

Treasury Single Account Policy: Legal Basis, Regulatory Framework And Implementation Challenges In Nigeria

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ABSTRACT: *Prior to the introduction of the treasury single account policy in 2015, public financial management in the pre-reform environment in Nigeria was known to be, inefficient, ineffective and corrupt; as it was primarily based on the financial regulations and the Constitution which lack specific provisions for TSA operations. As such, the system was characterized by weak legal, regulatory and institutional frameworks, uncoordinated revenue systems, delayed remittances, leakages and wastages, fragmented banking arrangements, embezzlement among other poor public expenditure practices. Critical among these problems was the proliferation of bank accounts by ministries, departments and agencies of government which created room for revenue diversion. Regrettably, despite the fiscal reform package, treasury management in Nigeria is still a big problem. This study sought to answer the concern raised. To pursue this objective, analysis of the study was anchored on the institutional theory and a qualitative research design involving exploratory interviews and analysis of official documents and technical reports was utilized. Twenty (20) respondents drawn from oversight institutions, MDAs and other key stakeholders within the public sector and commercial banks were interviewed and the received information was qualitatively analyzed and thematically presented. Results generated indicated that; the TSA policy has recorded some milestones in fiscal governance. However, it has struggled with some major implementation challenges rooted in both policy-driven and operational inefficiencies. Addressing these challenges requires a multifaceted strategy including a strategic recalibration of the policy backed by legislation and enforcement actions, enhanced capacity building driven by technological know-how, stakeholders' engagement, and greater inter-agency collaboration and oversight, among others.*

Keywords: Treasury, Single Account, policy, legal, Implementation, Nigeria

Introduction

One of the core values that underscore the existence of government in Nigeria and elsewhere in the world is the need to provide for the basic necessities of its citizens. Section 14, Sub-section 2(b) of the 1999 Constitution of the Federal Republic of Nigeria states that, “*the security and welfare of the people shall be the primary purpose of government*” (Constitution, 1999). This is a fundamental objective and a directive principle of the Nigerian state policy. It was instituted to guarantee the very primary reason that elicited the existence of government. Beyond constitutional principles, it involves the formulation of smart policies, their effective implementation as well as the execution of tangible projects as expected outcomes. However, financial resource (money) is required when it comes to policy or budget implementation, a factor no government can do without because of its import and limited nature. It is this limited nature of financial resources that necessitates the need for government at whatever level to institute effective and efficient public financial management system (Achanya & Andokari, 2024).

All over the globe and over the years, nations and international bodies have been concerned with how to modernise, simplify and improve public financial management systems and practices using public policy and legal reforms. The target of nations reforming public financial management systems has been to reap the associated reward of improved efficiency, transparency and accountability with the attendant delivery of the public good (Zubairu, Pattanayak and Hurcan, 2014). Governments do not operate in a vacuum but through the instrumentality of public policies. One of such policies is the Federal Government of Nigeria's Treasury Single Account (TSA) Policy, a public financial management (PFM) and control instrument designed to address challenges in its cash management so as to enable it have better control of cash resources for more effective management towards the delivery of public goods and services as well as to block financial leakages. The TSA is a component of the Federal Government Integrated Financial Management Information System (GIFMIS). Its primary objective was to drive all PFM processes with the view of promoting efficiency, transparency and accountability. It also targets efficient and effective management of public sector resources and the achievement of the public good. These processes include budgeting, budget execution, fixed assets management, inventory management, payroll, procurement, payables and receivables and reporting (FGN, 2012; CBN, 2015).

The TSA Policy has been widely adopted and practiced in many countries of the world (Pattanayak and Foinboim, 2010; Yaker, de Albuquerque and Vargas, 2015; Anderson and Hurcan, 2014, Indonesia Ministry of Finance and the World Bank Office, 2014; Gardner and Olden, 2013; Muyambonero and Lwanga, 2015) and prominent among these countries are the member states of the Organization for Economic Cooperation and Development (OECD). Some of these countries include but not limited to: France, United Kingdom, Australia, United States, Sweden, New Zealand, Russian Federation, Georgia, Moldova, Tajikistan, and India. In Latin America, they include: Argentina, Bolivia, and Brazil. Chile, Columbia, Costa Rica, the Dominican Republic, Ecuador, El

Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru and Uruguay. The adoption and implementation of TSA in Africa though still at its infancy include countries like Nigeria, Uganda, Ghana, countries in East Africa, Eritrea, Ethiopia, Kenya, Malawi, Rwanda, and Tanzania. Other continental representation includes Indonesia in South East Asia, among others.

The introduction of the TSA Policy as a PFM reforms package in Nigeria followed the International Monetary Fund (IMF) Report in 2001 on the request of the Federal Ministry of Finance to advice on improvements of cash system of the Federal Government of Nigeria. The Report established the link between poor PFM system and corruption as well as its far reaching negative consequences on national development. The Report recommended among others that “a number of immediate steps be taken to review and improve the structure of government’s accounts and to move towards the establishment of a TSA with the Central Bank of Nigeria” (IMF, 2001:7). Consequently, economic reforms and governance project (ERGP) was signed with the World Bank in December 2004 to as a matter of urgency and socio-economic recovery “significantly strengthen governance and accountability, reduce corruption and deliver services more effectively” (ERGP, 2014). The ERGP incorporates improvements of cash management (TSA inclusive) which was captured under the third pillar namely – PFM and published as the nation’s National Strategy for Public Service Reforms (NSPSR) developed by the federal government in 2008. The TSA Policy was officially and first introduced by President Goodluck Jonathan and the pilot implementation began in 2015 under the administration of late President Muhammadu Buhari.

