Impact of Treasury Single Account (TSA) on Public Sector Performance in Sierra Leone for the 2015-2022

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Abstract

The study explores the impact of Treasury Single Account (TSA) on the performance of public sector in Sierra Leone. This study primarily examined the extent to which TSA has improved Government Collected Revenue (GCR) and Government Expenditure (GE) of the public sector. Secondary data that were sourced from the Ministry of Finance Sierra Leone were used for this research. The observations were recorded on yearly basis from 2015 to 2022. The data were divided into two periods: Pre TSA period (2015 to 2018) and Post TSA period (2019 to 2022). A pre-post analysis (difference in means test) was carried out using statistical package for social sciences version 25. The findings show that TSA implementation has a positive and significant effect on the revenue mobilization in Sierra Leone. However, further findings revealed that Government Expenditure (GE) significantly increased after the implementation of TSA. The study concludes that implementation of Treasury Single Account (TSA) has improved revenue generation in Sierra Leone. The study recommends that periodic appraisal of each revenue generating sector should be implemented so that some un-performing sectors are expose against the performing sectors.

Keywords: Treasury Single Account (TSA); Public Sector; Government Collected Revenue (GCR) and Government Expenditure (GE).

1.Introduction

The background of the Treasury Single Account (TSA) is in line with president flagship programme. During the 2018 presidential debate Dr. Ret. Brig. Julius Maada Bio strongly emphasis that there is a lot of financial leakages and loopholes within the public sectors, to eliminate that it is necessary for my government to implement the Treasury Single Account (TSA) which shall be maintain at the Bank of Sierra Leone (BSL). The main key manifesto of the president is the New Direction (ND) "PAOPA SALONE FOR BETEH" in which the New Direction (ND) shall fully implement the TSA as a way of managing the public resources and expenditure. All domestics' tax, revenue, grant and expenditure should be within the TSA as a way of reducing corruption in the various Ministries Department and Agency (NDAs). From the Executive order NO 1 (9th April, 2018), the directives from the government is that all ministries, department and agencies of government that collect and retain government revenues were instructed to transfer all such revenues into the consolidated revenue fund at the Bank of Sierra Leone (BSL).

According to [3], the TSA should be maintained at the Bank of Sierra Leone (BSL), which should be in line with the government policy on each resources control and financial management and it will also allow unionism of the bank account structure of the government to ease consolidation. [3] emphasis that the implementation of TSA is very essential element for the consolidation of government cash resources, hence it decreasing the cost of borrowing. A country with a lot of financial institution and banking system, the institutional of TSA would serve as a top most priority in the public financial management processes.

All MDAs and extra ministerial department have been ordered by the president of Sierra Leone that all the incomes, revenues, and other grants or receipt by the government shall be recorded into a pool of single account of the BSL.

According to [5], public financial management deals with mobilization of revenues from the economy in a due process and allocating the public fund efficiently and in and appropriate manner. The main key essences of a public financial management system are allocation of resources, utilization of resources in an appropriate manner and revenues generation. Basically, mobilization of government resources and government expenditures management are been control by the public financial management body. Almost all public sectors in any organization face a problem of managing their finances because it is very crucial part in any public sector.

Public finance management is an essential part of the governance process in local government as in other tiers of government. According to [4], budget process, mobilization of government resources, prioritization of government programs, efficient management of government resources and exercising control are all component of public finance management in the local government.

For over two decades now the new public management reforms have increased a lot of awareness and growth, all over the world this is still ongoing as a government who wants to deliver the public service by constantly seeking reformation and restructuring. The main essence of delivery public service is as a result of the raise in budget for security, project execution by the government has been a failure, lack of infrastructural

implementation, mismanagement and financial difficulties, debt crisis, therefore this should be brought to awareness of the citizens publicly like never before the need for financial reporting should be done by the government and better management of public sectors resources. Another reason for the urgent delivery of public service is because most citizens are continuously demanding that it is good for them to feel the impact of governments' financial management decision and therefore the value of money should be delivering by the public sector organization forcefully. According to [10], Sierra Leone government is currently facing an unannounced austerity within the economy due to mismanagement and couple with financial difficulties and a week public service, as a result of this pressure it is very much important for the public sector to seek for long-lasting need to deliver public service. According to [12], to achievement of millennium development goals, reducing poverty, and improving service delivery it is very much essential for us to have strong public sector financial management. For the government to make sound policy decision based on government finance and take the right financial discipline action there should be well reliable and complete annual account prepared by the public sector. The only way forward for public financial management reform when there is an efficiency and effectiveness in spending public money in the economy wisely.

