

Cash Management Framework

- Centralized model
- Decentralized model



Best CHOICE



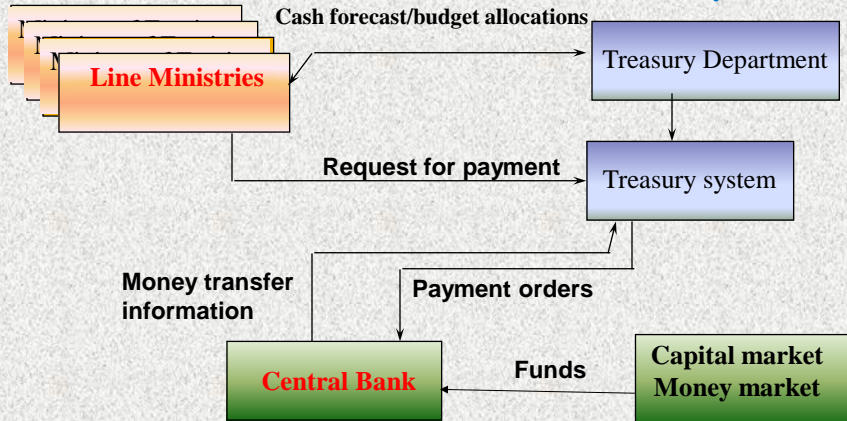
CM

CM

Albanian Centralized model

All General Government Units

Ministry of Finance

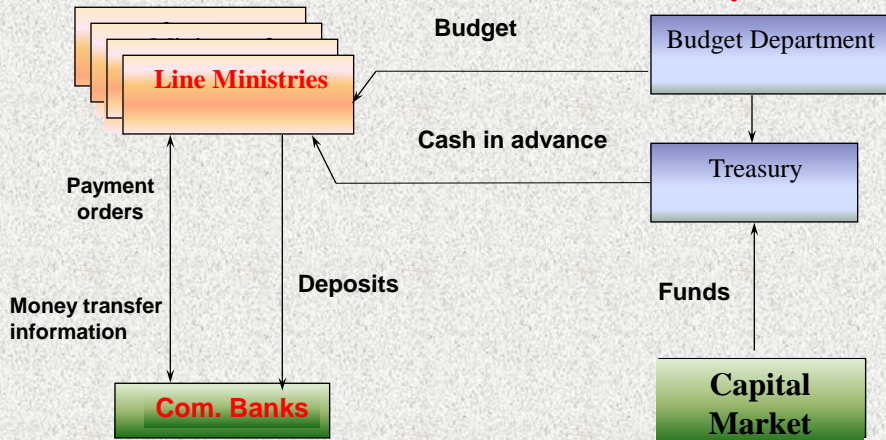


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CM

Decentralized model (comparable)

Ministry of Finance



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The problems of fragmented government banking arrangements

They are an important factor in managing and controlling government's cash resources. They are critical for ensuring that:

- (i) all tax and non-tax revenues are collected and payments are made correctly in a timely manner;
- (ii) government cash balances are optimally managed to reduce borrowing costs (or to maximize returns on surplus cash).

In Albania this is achieved by establishing a unified structure of government bank accounts via a TSA system.

Albanian Treasury has signed agreements with Commercial Banks and Central Bank.

The structure of the commercial banks agreement treats legal basis, the rights, obligations, measures and administrative issues.

Central Bank agreement consists in framework agreement and 5 specific agreements.



If there is a fragmented system for handling government receipts and payments through the banking system, it is a critical PFM weakness that needs to be addressed.

The government pays for its institutional deficiencies in multiple ways:

Firstly, idle cash balances in bank accounts often fail to earn market related remuneration.

Secondly, the government, being unaware of these resources, incurs unnecessary borrowing costs on raising funds to cover a perceived cash shortage.

Thirdly, idle government cash balances in the commercial banking sector are not idle for the banks themselves, and can be used to extend credit.

Draining this extra liquidity through open market operations also imposes costs on the central bank.

1. Explains the concept of **TSA** and describes its features

Concept: A TSA can be defined as a unified structure of government bank accounts enabling consolidation and optimal utilization of government cash resources.

