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Public Finance Management Reforms in Pakistan: A case study of the Treasury Single Account Regimen

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LIST OF ABBREVIATION

Abbreviation	Definition
PFM ACT-2019	Public Financial Management Act-2019
TSA	Treasury Single Account
PIFRA	Project to Improve Financial Reporting and Auditing System
IFMIS	Integrated Financial Management Information System
DMO	Debt Management Office
DMA	Debt Management Account
FA	Financial Adviser
CMU	Cash Management Units
FCF	Federal Consolidated Fund
PFA	Public Account of Federation

1. INTRODUCTION

The Public Financial Management (PFM) refers to the regime of laws, regulations, processes and institutional, organisational and management systems which are established to ensure that the public monies are raised and used in an effective and efficient manner so as to ensure achieving delivery of services in accordance with the national policies (Williams, 2010). The implementation of a sound Public financial management thus becomes a yardstick to measure how successfully the Government conducts its business.

In case of Pakistan, before the promulgation of the Public Finance Management (PFM) Act 2019-there was no policy framework in terms of cash management in the country. Hence there was an urgent need for a reform in the system so as to create a credible financial management for the government. PFM ACT 2019 encompassed the whole system of public finance management but in this paper only the concept of Cash Management would be dealt with—and the introduction of the Treasury Single Account system (TSA) has been taken as a case study for empirical research.

Public Finance Management Act of 2019 provided with a sound legal basis for carrying out the processes related to Budgeting and the way Cash is managed in Pakistan. Chapter five-of the PFM Act 2019 delineates the basic principles of sound cash management. Treasury Single Account is the first pillar of modern and prudent financial management. It envisages a system of one particular account or a set of linked account where all the governmental cash would be swiped at the end of the day (Williams, 2010). Before the notification of Cash Management and Treasury Single Account Rules 2020, the Finance Division used to provide all the line ministries with a particular budget. Finance division also issued Cash disbursement policies but what happened after the money was provided to the ministries? The same were not followed or reconciled till the end of fiscal year where all the unutilised funds are to be surrendered to Ministry of Finance.

The ministries had opened up accounts in commercial banks(including National Bank of Pakistan-which is owned by Government) for their operations and investments.[1] The funds are released on quarterly basis and are parked in these accounts. Besides this other financial accounts such as endowment funds, General Provident Funds (GP Fund), Pension funds etc. were also managed through opening of separate accounts. These respective departments do collect some interest on the said money. However, the departments have not used the full amount from day one, on the other hand, Federal finance division had to incur more public debt and borrow money on interest from open market through the same commercial banks to fund the total demands. So the government was thus paying interest on its own money which was parked in the banks and channelled as sovereign bond investment against the debt raised by the government. It was government's own money because the money that was stacked away in the commercial bank accounts belonged to the Finance division which was used to finance government bonds. It created fiscal burden on the government which had a significant cost and could be managed. Hence

[1]https://www.finance.gov.pk/budget/circular_18052022.pdf

the government designed rules for cash management so that such issues could be tackled. This was the reason behind government's adoption of the treasury single account (TSA). Government has since the promulgation of the Cash Management and TSA Rules 2020 banned the opening up of commercial accounts by the line government offices and has also vividly prohibited the investments by all the government offices. Upon discussion with Ministry of Finance (MOF) officials it was revealed that an estimate suggests that there are more than eighty thousand accounts maintained by the line ministries and so far around only 4000 have been closed out. Which means a significant amount is still parked in the commercial banks and is creating a cyclical fiscal debt burden on the government.

Table 1

Accumulated Deposits of the Federal and Provincial Governments With the Banking System (Billion Rs.)