For the purpose of transparence and accountability financial management reforms introduce the following: government Treasury Single Account (TSA), the adoption of International Public Sector Accounting Standards (IPSAS), Government Integrated Financial Management Information System (GIFMIS) and Integrated Payroll and Personnel Information System (IPPIS) these are actually introduce as a way of eliminating the corrupt practice within civil servant officer of converting public fund to private fund.

Despite the hot hit of Covid-19 and the Ukraine Russian war the public sector has been weakened over the past years due to the over bulleted wages bills through the expansion of public expenditure, using our domestic revenue to finance deficit and the external borrowing has resulted to high debt burden, there is existence of ghost workers in every sector which has resulted to inefficient breakdown of financial management control leading to corruption and misappropriation of public fund, flouting the procurement law, poor costing of programmes and projects.

In totality, the effectiveness and efficiency of government financial control has not created any impact on the ordinary life of the citizens and the economy as a whole. The macroeconomic variables within the economy are poorly performing most especially the exchange rate, inflation, import and export which leads to a sky rocketed of commodity prices compared to the financial crisis of 2008

Although there is a growing interest, the main interest of the study is to examine the restructuring determinant of public financial management and other factors. Ideally, from the above factors, the desire to reform the public sector administration capabilities with a view to the burgeoning challenges became sacrosanct. The rationale for this study therefore, is to examine the impact of treasury single account on the performance of public sectors in Sierra Leone since it is designed to change and transform the economy positively. A lot of study has been done on the public sector performance in Sierra Leone, determining the correlation between the public financial management and economy by using the gross domestic product (GDP) as a proxy, whereas this study oath to examine the impact of treasury single account (TSA) on the public sector performance in Sierra Leone. Since

the research objectives and research question has been specifically identified there is a need to test the hypothesis of the study which is to know the impact of treasury single account on the performance of public sector in Sierra Leone. The research hypothesis stated thus:

Ho: Treasury Single Account adoption does not have significant impact on government expenditure in Sierra Leone

H₁: Treasury Single Account has significant impact on government expenditure in Sierra Leone

2.Literature Review

Concept of Treasury Single Account (TSA)

According to [9], the treasury single account came up as a result of financial leakages and loopholes within the public sector. For over a decade now a billion of leones have been missing due to corruption and misappropriation of public fund. According to the former Auditor General of Sierra Leone prior to TSA, Sierra Leone had fragmented banking arrangements for revenue and payment transactions. She said that that, there are more than 400 bank account in a multiple bank, which has made cumbersome for any government to establish a sound government consolidated cash position at any time.

The Treasury Single Account is a sound tools of public accounting system that is in position of colligating all government revenues, incomes and receipt in one single account, that is purposely maintain at the country's central bank in which all payment is been done as well.

The main motive is to ensure that there is a well transparency and well accountability of government revenue within the public sectors and to also avoid misappropriation of public fund. To ensure that there is reconciliation between government revenue collection and government expenditure there should be an adequate maintenance of a Treasury Single Account as a way of improving proper cash management [8].

3.Concept of Capital Expenditure

From the post-civil war in Sierra Leone, capital expenditure has been increasing on a yearly basis. According the economic research scholar 45% of expenditure is for economic service. Most MPs focus on the budget allocation to the capital expenditure project which is meant for economic services. The public interest today is how the central government capital spending boost the economic growth has been the topic of discussion by different economic scholar around the globe [9].