The establishment of a TSA receive **priority** in any PFM reform agenda, because it provides a number of benefits which enhance the overall effectiveness of a PFM system such as:

- TSA is a prerequisite for modern cash management.
- TSA is an effective tool for the MF/Treasury to establish oversight and centralized control over government's cash resources.
- It enables the Treasury to delink management of cash from control at a transaction level. While it is necessary to distinguish individual cash transactions (e.g., a typical revenue and/or expenditure transaction of a government unit) for control and reporting purposes, these objectives are achieved through the accounting system and not by holding specific individual bank accounts and/or depositing cash in transaction.

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TSA

2. Three key principles we were guided by when considering improvements to TSA design:

- 2.1. The government banking arrangement are unified.
- 2.2. No other government agency should operate bank accounts outside the oversight of the Treasury. Institutional structures and transaction processing arrangements determine how a TSA is accessed and operated.
- 2.3. The TSA should have comprehensive coverage, it should ideally include cash balances of all government entities, both budgetary and extra budgetary, to ensure full consolidation of government's cash resources .

TSA

2. The design issues that need to be considered in setting up a TSA system

- (i) Coverage of the TSA;
- (ii) Government bank accounts structure;
- (iii) Transaction processing arrangements and associated cash flows;
- (iv) Roles of the central and commercial banks in managing the TSA and provision of banking services.

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TSA

3. The introduction of electronic transaction processing (e.g. IFMIS) and payment systems facilitates the establishment of a TSA.

Modern payments processes rely increasingly on electronic transactions, centralizing receipts and payments through a limited number of agents, and processing government transactions with a minimum of intermediate handling steps. This avoids unnecessary use of cash, thus reducing operational risk.

Perspective

Future Treasury expectations

1. Strengthening the cash forecasting and liquidity management process.
2. To improve the overall availability, quality, integrity and reliability of information pertaining receivable and payable accounts, required to produce cash forecasts and trend analysis that are an integral part of a modern cash forecasting process.
3. To improve the overall transparency, relevance, quality and timelines of the consolidated budget execution by capturing transactions at the source.

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Perspective

Future Treasury expectations

4. Foster a higher degree of adherence to sound internal controls over public revenues and expenditures across the spectrum of line ministries, spending units, municipalities, communes and other local public administrative bodies (budgetary institutions).
5. Consolidation of all revenue receipts in the Central Bank. Strengthening public expenditure management, including control of multi-year management contracts in the coming years into the Government Financial Information System (AGFIS).

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Perspective

Advantages from a PFM perspective

1. Opportunity to strengthen business and procedural flows.
2. Strengthening PFM integration.
3. Further optimization of the process of revenue collection and administration by the Government of Albania.
4. Greater commitment of human resources to strengthen the oversight of budget execution.

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Perspective

Advantages from a PFM perspective

4. Redefining the role of Treasury, from bookkeeper to overseer of the consolidated budget execution process.
5. Strong interaction with other key GoA's initiatives, example PIFC.
6. More tools on performance evaluation regarding the budget execution process.

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Perspective

Public Finance Management Reform 2014-2020

Pillars:

1. Well-integrated and efficient planning and budgeting of public expenditure.
2. Efficient execution of the budget.
3. Transparent government financial reporting.

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Perspective

Pillar I-Well-integrated and efficient planning and budgeting of public expenditure

Outcome Indicator:

- a) Introduce multi-year commitment control for multi-year expenditures.
- b) New AGFIS configurations to disaggregate multi-year commitments by individual year allocations.
- c) Assign to treasury the responsibility to pay tax refunds from the Treasury Single Account and to include tax refunds into its cash management plan.
- d) Developing liquidity forecasting programme.

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Perspective

Pillar II-Efficient execution of the budget

Outcome Indicator:

- a) Arrears clearance and force fiscal discipline as a preventive measure.
- b) Establish mechanisms to control the availability of funds prior to procurement through communication between two information systems: PP electronic System and AGFIS for online AGFIS users.
- c) Make fully functional the electronic system for payroll management and establish the interface with AGFIS.
- d) Establish the required policies, instructions, management systems, and manuals to ensure proper handling of VAT refunds situations, including putting in place a performance management system.

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Perspective

Pillar III-Transparent Government Financial Reporting

Outcome Indicator:

- a) Improve the information content and quality of the budget documents.
- b) Gradual extension of the AGFIS giving the right to GGU's accessing the system for their budget execution and financial reporting.
- c) Improve procedures and formats for in-year budget implementation reporting.
- d) Improve formats for a comprehensive government yearly budget execution report including substantive as well as financial information.

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Thank you for your attention!

Q & A

“Save money!” (EEE)