Zubairu (2016) chronicles other steps taken over the years to streamline government’s banking arrangements towards full implementation of the TSA. However, the introduction of the TSA Policy by the federal government is a product of many years of consultations with critical stakeholders including Ministries, Departments and Agencies (MDAs), the Central Bank of Nigeria (CBN), Deposit Money Banks (DMBs), with technical and financial support coming from IMF and World Bank (Zubairu, et al., 2014; Osagioduwa, 2019). Over the years, the federal government of Nigeria has had budget implementation challenges due to inadequate revenue cash flows arising not only from fiscal issues but essentially, from poor cash management practices involving maintenance of multiple bank accounts by MDAs. This often made it very difficult for the Treasury House also known as the Office of the Accountant General of the Federation (OAGF) to provide cash backing to spending agencies during budget implementation. The Nigerian experience before the adoption of the TSA has been aptly captured by Otunla (2013) thus:

Government’s ability to finance its budget has been greatly hampered by an inefficient, wasteful and chaotic banking arrangement. This was characterized by: (a) idle cash being ‘warehoused’ in over ten thousand bank accounts operated by MDAs while government borrows to cash back MDAs; (b) inability of government of government to know its cash balance; (c) non-remittance of revenue collected by MDAs and their agent banks into government coffers; and (d) inability of government to generate timely and accurate report of its operations.

In order to address the above structural problem as aptly captured by Otunla and to streamline the banking arrangement in line with international best practices as exemplified in OECD countries, the federal government of Nigeria introduced the TSA Policy in 2012 (FGN-FCTC, 2012) to strengthen cash management practices in the public sector. Prior to the reform package in 2012, MDAs maintained bank accounts with any Deposit Money Bank and other financial institutions of their choice approved by the Accountant General of the Federation (AGF) for personnel, overhead costs, revenues, and special projects with the exception of capital accounts which were mandatorily kept with the CBN. Overtime, the number of bank accounts maintained by MDAs with DMBs became too many for effective cash management (Zubairu, 2019). Zubairu, Pattanayak and Hurcan (2014) observed that:

Due to these fragmented banking arrangements, the cash resources of the Federal Government of Nigeria (FGN) were not being consolidated and huge cash balances were remaining idle in MDAs’ bank accounts, while the FGN was incurring ways and means charges to meet the cash shortfall. For example, at the end of 2009, the FGN had an overall cash balance of more than 362 billion naira in the MDAs’ various bank accounts (held both at the CBN and the commercial banks), but the CBN still needed to provide ways and means of financing 147 billion naira through the Consolidated Revenue Fund to meet FGN’s cash requirements.

The reversal of the above situation will be the adoption of a TSA, a prerequisite for modern cash management and an effective tool for the Ministry of Finance/Treasury to establish oversight and centralized control over government’s cash resources (Pattanayak and Fainboim, 2011). As such, in August 2015 there was a Presidential directive in Nigeria that all MDAs and public institutions at the federal level to migrate to the TSA platform and ensure full implementation accordingly. However, the policy generated a lot of public outcry and resistance from MDAs, DMBs, tertiary institutions (Academic Staff Unions), the military/security agencies, agencies in the maritime industry, anti-graft agencies and others due to the perceived effects they believe the policy would have on their operations. Other resistance and concerns expressed against the reform package has to do with the autonomy and independence of the legislative and judicial arms of government guaranteed by the 1999 Constitution of the Federal Republic of Nigeria (as amended). Consequently, statutory agencies like the National Assembly and the National Judicial Council’s objected to the TSA

policy on grounds of constitutional independence (Otti, 2016; Komolafe and Kolawole, 2016; Yusuf, 2015; Othman, 2016; Shosanya, 2017).

Regrettably, while the TSA Policy aims at addressing the challenge of inefficient cash management at the federal level in Nigeria, it inadvertently seems to have generated a number of issues which affects full implementation and impedes the operations of MDAs and other government institutions. These issues result to MDAs' resistance, demand for exemption and acts of sabotage as widely reported in the news and social media platforms. Against this backdrop, an attempt was made in this paper to examine the legal basis, regulatory framework and the implementation problems with the treasury single account policy in Nigeria with the end objective to proffer some policy and non-policy measures to ameliorate the problems with the legal and regulatory frameworks for cash management in the public service in Nigeria.

Conceptual Clarification

The central pre-occupation of this thematic area is the clarification by definition, description and explanation of some basic concepts which are considered central and germane to the reading and understanding of the subject matter under consideration. This is important to enable readers not familiar with the field appreciate the linkages and follow the discussions presented herein. The concepts are: (i) public financial management and (ii) the treasury single account.

