing effectiveness at a given cost: This strategy is aimed at government rolling its machineries out to ensure that the TSA is effectively implemented. By this we mean, ensuring maximum compliance level by MDAs, minimum or no leakages in government income and high increase in government cash inflow as against what used to be and etc. To this end, emphasis is on government seeing that the policy is maximally implemented. The cost here may not really matter whether it is high or low so far as the objective is effectively achieved. Though in some circumstance government can place a limit to cost that should be expended in attaining that level of effectiveness.
- ii) Minimizing cost while attaining a given of effectiveness: This strategy is aimed at government not spending so much to get the TSA adequately implemented. In circumstances where this is highly considered, the government is not so buoyant or where attaining 100% level of effectiveness is not guaranteed whether in the interim or long-run, government can decided to undertake a strategy whereby cost to be expended in attaining to satisfactory level of the TSA policy implementation is minimum.
- iii) Combination of (i) and (ii) above in accomplishing the desired objectives: Given the inherent danger of placing emphasis on either cost or effectiveness at the expense of the other. It will be inappropriate for government to poorly finance or expend cost in a policy it is anticipating a huge benefit, likewise government is not expected to spend large chunk of the anticipated revenue from TSA in ensuring that the policy is effectively implemented. The strategy advocates the striking of a balance between cost and effectiveness level of the TSA implementation by creating a mid- point.



### TSA POLICY AND THE COST OF IMPLEMENTATION IN NIGERIA

Government policies and projects in Nigeria have most times been implemented at a very high cost. Sometimes the policy or project is still below average performance or at the preliminary stage yet the total budgeted costs have been expended. In this way most projects are abandoned half way or variations of about half the amount of the initial contract sum is being applied for to complete the project or give effective implementation to the policy. Though the enormous benefits of TSA policy as it is being expected in Nigeria, there is need to evaluated the cost of its implementation as well as align it to the anticipated effectiveness.

According to the circular titled “commencement of federal government independent revenue collection under the Treasury Single Account, TSA”, dated December 17, 2013, it was stated that a fee of 1% of funds collected is payable. This is expected to cover service charges of the technology providers, (System Specs) and participating banks.

In determining the service charge and other incidental cost, policy makers must take into consideration the volume of transaction upon which the charge is based and where necessary a comparative analysis of the annual policy implementation cost and budgeted expenditure of key sectors (e.g. ministry of finance, central bank of Nigeria etc) of the economy. This may be used as a yardstick for justifying the reasonableness of the cost of the TSA implementation. Isiakpa (2015) quoting official of CBN interviewed opined that “I am fully aware that this level of 1% was agreed, but given the volume we are now dealing with, we believe this is too high. We now expect the service provider to come in for a re-negotiation”. Determining a reasonable cost for implementing public projects or policies requires transparent and corruption free process which stems from policy conceptualization, objectives, selecting contractors or service providers, negotiating service charge or fees and project/policy implementation monitoring.

#### **THE NEED FOR COST EFFECTIVENESS EVALUATION OF TSA IMPLEMENTATION**

1. To ensure that government is not stripped – off the benefits of TSA by guiding against making so much expenditure (cost) in the name of implementing the policy, that is ensuring that the TSA is not used as drain pipe of government fund.
2. To adequately assess the performance level of the TSA policy implementation.
3. To expose the corrupt practices that characterizes Nigeria’s public sector project/policy implementations.
4. To expose the inefficiency in Nigeria public sector in the area of policy implementation.

#### **CONCLUSIONS:**

1. The cost effectiveness of the TSA policy implementation enhances Public confidence in government and its commitment to change.
2. Application of cost effectiveness in TSA policy implementation enhances the net financial position of government.
3. Applying cost effectiveness evaluation in TSA policy implementation enhances the creating of avenue for public sector restructuring to curb the inefficiency in project/policy implementation in Nigeria.
4. Applying cost effectiveness evaluation in TSA policy implementation enhances independent monitoring of the funding system of government projects and policies.

#### **RECOMMENDATIONS**

- i) Cost effectiveness evaluation should be regulatory carried out on all government project/policy implementation (especially on the TSA) and ensure actions are taken based on recommendations as this will boost public confidence on government.
- ii) Government should ensure that the TSA policy implementation is cost effective as this will enhance the net financial position of government.
- iii) Government should utilize the findings of cost effectiveness evaluation of TSA policy to curb the inefficiency in the public sector in the area of policy implementation by restructuring its operating system.
- iv) Government should utilize cost effectiveness evaluation in monitoring the funding system of the TSA policy and assess its performance level at all times.

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