

Enhancing Credibility of Government Through Treasury Reforms

A Success Case of TSA Implementation in Nepal

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Reform Objectives



Treasury Single Accounts (TSA) for Strengthening PFM

To improve expenditure control and enhance government accountability and transparency by strengthening treasury system, improving financial reporting and building up PFM capacity



The Scenario: Before TSA

- Ad hoc cash management practices (up to 2008): frequent overdrafts
- Monthly replenishment system of treasury management
- More than 14000 accounts of nearly 4500 Spending Units(SUs)
- Partial use of IT system: monthly upload of treasury data to central database from District Treasury Offices(DTCOs)



The Scenario.....

- Delayed reporting and frequent mismatches of treasury data among DTCOs, banks, FCGO (Treasury Manager) and the Central Bank
- Weak trust over treasury data among stakeholders , media and citizen
- High level of resistance to change in SUs and line departments to adopt TSA system
- Situation of political conflict : weak support and resource base for initiating reform
- Geographical Scenario : Nepal is divided in three geographical regions- Himalayan, Mountain Hill and Plain Terai and administratively divided into 5 Development Regions, 14 Zones, and 75 Districts.



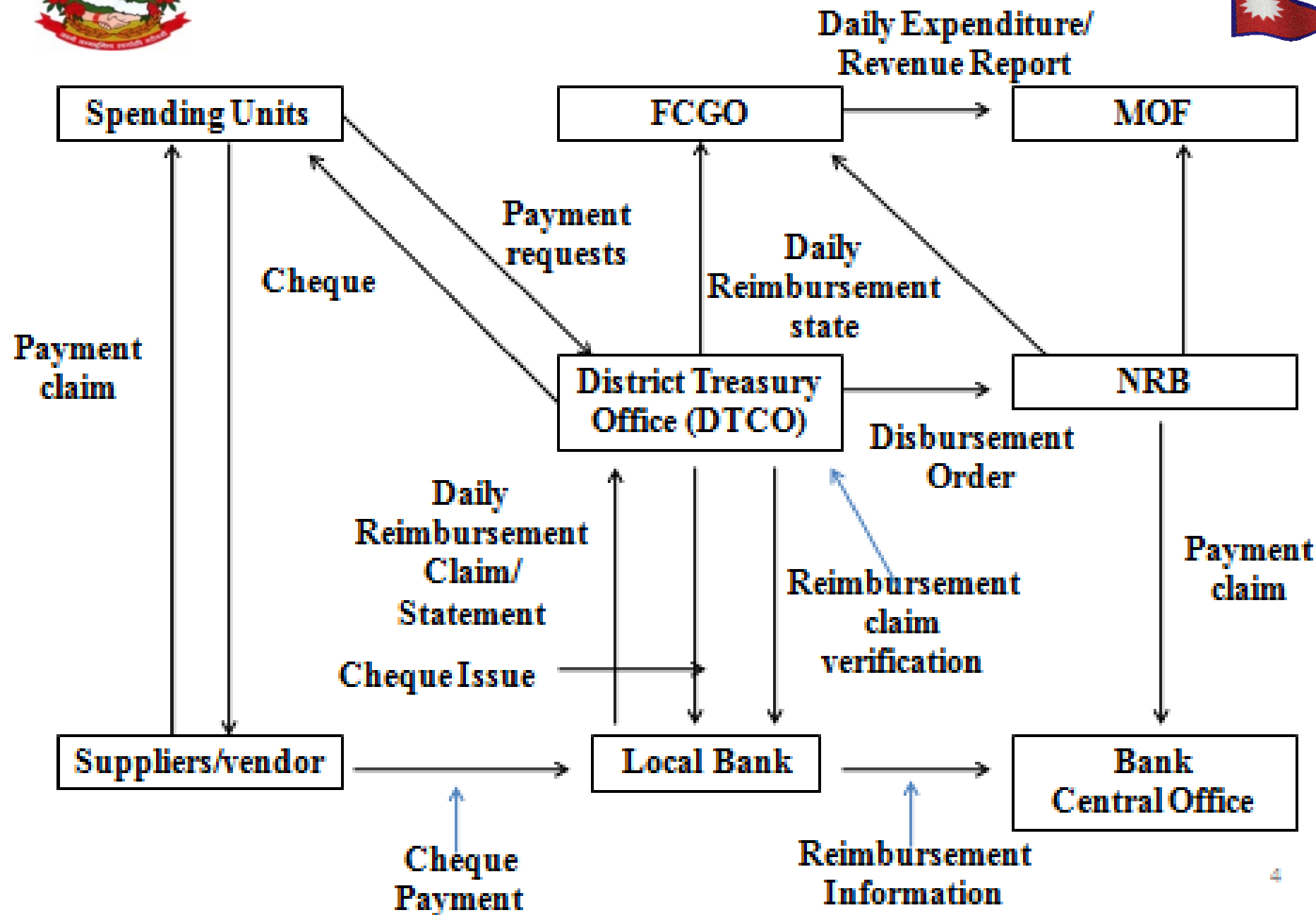
TSA Implementation

A good practice for Government Credibility in Nepal

- TSA was Piloted in two of the 75 districts in 2009
(Based on the gaps finding of PEFA Assessment Report 2008 and a study report by IMF)
- Leadership : Financial Comptroller General Office (FCGO)
- Phase wise implementation Modality: Five Phases
- Implementation completed in 2013 in all of the 75 districts
- Online /web based system of operation: linked between DTCOs and FCGO: (platform in oracle system)
- Center database in FCGO and back up in GIDC
- IT based intensive trainings for the DTCO staffs
- TSA: one of the three components of PFM reform project(SPFMP)



TSA : The System





Desired Outcomes

- Enhanced Cash Management of Government of Nepal (GoN)
- Improved treasury management of GoN through IT based treasury operations.
- Efficient and enhanced reporting system
- Enhanced credibility of government through effective treasury management