Public Financial Management (PFM)

Public financial management (PFM) has been variously defined (Dalton (1957; Abubakar, 1994; Edame, 2001; Wapmuk, 2005; Samson, Sharma and Aziz, 2011; Pimentia and Pessoa, 2015). The African Development Bank (2002) sees PFM as comprises multiple processes, including management, forecasting, strategic planning, planning and budgeting, procurement, disbursements, control, and communications. Primarily, it is an essential part of the development process which supports aggregate control, prioritization, accountability and efficiency in the management of public financial resources and delivery of public goods and services (Zubairu, 2016; Agundu, 2023). Achanya & Andokari (2024) see "PFM as the use of managerial, legal and organizational frameworks to fulfill aggregate control, prioritization, accountability and efficiency in the management of public financial resources for the delivery of public goods and services". This definition corroborates the description of the concept by Zubairu (2019) who sees PFM as "all financial management processes and controls instituted by government to ensure fiscal discipline, transparency and accountability". In other words, it involves the deployment of legal and regulatory frameworks to efficiently and effectively deploy and utilize public resources to accomplishing set objectives or meeting the needs of the people in the most equitable manner.

The Chartered Institute of Public Finance and Accountancy – CIPFA (2009:17) sees PFM as "the system by which the financial aspects of the public services' business are directed, controlled and influenced, to support the delivery of the sector's goals". In the same vein, Onuorah and Appah (2012), see PFM as concerned with "the planning, organizing, procurement and utilization of government financial resources as well as the formulation of appropriate policies in order to achieve the aspirations of members of that society". The guiding principles include efficiency or economy, effectiveness, and equity. Efficiency stresses the need for achievement of maximum results with minimum inputs of resources; effectiveness stresses ensuring maximum relevance of expenditures; and equity stresses justice and fair play (Wapmuk, 2005).

What conclusions can be drawn from the above variety of definitions of PFM and their myriad nuances? First, that PFM is an umbrella term that embodies a range of fiscal responsibilities and strategies such as the treasury singular account as controls instituted by government to ensure fiscal discipline, transparency and accountability in governance. Second, that PFM deals with the generation, collection, allocation and management of financial resources including expenditure and debt management. Third, that PFM programmes, policies, processes and procedures are guided by legal and regulatory frameworks. Fourth, that the sole aim of PFM is efficiency, effectiveness and economy in the delivery of public goods and services. And fifth just like the first that PFM seeks to instill control against corrupt behaviour such as abuses, impropriety, and misapplication of fund, among others.

Treasury Single Account

As an emerging concept in PFM, not much has been documented in literature as to the meaning and description of the subject matter. However, a few attempts at definition have gain prominence. The Treasury Single Account (TSA) is a financial policy mechanism that mandates the consolidation of all government revenues into one account at the CBN to ensure oversight and effective management of public funds. It seeks to address inefficiencies associated with scattered government banking by promoting a unified structure that eliminates idle balances and improves fiscal transparency (Pattanayak & Fainboim, 2010). Against this backdrop they define the treasury single account as a "unified structure of government bank accounts that gives consolidated view of government's cash resources based on the principles of unity of cash and the unity of treasury. It is a bank account or a set of linked accounts

through which the government transact all its receipts and payments (Pattanayak & Foinboim, 2010:4). In the same vein, Yaker, et al., (2015:13) define TSA as:

A bank account (preferably held at the central bank) or unified structure of bank accounts or “virtual accounts” (subaccounts) with which the government, through a single administrator (generally the treasury), manages the revenues and payments centrally to obtain consolidated balance at the end of each day.

In their view, the goal here is to achieve efficient cash management by having the right amount of money in the right place and at the right time to meet the government’s obligations in the most effective way. Thus, it is essentially one bank account or several bank accounts linked to one main bank account maintained usually at the central bank through which all revenues and payments flows giving opportunity to the Ministry of Finance/Treasury to have a consolidated view of cash resources available more timely and with adequate technology in real time. In a similar vein, Schiavo-Campo and Tommasi (1999) sees the TSA as a strategy for cash management designed to control aggregate spending, implement the budget efficiently, minimize cost of government borrowing and maximize returns on government deposits and investments.

Omodero and Okafor (2015) define the TSA as 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. Similarly, Oyedele (2015) viewed the TSA as a unified structure of government bank accounts that gives a consolidated view of government cash resources. He noted that the TSA is based on the principle of unity of cash and the unity of the treasury. This principle of unity follows from the fusion of all cash irrespective of its end use. The purpose is to enhance transparency, improve cash management, and reduce revenue leakages by ensuring that all inflows and outflows of public funds are properly monitored and controlled (Adebisi & Okolie, 2016).

It is a financial mechanism targeted at aggregating cash resources for effective and efficient allocation of financial resources for budget execution. As a prerequisite, all revenue due are fully collected and remitted to support service delivery while spending agencies of government are encouraged and institutionalized. As is the common experience, cash flows are often not linear due to mismatch between revenue receipts and expenditure outlays as a result of timing of cash inflow and outflow (Liernet, 2009). As such, instituting a sound cash management system is a fundamental requirement that would ensure availability of funds as and when due or required for MDAs of government spending. In this light, the TSA is designed to bring together all government cash balances and optimize their use. It serves as a mechanism to avoid the maintenance of multiple idle balances across various commercial bank accounts, which are typical in environments with weak financial controls like Nigeria (IMF, 2010).