While a good number adopted aggregated approach, a few authors employed a disaggregated analysis with mixed results. Upon this background, this study is set to examine the effects of disaggregated functional government capital expenditure on economic growth in Sierra Leone. Specifically, studies concentrate on effects of total government expenditure on economic growth, while others focused on the causality between capital expenditure and economic growth. Yet other researchers have tried to explore the effect of growth based on

capital expenditure. A few studies have considered disaggregated functional capital expenditure without paying attention to the effect each of these component's places on economic growth [14].

4.Government Collected Revenue in Sierra Leone

The back bone of every business is the accumulation of capital. No revenues generation no investment within any environment regardless of the status of the individuals. What government actually received as money is the actual government revenue. Ideally, it is amount of cash that the organization actual gets within a specific per4iod of time [13]. According to [13], government got his income from different sources, for instance, tax on personal earning and organization, properties, court fines, import and export duties, government also claim foreign organization benefit and individual's benefits. The process of raising fund for government is through revenue generation. Taxation is the chief actor for the generation of revenue for any government. [15] assert that the main essence of raising revenue for the government which is through the traditional method, the tax function is to meet the government expenditure. The government actual focus on the revenue generation as way of providing the social amenities and also the provision of public goods like military defense and other social factors like health and education. Sierra Leone main institution for revenue collection is the National Revenue Authority (NRA), revenue is collected in to two-fold, taxation and through grant from the donor partner.

5.Empirical Review

Examine treasury single account (TSA) implications on government revenue control among federal government parastatals in Nigeria [6]. The research employed the cross-sectional survey design and used questionnaire to generate its data. The studies targeted 240 selected staff within different government parastatals and use the SPSS 25 to analysis the result. The result reveals that TSA has significant and positive impact on cash control and monitoring the fund within the government parastatals for the project implementation. The study recommended that the government should evaluate and monitor all the implementation of policy in all MDAs.

Reference [15], examines the effect of treasury single account on the financial performance of commercial banks in Tanzania. Analysis of the study was between the year 2011-2017. The study adopts a time series data design using the secondary data, which were collected from the financial report and were been analyze through the use of the Microsoft excel by computing CAMEL rating of the selected CAMEL components. The results show that, NMB has a sound and strong significant on the financial performance after the implementation of the TSA while the CRDB and Exim have a weakness in the financial assessment. The study recommended that, government should not neglect the financial institution as it will affect the business sector and also the economic growth.

According to [12], examined the socio-economic impact of treasury single account policy on corruption in Nigeria, for the period between 2011 to 2017. A cross sectional research methodology was adopted and the used of questionnaire to collect data. The targeted sample population of the study was 6393 staff from all the MDAs in the Rivers State. According to Prof. Taro Yameme sample size method, the sample size was determining at 377 staff at all the MDAs within the Cross River State, in Nigeria. Descriptive statistics were used to analyze the

data. From the research it shows that TSA was actually introduce to reduce corruption, block all financial leakages, prevent mismanagement of government revenue and promote adequate transparence within the public sector institutions. The result shows that there is lot of challenges that is hampering the effectiveness of treasury single account implementation, which includes: there is a complete bureaucracy within the public sector, complete weakness of internet facilities, and there is inefficient human capital development. The study recommended that the government should try to secure the appropriate constitutional support from the judiciary that can support the full implementation of the treasury single account within the public sector institutions.

According to [11], examine the effect of treasury single accounts on the performance of ministries, departments and agencies in Nigeria. The method of the study was bases on primary data collection through the uses of questionnaire that was administer to 75 MDAs within Anambra Metropolis in Nigeria. The study reveal that the institutionalization of TSA has significantly affect and improve the performance of all MDAs within the public sector in term of revenue mobilization and also block all loopholes within the financial area and it has greatly improved the economic growth through transparence and accountability.