- Support for an efficient budget control



Immediate Achievements

- TSA Implemented successfully in all 75 districts
- 14000 accounts(of 4500 SUs) reduced to 445 Treasury Single Accounts
- Real time Budget Execution Reports(BERs) published daily(www.fcgo.gov.np/publications)
- BERs are being produced for entire public expenditures covering all 75 districts.
- Commitment Recording system implemented from this fiscal year and
- Revenue Management Information System(RMIS) piloted in Kathmandu Valley (this fiscal year)



Immediate Results

- PDO target nearly 100%, End-of-project target already achieved a year ahead.
- Quality and Timeliness: improving gradually
- Ex- ante control of budget is increased
- Credibility of budget execution data increased
- Forecast of treasury position being more realistic
- IT based system of treasury management is established/
IFMIS



Immediate Achievements

- Media people and external stakeholders started to travel FCGO for BER reports : a milestone for the institutional credibility
- Confidence of treasury managers is increased
- Infrastructure and work environment of DTCOs changed: drastically improved
- End of idol cash in the bank accounts of SUs
- Daily reconciliation of transactions with banks
- Use of overdraft stopped



Implementation Strategies

- Pilot testing(in 2 of the 75 districts):Bhaktapur and Lalitpur
- Phase wise aggressive implementation strategy :roll out completed in 5 stages in 3yrs.
- Infrastructure and human power developed aggressively in a short period of time
- Regional leaders created as change agents
- Horizontal and vertical coordination
- Strong leadership by FCGO: bureaucratic / technocratic leadership



Implementation: Operational Strategy

- For practical reasons, an iterative and incremental but aggressive implementation approach was adopted to achieve the above objectives.
- First emphasis was on implementing expenditure TSA, supported by FMIS roll-out in a phased manner across Nepal
- Expenditure payments for all districts were centralized at DTCOs, and processed through the FMIS, and closing down more than 14,000 expenditure bank accounts.
- In addition, FMIS was rolled-out to all the DTCOs to ensure budget compliance.
- Later on, Commitment Recording System started and RMIS under piloting



Implementation Strategy.....