What can practically be drawn from all these definitions is that the TSA is a unified structure of government bank accounts that gives a timely consolidated view of government cash resources, facilitates budget execution, cash planning and management and minimizes cost of borrowing. Bringing the definitions to bear on home situation, The TSA structure in Nigeria is a centralized system that entails the use of one bank account for all budgetary transactions in terms of receipts and payments under the supervision and control of the OAGF; while MDAs are individually responsible for management of their budgets/warrant allocations in a statutory manner. In this regards, warrants issued by the Budget Office of the Federation is indicative of the spending limit for which MDAs can draw down from TSA by sending payment order request to the CBN. According to (Zubairu, 2019), these arrangements are effected through the GIFMIS, a broader umbrella under which the TSA operates in Nigeria.

Theoretical Framework

This study is anchored on the Institutional Theory. A theory that comes from the concept of institutions described as the building blocks of society, providing the assurance of security, ease of social transactions, and a sense of established order (Scott, 2008; Green et al, 2009). The theory seeks to examine the role of formal and informal institutions in shaping organizational behaviour and outcomes (North, 1990; Scott, 2008). Its foundational proponents include but not limited to Max Webber and Émile Durkheim (Scott, 2005). The choice of this theoretical paradigm is predicated on the fact that institutional theory provides important insights into the legal basis, regulatory framework and challenges associated with TSA Policy implementation. As such, the theory attempts explanation of why the reform package succeeded to some extent while it experienced failure or certain challenges, broadly from two perspective, namely; the application of institutional isomorphism developed by DiMaggio and Powell in 1983 and the conceptual schema developed by Scott in 2008.

The adoption of global best practices is not informed by accident but rational choice. Organizations tend to adopt similar structures and practices in response to institutional pressures and peculiarities (DiMaggio & Powell, 1983). The global trend toward the increasing adoption and implementation of the TSA Policy can therefore be understood as an example of institutional isomorphism which has accelerated the growth and development of PFM in Nigeria and elsewhere in the world. However, to sustain the achievement of planned implementation, iconic sociologist W. Richard Scott provided a comprehensive conceptual schema based

on his extensive survey to institutional literature that guides directions for pursuing the application of this theory. He posits that institutions (formal and informal) consist of pillars (cognitive, normative, and regulative structures) and carriers (cultures, structures, and routines). Central to Scott's perspective on institutionalism is the regulatory pillar which emphasized the use of laws, rules and sanctions as enforcement mechanism, with expedience (deterrence) as means for ensuring compliance (Scott, 2008).

In this instance, formal institutions include laws, regulations, and official procedures that govern TSA operations. These institutions provide the legal and regulatory frameworks within which the TSA operates and define the rights and obligations of different stakeholders within the value chain (Williamson, 2000). The effectiveness of TSA implementation to a large extent depends partly on the quality and enforcement of these formal institutions. On the other hand, informal institutions include cultural norms, values, and practices that influence how stakeholders respond to TSA implementation. These institutions may either support or undermine formal reform package or efforts by the government (Helme & Levisky, 2004). Having a working understanding of how informal institutions works is crucial for designing effective change strategies and in addressing resistance by some to the TSA implementation.

Since the adoption of the TSA Policy in 2015, implementation by the Nigerian government have displayed what could be described as a lukewarm attitude toward enforcement, giving leeway for partial compliance by governmental entities and diminishing reform outcomes. The lack of well institutionalized enforcement mechanisms many believe paved the way for MDAs to flout the policy directives without consequence (Aruwa, 2016). For example, despite numerous audit trails and reports exposing violations of the policy, regrettably, only few sanctions have been meted on erring institutions. This has fostered the culture of impunity and corruption among public servants and their implementation agencies. Scholars in institutionalism have consistently argued that enforcement action and increased penalties lead to greater levels of compliance with laws.

The Legal Basis for TSA Policy in Nigeria

The management of public financial activities by government and its relevant institutions are guided by certain laws and regulations set as laid down formalities in Nigeria. Some of these legal frameworks on the TSA are briefly discussed below and others highlighted.

The Constitutional Framework

The Nigerian Constitution is the supreme legal instrument, which sets the general framework for public financial management as well as accounting and financial reporting in government. For instance, sections 80 and 81 of the 1999 Constitution of the Federal Republic of Nigeria provides for the establishment of the Consolidated Revenue Fund (CRF) and Federation Account where all revenues and monies raised or received by the federation shall be paid into, while section 162 contains rules on the management of the received fund or revenue in the country. It was these provisions that the Federal Government of Nigeria hinges the TSA Policy on (Constitution, 1999). Specifically, Section 80 states inter alia:

All revenue or other moneys raised or received by the Federation (not being revenue or other moneys payable under this Constitution or any Act of the National Assembly into any other public funds of the Federation established for a specific purpose) shall be paid into and form one Consolidated Revenue Fund (CRF) of the Federation... All expenditure duly authorized vide the appropriation Act or Supplementary Appropriation Act are to be charged to the CFR.