According to [11], examine the relationship between treasury single account and performance of the public sector in Nigeria. The data were collected from the central bank of Nigeria bulletin from quarterly bases from 2010Q1-2020Q2. The Least square estimation method and pair test sample were used to analysis the result. The study shows that TSA has a negative impact on the economic growth (GDP), and conclude that the TSA has not contributed positively to the economic growth. The study recommended that; the government should try to implement the fiscal policy by taking into consideration of the macroeconomic variables that will gear to economic growth.

6.Institutional Theory

Institutional theory was propounded by [13]. [6] analysis the institutional theory in a border aspect as a social structure. The institutional theory looks at the key determinant within the society, which are regulatory, nominative, cognitive rules and norms that was established as authoritative guidelines. Quite recently the development in Sierra Leone is the new accepted rules and norms of behaviors for public account frame work that need to be adhered. Within the public sector today, the current happen which is been refer to as the topic of discussion is been address by this theory, such subject of discussion is TSA, and IPSAS etc. According to [13], the adoption of this concept can bring sanity within the public sector, globally it ensures homogeneity and it will also promote efficiency, effectiveness, accountability and transparency. The net impact of these reforms is to raise the homogeneity within the institutionalization structure that would add more value to all MDAs which they will be reference at all time.

7.Methodology

The research design employed in this study was ex-post facto research design. To estimate the relationship between the endogenous variable and exogenous variable by employing the ex-post facto research design. This research specifically uses this methodology is to obtain the numerical estimate of the model coefficient sine

there is a linear model of the economic relationship. The research was use to estimate these two main variables, Government Collected Revenue (GCR) and the Government Expenditure (GE). This essence of this research is to investigate these two variables. The variables data were collected from the Ministry of Finance and Statistics Sierra Leone base on the yearly basis from 2015 to 2022 Financial Year (FY) which leads into a total of 8 observations. Specifically, the research data would be divided into two case periods; at the first case, before the treasure single account (TSA) was adopted in the FY (2015-2018). This can be denoted as GCR_a & GE_a. At the second case periods, after the treasure single account has been implemented for the FY (2019-2022), which would be denoted as GCR_b & GE_b. The table 4.1 below shows the data collected for the purpose of this work. A pre-post analysis (difference in means test) was carried out using E-view statistical package version 10. To examine the effect of the endogenous variables on performance, the model adopted by Ofurum, Oyibo & Ahuche were adopted and modified as follows:

$$GE = f (GCR)\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \text{ (i)}$$

The transformation of the above model into a regression function is given below:

$$GE = \alpha + \beta GCR + \varepsilon_t \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots \text{ (ii)}$$

Where GE = Government Expenditure

GCR = Government Collected Revenue;

α = the intercept term which gives the mean value of GE when Government Collected Revenue are set to be equal to zero;

β = the coefficient of Government expenditure which measures the average mean change in GE per New Sierra Leone change in Government Collected Revenue;

ε_t = this is the error term that is used to capture the effect of other variables which was not included in the model performance.

"Pre-Post" Decision Rule: If the Prob. Value is greater than 0.05, the null hypothesis of no significant effect will be accepted; if otherwise, reject the null and accept alternative

8.Result and Discussion

Table 1: Data presentation

Period	GCR (NLEBILLION)	GE (NLEBILLION)
Observations before the implementation of TSA		
2015	3,494,712	4,419,105
2016	3,615,441	5,440,651
2017	4,023,073	6,405,638
2018	5,108,751	6,830,697
Observations after the implementation of TSA		
2019	6,666,166	7,748,939
2020	7,813,572	10,093,069
2021	9,287,851	12,149,927
2022	11,179,505	13,677,458

Source: Ministry of Finance, Economic Bulletin 2022

Table 2: Pair Sample Statistics

		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	GCRa	8741273.50	4	1957764.146	978882.073
	GCRb	4060494.25	4	734489.508	367244.754
Pair 2	Gea	10917348.25	4	2572658.137	1286329.068
	GEb	5774022.75	4	1074311.737	537155.869

Source: Authors, using SPSS version 25

From the table above, the result shows a mean value of SLE 8741273.50 billion which represent the mean value of the revenue collected after the implementation of TSA in to the system with a standard deviation of SLE 1957764.146 billion while government revenue collected before the introduction of TSA shows a mean value of SLE 4060494.25 billion with a standard deviation of SLE 734489.508 billion. The research also reveals that government expenditure before the implementation of TSA shows a mean value of SLE 5774022.75 billion with a standard deviation of SLE 1074311.737 billion while its shows a mean value of SLE 10917348.25 billion after TSA was implemented by the government with a standard deviation of SLE 2572658.137 billion.