- Resistance to change handled through massive orientation ,
(dedicated local leaders and credible service delivery)
- Partnership with DPs for resources(later MDTF resources)
- Performance based incentive structure
- Iterative system improvement modality
- Simultaneous intervention with reporting system reform and PFM capability enhancement



Outcomes

- Cash management of GoN is improved : some of decisions of raising internal debt are canceled(previously decided on an ad hoc basis)
- Budgetary decisions are started based on real time budget execution reports
- Trust over budget execution reports increased: MOF, media people and researchers started to travel FCGO for budget execution data/reports



Outcomes and Government Credibility

- IT based Treasury Management System established
- Best IT users Excellence Awards 2013 provided to FCGO
- Operations costs decreased : commission to NRB reduced
- An outstanding progress in implementation/ and hallmark achievement : World Bank reports
- Wide media coverage : more realistic data disseminated to the people
- Foreign countries started to visit to observe the system(from Russia, Bangladesh and others)
- Performance scores upgraded in Second PEFA Assessment

SPFM Project Progress Update

(June 30, 2014)





External Ratings of SPFMP: the WB

Performance area	Rating(As of July ,2014)	Project Data	Status
Achievement of PDO	satisfactory	Starting Date	October 31,2011
Implementation Progress	Satisfactory	Closing Date	June 30,2015
Monitoring & Evaluation	Satisfactory	MDTF grant	4.3 millions USD
Procurement	Satisfactory	Amount Disbursed	3.15 (73.34 percent)
Project Management	Satisfactory	Total project costs	
Financial Management	Satisfactory	Spending up to July 15,2014	



Impact: Improved Government Credibility



- **Reduction in government overdraft**
- **Enhanced Transparency(through daily budget execution reports published in website): support to RTI of the citizen**
- **Informed choice (through real time BERs/ data)**
- **Excess and use of FMIS by :MoF- Budgeting, Control and Reporting , OAG-Auditing and MoE- decisions and Reporting**
- **PFM system enhanced: improved PEFA scores**
- **Trust over government increased: through improved/ transparent budget operations/control**
- **Enhanced Accountability :parliamentarians started to demand real time data**
- **International recognition**



Legal Reforms :Needed

- Some of the legal reforms were made by a government decision to change the budget release system to implement TSA
- They were materialized through a Directive prepared by FCGO
- Legal consolidation still needs by amending Financial Procedures Act.



Examples to Other Disciplines

- In spite of political conflict situation, governance reforms activities can be initiated if there is a cluster of dedicated change leaders in civil service
- Resistance to change can be handled through prompt and quality service delivery (eg. Cheques were issued in average 9 minutes in the registration of payment orders, and handed over to SUs promptly , helped reduce resistance)
- Phase wise model of change is easier to handle with the examples of tangible results



Lesson Learned

- Dedicated change leaders in civil service matters for any reform
- Improved service delivery will automatically handles resistance to change
- Own model: based on the country situation
- Political instability is not a sole factor for governance hurdles
- Incentive structure matters for any change



Lesson Learned.....

- Investment in human capital is crucial for any reform
- Citizen supports desired reform outcomes, (if it were disseminated properly); leading government credibility
- External support base is needed for a successful reform
- System improvement is an ongoing phenomenon
- Sustainability is crucial in any reform



Challenges

- Political back up still matters for sustained reform
- Overcoming Skepticism
- Competition to take a credit : new pundits
- Synchronizing whole of the PFM reform: including local bodies



Future Reforms

- Sustained reform of the system
- **Quality Aspects of Reporting** : Quality and Timeliness in reconciliation of revenue bank accounts leading to accurate information on government's aggregate cash position
- Core Treasury system: a dependable tool for budgetary decisions
- Second Phase PFM Reform Strategy being developed after Second PEFA Assessment 2013/14.

Thank you for listening

We welcome your questions??