However, the federation account on the other hand is a distributable pool account for receipts of all monies accruing to the Federation which is subsequently distributed to the federating units, that is, the federal, states and local governments in line with the agreed revenue allocation formula. Furthermore, section 85 sets out modalities for controls for operating the accounting system in terms of audit and investigation. Specifically, it directs that an Auditor General for the federation be appointed to be charged with auditing public accounts of the federation and all offices and courts of the federation. Each house of the National Assembly is also empowered by virtue of section 88 to direct or conduct investigations into or concerning public accounts. Other sections of the Constitution that are germane to public financial management in Nigeria include but not limited to section 15(5); section 172; Schedule 5 (Code of Conduct).

Financial Legislation

The Finance (Control and Management) Act, 1958

The Finance (Control and Management) Act, 1958 – now Finance (Control and Management) Act, LFN 1990 is one of the Federal Government of Nigeria's legislation on financial management. Section 4 of the Act provides that:

Every person concerned in or responsible for the collection, receipt, custody, issue or payment of public moneys, stores, stamps, investments, securities, or negotiable instruments, whether the property of Government or on deposit with or entrusted to Government or any public officer in his official capacity either alone or jointly with any public officer or any other person, shall obey all instructions that may, from time to time, be issued by the Minister or by direction of the Minister in respect to the custody and handling of the same and accounting therefore.

In the same vein, Section 5 of the Act provides that the management and operation of government funds (e.g the CRF) are governed by this legislation in line with the 1999 Constitution of the Federal Republic of Nigeria as amended. However, where its provisions are inconsistent with those of the 1999 Constitution, it is rendered null and void. This Act regulates the preparation and presentation of government accounts and contains the role of the Account General of the federation. This Act also establishes all funds and the Contingency Fund in Nigeria, particularly at the federal level (Adamolekun, 1983). By virtue of the provisions of these sections, MDAs are statutorily required to comply with the financial management instructions issued by the Minister of Finance and the Accountant General of the Federation.

The Audit Act, 1956

The Audit Law or Act of 1956 remains the principal legislation for enquiry into public accounts in Nigeria. The 1999 Constitution in sections 85 and 88 cover the areas of audit and accountability with regards to the federal government. Section 13 of this Act mandates the Accountant-General of the federation to sign and present, within a period of seven months after the close of each financial year, to the Auditor-General for the federation, the accounts showing the financial position of the federal of Nigeria on the last day of such financial year. The Act also empowers the Auditor-General for the federation, “at any time, if it appears to him to be desirable, to prepare and transmit a special report to the legislature”. This clause has given the Auditor-General of the federation the latitude to inquire into any issue, programme, project, function or transaction, over and above his auditing function of guarding against fraud and misuse of government funds. A formal supporting Public Auditing Standards Regulatory Body is the Financial Reporting Council, saddled with the mandate for setting accounting and auditing standards in Nigeria.

Financial Regulations/Instructions

Financial Regulations (FR) is issued by the federal government to establish standards of financial management with a view to ensuring a high degree of uniformity. Parts of Financial Regulations comprise codes of regulations made up of rules that specify actions acceptable and those deemed unacceptable, all aimed at maintaining judicious expenditure of government resources. The areas covered by the Financial Regulations include: Duties of specific government officials in finance matters; Method of accounting; The control of revenue collection; Vote control; Payment procedures; Security arrangements for public money; Different types of impress, advances for procurement and audit.

From time to time, the Ministry of Finance and the Treasury formulate and issue circulars or circular letters on accounting or finance policy including the TSA, management of public funds, supervision of accounts of all MDAs and other arms of government, computerization of government accounting system, financial reporting, and building capacity. In the same vein, the authority for opening any bank account rest with the AGF. These circulars are administrative instruments released to guide the day-to-day operations of government departments. They are also used for amending existing provisions of financial regulations and the introduction of new policies and guidelines before their inclusion into the financial regulations.

The Fiscal Responsibility Act 2007

The Fiscal Responsibility Act 2007 is yet another legislation that governs the conduct of the TSA, cash management or public financial management in Nigeria. The core objective of this Act is clearly stated in its opening paragraph thus:

Provide for the prudent management of the nation’s resources; ensure long term macro-economic stability and transparency in fiscal operations within the Medium Term Fiscal Policy Framework...

Consequently, section 25 requires that the Federal Government through the OAGF prepare an Annual Cash Plan in advance of the financial year setting out projected monthly cash flows which shall be revised periodically to reflect actual cash flow. The Minister of Finance is required under section 26 to, within 30 days of the enactment of the Appropriation Act, prepare and publish a disbursement schedule derived from the Annual Cash Plan for the purpose of implementing the Appropriation Act. The timely availability of information about cash resources under TSA facilitates compliance with these provisions.

The Central Bank of Nigeria (CBN) Act, 2007

The CBN Act, 2007 saddles the Nigeria's apex bank with the development of payment systems infrastructure and the right and responsibility for national payment systems. Consequently, the CBN launched the Payment System Vision 2020 to strengthen the payment system through the use of electronic platforms in 2007. The Federal Government through the OAGF subsequently, issued Treasury Circulars in 2008 for MDAs to adopt e-payment with effect from 1st January 2009 and GIFMIS provide such a platform for TSA.

The Evidence Act, 2011

This piece of legislation provides for the legal admissibility of electronic records, essential for electronic payment systems. Specifically, Section 93 of this Act recognizes the use of electronic signature in proof of matters in judicial proceedings which accord with Section 47 of the CBN Act. These essentially make TSA operation using electronic platform admissible in judicial matters.