Test of Difference of Means

Table 3: Pair Sample Test

		Mean	Pair Differences		T	Df	Sig
			Std. Deviation	Std. Error Mean			
Pair 1	GCRa – GCRb	4680779.250	1269443.379	634721.690	7.375	3	0.005
Pair 2	GEa – GEb	5143325.500	1504724.917	752362.458	6.836	3	0.006

Source: Authors, using SPSS version 25

From the table above, it reveals that the revenue collected shows (SLE4680779.250) has a mean difference, this implies that the introduction of Treasury Single Account shows a positive impact on the public sector performance and it is statistically significant at the 5% (0.05) significant level, since the P – Value is less than 0.05. The result further shows the government expenditure has a mean difference of (SLE5143325.500) billion, in conclusion the TSA has a positive impact on the country performance and it is also significant at 5% level with a P – Value of 0.006.

9.Discussion of Findings

From the table above, the result shows a mean value of SLE 8741273.50 billion which represent the mean value of the revenue collected after the implementation of TSA in to the system with a standard deviation of SLE 1957764.146 billion while government revenue collected before the introduction of TSA shows a mean value of SLE 4060494.25 billion with a standard deviation of SLE 734489.508 billion. The research also reveals that government expenditure before the implementation of TSA shows a mean value of SLE 5774022.75 billion with a standard deviation of SLE 1074311.737 billion while its shows a mean value of SLE 10917348.25 billion after TSA was implemented by the government with a standard deviation of SLE 2572658.137 billion. From the table above, it reveals that the revenue collected shows (SLE4680779.250) has a mean difference, this implies that the introduction of Treasury Single Account shows a positive impact on the public sector performance and it is

statistically significant at the 5% (0.05) significant level, since the $P - Value$ is less than 0.05. The result further shows the government expenditure has a mean difference of (SLE5143325.500) billion, in conclusion the TSA has a positive impact on the country performance and it is also significant at 5% level with a $P - Value$ of 0.006.

From the result above, it shows that the introduction of Treasury Single Account has greatly improved the domestic revenue collection in Sierra Leone. The result also reveals that the domestic revenue significantly increases during the implementation of Treasury Single Account in the country. From the table above, the mean value of government collected revenue before the implementation of TSA is (SLE4060494.25) billion, government collected revenue after the TSA shows a mean value of (SLE8741273.50) billion leading to an increase by (SLE4680779.25) billion. The result shows that the government expectation towards the revenue mobilization was achieved towards the implementation o9f TSA in the MDAs. In relation to the TSA impact on economic growth, it is obviously that the government expenditure improved after the TSA has been implemented from a yearly average of (SLE5774022.75) billion to (SLE10917348.25) billion. Further findings revealed that this improvement was statistically significant. This result is in tandem with the findings of [10], who confirmed that Treasury Single Account has a positive and significant impact on the country's economic growth.

10.Conclusion and Recommendations

Based on the result the pre – post analysis been carried out on the impact of Treasury Single Account on the public sector performance; the research conclude that Treasury Single Account implementation has greatly improved the revenue collection in Sierra Leone, however the performance measured using Government Expenditure was positively and significantly affected by the new accounting system.

Given the foregoing, the following recommendations are being put forward;

i. Appraisal of each revenue generating sector should be made periodically so that some sectors that are not performing as they ought to will not feel covered by those that are doing better.

ii. The government should initiate policies and various means to make sure that proper accounting of the funds into the Treasury Single Account follows due process and any subsequent foul play by any agencies, or even the BSL is duly prosecuted.

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