Other Laws and Legislations Affecting Public Financial Management in Nigeria

- The Public Service Rules, 2008
- Code of Conduct for Public Officers of the Federal Republic of Nigeria
- Guidelines for Appointments, Promotion, and Discipline, 2008
- The Public Procurement Act, 2007
- The Economic and Financial Crimes Commission Establishment Act, 2004
- The Independent Corrupt Practices and Other Related Offences Act, 2000
- The Nigeria Extractive Industries Transparency Initiative (NEITI) Act, 2007

The Regulatory Framework

In brief, the regulatory framework of the TSA system in Nigeria refers to the institutional actors and legal instruments, administrative structures, processes, workflows, initiatives and other arrangements in place to facilitate the TSA process. Administrative arrangements in Nigeria include offices for facilitation, rules and regulations of operation, implementation, reporting, and audit, such as the CBN, Ministries of Finance and Planning, the OAGF, Revenue Administration, the Treasury, the Procurement (due process) regulation, Finance and Supply departments in MDAs, the Auditor's General office, and the Public Account Committee of the House of Assembly. Workflows and processes include required documentation, profomas, standard guides, business processes and routing, authorization and approval procedures, disclosure requirements, accounting and auditing standards and policies.

The CBN for instance plays a central role in maintaining the TSA and facilitating financial transactions through electronic platforms such as the GIFMIS and Remita. The OAGF ensures compliance and monitors MDAs financial flows, while legislative backing is provided the Fiscal Responsibility Act, 2007 and relevant sections of the Nigerian Financial Regulations. These framework and institutions collectively ensure the TSA promote real-time access to public revenue data, reduces opportunities for fraud, and enhances government cash flow management. As such, the regulatory framework is seen as inclusive of both the structures, rules and other arrangements in place for planning and implementing the TSA Policy.

Methodology

The study adopted a qualitative research design involving exploratory interviews and analysis of documentary and technical sources to gain insight into the legal basis, regulatory framework and major challenges to implementation of the TSA Policy in Nigeria. It approach deals with the determination, evaluation and explanation of past and present events essentially for the purpose of gaining better and clearer understanding of the present and making recommendations for the future. Twenty (20) respondents drawn from oversight institutions comprising of the CBN, OAGF, the Ministry of Finance, the Budget Office, and the MDAs and other key stakeholders like SystemsSpecs (Remita) and commercial banks were interviewed and the received information was qualitatively analyzed and thematically presented.

Summary of Major Findings on Implementation of the TSA Policy in Nigeria

Arising from the conduct of exploratory interviews and the examination of relevant documentary sources and technical reports (CBN, 2015 & 2023; FMF, 2016; IMF, 2016 & 2024; World Bank, 2024; OAGF, 2024; Policy and Advocacy Centre, 2021; SystemSpecs, 2023) on the TSA Policy implementation in Nigeria, the following findings emerged:

- i. Weak legal and regulatory frameworks designed to govern the TSA Policy;
- ii. Poor institutional coordination and oversight role among TSA stakeholders;

- iii. Incessant political interference and sabotage on the part of the bureaucrats;
- iv. Resistance to the TSA policy implementation by some stakeholders;
- v. Weak enforcement mechanisms emboldened by weak political will;
- vi. Misalignment with annual budget implementation and fiscal strategy;
- vii. Institutional capacity gaps and lack of skilled manpower; and
- viii. Operational delays and technical glitches in payment systems.

Examination of Major Findings on Implementation of the TSA Policy in Nigeria

The implementation of the TSA Policy in Nigeria has recorded some successes in the area of remittance, management and reporting of some Federal Government receipts such as revenue, donations, transfers, refunds, grants, fees, taxes, duties, tariffs etc. into the TSA and sub-accounts maintained and operated by the CBN. The operation of the platform has helped in reducing the number of bank accounts numbering over 10,000 bank accounts and countless dormant accounts with huge balances credited to governmental agencies to the minimal level and centralized the federal government cash at the CBN as well as strengthened coordination among fiscal agencies in the economy. This effort, many believed has helped in blocking leakages in government revenue generation, collection and remittances. This effort many also believed has helped in enthroning a new regime of financial transparency and accountability in the management of government receipts which despite the nation's economic woes and paucity of funds have made it possible for the government to still implement certain programmes and execute certain projects. Of course, this has also impacted budget performance since its adoption in 2015 in terms of public sector organizations personnel costs, running costs (overheads) and capital expenditure, among others.

Regrettably despite the foregoing successes, there have been quite a number of implementation challenges as widely observed and reported. The challenges with the TSA Policy implementation in Nigeria are both policy driven and operational in nature. On the policy front, weak legal and regulatory frameworks, institutional rigidities, gaps in enforcement mechanisms and delay in harmonizing financial reporting systems, among others have undermined compliance and effectiveness of the policy. Operational challenges on the other hand include but not limited to the lack of robust ICT infrastructure, poor capacity of public officials, and resistance from stakeholders benefiting from the pre-reform system, and low digital awareness among rural agencies.

The first major primary policy challenge with the implementation of the TSA in Nigeria has been the absence of clearly defined legal and regulatory frameworks specifically enacted by the Nigerian legislature to govern the operations of the reform package. It was introduced by the executive and implemented through executive directive without a binding legislation that outlines the scope and exemptions, processes, and enforcement mechanisms. Although Section 80 of the 1999 Constitution mandates that all government revenues be paid into the Consolidated Revenue Fund, this provision alone does not provide detailed operational guidelines for TSA implementation. As a result, many MDAs exploit this legal ambiguity to delay or avoid compliance thereby operating parallel accounts in commercial banks. Moreover, the absence of a specific legislation has not only weakened enforcement mechanism but render it difficult to sanction violators or non-compliant agencies effectively.

This legislative gap is especially problematic when dealing with autonomous government institutions like the universities because of their peculiarities and bodies like the judiciary, the legislature, and military institutions that may claim exemption from executive orders. Ordinarily, best practices especially in a democratic setting would require that fiscal reforms of this magnitude should be accompanied by statutory instruments to ensure sustainability, clarity of roles, and non-selective implementation. Countries like India, Indonesia and Ghana provide lessons where TSA frameworks were enacted into law, ensuring policy continuity regardless of political changes. In the same token, evidence abound that countries like Nigeria without a legislative backing similar to the aforementioned remain vulnerable to policy reversals by future governments.

Another major challenge with the TSA implementation is poor institutional coordination and oversight role inherent in the financial management system. Successful TSA implementation requires synergy of actions between stakeholders, in this case, between the CBN, the OAGF, the Ministry of Finance, the Budget Office and the MDAs. Furthermore, the absence of a dedicated TSA implementation oversight body or agency has affected the consistency and adaptability of the reform package over the years. For instance, delay in fund transfers and reconciliation between the CBN and MDAs have been severally reported. This action has disrupted the free-flow of government business on a daily basis. Many MDAs have lamented over long hours or even days of processing transactions including their inability to access funds due to misalignment between the Remita Platform, OAGF, and the banking system. These inefficiencies many believe diminish the credibility of the reform and discourage stakeholders' supports. Overall, strengthening coordination or inter-agency collaboration through a seamless policy guideline and technical committees or the like is imperative.

Incessant political interference and sabotage on the part of the bureaucrats within the system is yet another major challenge militating against the TSA Policy implementation in Nigeria. The nefarious activities and interest of some politicians have been reported to

have undermined implementation. Highly influential political actors with obnoxious interest and government officials who had benefitted from the old system of fragmented bank accounts have either resisted or sabotaged the policy covertly.

Another major challenge with the TSA implementation since adoption in 2015 was the resistance to the policy by some government agencies including finance institutions like the commercial banks. This represents a significant policy challenge. It was reported that not all revenues accruing to the federal government were collected and processed through the TSA by MDAs. Many MDAs flouted the TSA guidelines on implementation and failed to comply. For MDAs, the reform restricts their control over internally generated revenue which hitherto allows them minimal oversight. Many institutions perceive the TSA Policy as a limitation on their operational independence, especially when faced with cumbersome withdrawal and spending approval processes. This resentment birthed open resistance which has become a clog in the wheels of progress. The NNPC for instance have delayed compliance or demanded exemption. This trend which is manifest in lack of uniform political support across all levels of government has affected the policy's legitimacy and acceptance, as such, has reduced the pressure for nationwide adoption, especially at the state and local government levels in Nigeria.

Similarly, commercial banks on the other hand, have also shown cold feet toward policy implementation. Prior to TSA adoption, these banks profited from lending out idle balances held in trust for the government. However, the reform led to a sudden drop in their deposit base and the need to recalibrate their business model. Instances abound where bank officials lobbied political office holders to either slow down the implementation process or altogether reverse the TSA Policy in the country. These reactions demonstrate the extent to which vested interest can frustrate a well-intended policy outcome.

Weak enforcement mechanisms emboldened by weak political will is yet another challenge. It was gathered that the Buhari administration under which the TSA regime was introduced demonstrated some degree of commitment to pursuing the objectives of the policy. However, this momentum has taken a downward curve under the current administration of Bola Ahmed Tinubu's leadership, creating uncertainty and partial compliance among stakeholders. The thing is, whenever the political leadership fail to muscle the required political will or sends mixed signals, it does weaken institutional accountability and emboldens MDAs to revert to previous financial practices which is inimical to the ethos of best practices in PFM systems.

The above scenario is even worst when many of the MDAs that violate the TSA guidelines are not punished or penalized for violation. This institutional behaviour creates a culture of impunity and undermines the integrity of the reform. For instance, despite reports of some agencies secretly maintaining what could be termed 'abolished bank accounts' with the commercial banks, enforcement agencies hardly meet out corrective actions. This phenomenon many believe can only be reversed through unwavering political will and a transparent sanctioning regime that has zero tolerance for corruption thereby serving as deterrence in the implementation process.

Another important challenge of note is the misalignment in the TSA Policy with budget implementation and fiscal strategy. The policy was not mainstreamed into the broader Medium Term Expenditure Framework (MTEF) or the annual budgetary processes. This singular act led to misalignment. The TSA was design to consolidate revenue and improve cash management, but delays in fund disbursement to MDAs have many a time disrupted capital project execution and service delivery to the nation. This conflict between revenue centralization and expenditure autonomy remains unresolved in many institutions. For example, some MDAs report delays in accessing approved funds through TSA channels resulting to untimely execution of procurement and project timelines. Regrettably instead of facilitating budget implementation, the policy has unintentionally slowed down the release of budgeted funds due to procedural red tape in the management of the platform. Therefore, it is imperative to align the TSA operations with the fiscal strategy process so as to ensure that budget credibility and service delivery are not compromised.

Institutional capacity gaps and lack of skilled manpower challenge is yet another problem impeding the effective implementation of the TSA policy in Nigeria. It was reported that the reform package suffers from limited institutional capacity within public agencies tasked with the mandate to manage centralized – digital financial operations. Many MDAs relied and still relies on traditional accounting systems and paper based methods which by all standards is inimical and incompatible to the TSA demands for digital and real-time reporting. Implementation comes short of the required qualified manpower that should not only be ICT-literate but also proficient in financial reporting under the GIFMIS platform. Unfortunately, many government agencies do not possess sufficient skill to adapt to these demands. In the same vein, the lack of routine training, poor incentive structures, and high turnover of experienced personnel further weaken implementation.

Last but not the least, it is worthy of note that the TSA depends on technology. Operational delays and technical glitches in payment systems make it highly vulnerable to disruptions. Government transaction routed through Remita or GIFMIS many a times suffer delays due to server issues, poor connectivity, and lack of technical backup systems. Such challenges become critical during salary processing or procurement disbursement. These technical inefficiencies slow down the pace of financial operations and undercut

public confidence in the reform process. The last few challenges though operational, technical, cultural, and environmental in nature, they still impact on the success or failure of the TSA in Nigeria.

Conclusion

The introduction of the treasury single account policy stands as a transformative reform in Nigeria's quest for transparency, accountability, and efficiency in public financial management. The policy has recorded some milestones in fiscal governance when juxtaposed with the pre-reform era. However, despite being a milestone reform, the TSA has struggled with some major implementation challenges rooted in both policy-driven and operational inefficiencies. In other words, it is a complex mix of structural, technological and institutional problems. These challenges cut across weak legal and regulatory frameworks designed to govern the TSA Policy; poor institutional coordination and oversight role among TSA stakeholders; incessant political interference and sabotage on the part of the bureaucrats; resistance to the TSA policy implementation by some stakeholders; weak enforcement mechanisms emboldened by weak political will; misalignment with annual budget implementation and fiscal strategy; institutional capacity gaps and lack of skilled manpower; and operational delays and technical glitches in payment systems. Addressing these challenges requires a multifaceted strategy including a strategic recalibration of the policy backed by legislation, enhanced capacity building driven by technological know-how, stakeholders' engagement, and greater inter-agency collaboration, among others. To ensure lasting impact, the government must prioritize the automation of systems, enforce compliance through stronger legal backing, and invest in the digital literacy of personnel. If these among other suggestions are rigorously pursued, the TSA can evolve from a mere anti-corruption policy tool into a robust framework for public financial management that ensures integrity, efficiency and effectiveness in financial service delivery at all times in Nigeria.

Recommendations

Stemming from the study findings, the challenges impeding effective implementation of the TSA Policy in Nigeria are multifaceted; therefore it will also require multifaceted responses to enhance its acceptability, functionality, sustainability, efficiency and effectiveness. Although some strategies to addressing these challenges have been highlighted in the discussion on the study findings, here are some major recommendations.

First and foremost, the TSA Policy needs legislative backing making it amenable to legal enforcement. The policy should be codified into law through an Act of the National Assembly. Such an Act or legislation will provide the lacking enabling legal framework for enforcement against violators. This will strengthen the authority of oversight bodies and reduce instances of institutional sabotage.

Second step would be to leverage the flipside of the institutional approach which recommends introducing incentive structures that reward compliance with the TSA Act when established and regulations when reviewed. Studies have shown how impactful this dual approach has been to organizational management in recent times. It has been proven that deterrence alone as a major incentive for compliance with provisions of any law is no longer adequate.

Third, there is a compelling need for capacity building and revamping of the ICT infrastructure for effective implementation of the TSA Policy. Many MDAs for instance lack the technical know-how and digital machineries needed to integrate fully into the TSA system. As such, government should invest heavily in training programmes, particularly for financial management and accounting employees in the sector. This will further be consolidated by extending and expanding the digital infrastructure to the remote areas. This will help address the bottlenecks and unnecessary delays that many agencies and their clients suffer or experience during financial transactions.

The fourth recommendation targets poor institutional coordination and oversight role among TSA stakeholders. This recommendation entails realigning the institutional or regulatory structure governing financial management. For instance, overlapping mandates between the CBN, OAGF and MDAs which create power tussle, confusion and undue delays in transactions can be eliminated. This can be achieved through a restructured framework with clearly defined responsibilities and jurisdictions for stakeholders. The coordinating body should be centralized with representatives from the aforementioned agencies and a coordinating unit within the structure with the power to harmonize policy issues and communicate agreed policy actions. The body can be empowered by law to address inter-agency disputes, streamlining workflows, and updating procedural guidelines to adapt to increasing technological changes. This action when properly articulated and implemented will enable MDAs know their boundaries and responsibilities without resorting to resistance or acts of sabotage.

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