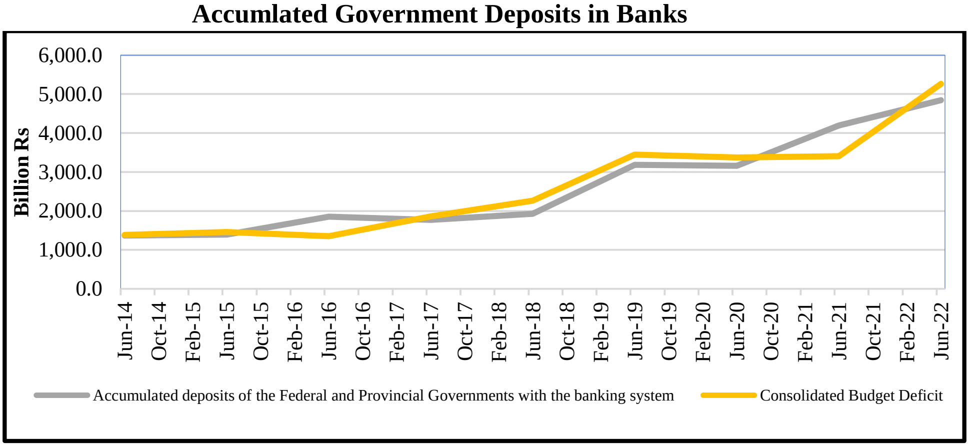
Jun-09	**Jun-10**	**Jun-11**	**Jun-12**	**Jun-13**	**Jun-14**	**Jun-15**
526.2515	599.567	843.216	806.494	834.364	1367.324	1394.118
Jun-16	**Jun-17**	**Jun-18**	**Jun-19**	**Jun-20**	**Jun-21**	**Jun-22**
1853.482	1773.287	1928.917	3187.158	3163.266	4197.479	4839.503

Source: State Bank of Pakistan (Data Accessed from website: www.sbp.org.pk).

It is evident from the above table that the quantum of government money parked through deposits in the commercial banks is considerable and is increasing. Just from June 2010 to June 22 these have increased by more than 9 times and currently stand at close to 5 trillion rupees. Surprisingly these have not come down even after the promulgation of the TSA-2020 rules.

This has significance in terms of the cost which the government have to bear, as we can see from the following graph that the annual consolidated budget deficit is almost the same even less than these parked funds for certain periods. If TSA-2020 is implemented fully it would have affected the budget deficit-accumulation of debt significantly. Thus provide a breathing space for already stretched fiscal position of the government.

Fig. 1. Funding Requirement for Consolidated Budget Deficit and Accumlated Government Deposits in Banks



Source: State Bank of Pakistan Website; www.sbp.org.pk.

However, transition to a new Financial Management system and that too for Public Finance Management is not easy. It will have hurdles such as status quo, technology, capacity and skill set up lift and so other system based changes such as revisiting the manuals and laws need to be initiated simultaneously. This paper endeavours to ferret out the developments that the Public Financial Management Reforms have since brought about and it also studies the challenges faced by the reform strategy being adopted by the present government of Pakistan. This thesis will evaluate the progress of the Public Finance Reforms in Pakistan so far and will analyse how effective these reforms have been with a particular focus on the concept of Cash Management and Treasury Single Account. As iterated above, Cash Management and TSA Policy 2019-2029 is the endeavour of the federal government to keep the cash management under a cohesive banking system with an account or a set of linked accounts where all the cash would be stacked so as to control the massive borrowing that aggravates the debt. Cash Management and TSA Rules 2020 happen to be the first major intervention in the financial system of the country. The study will iterate the potential economic gains that the Treasury Single Account will offer and will discuss the constraints to its implementation as well. This paper will in depth analyse the way the process of reform has evolved over the years.

1.1. Statement of Problem

The public financial mismanagement in country leading to higher debts has resulted in devastating macroeconomic indicators i.e. Low GDP, High Inflation and ballooning Debt servicing cost etc. The mismanagement of financial resources forces the government to resort to excessive borrowing and this eventually aggravates the debt. So the main research question addressed through this paper is: "what are the PFM Reforms in Pakistan and what exactly is TSA? How will cash management benefit from the introduction of a Treasury Single Account regimen? and what are the reasons of the continuous delay in its implementation?"

Public Finance Management Reforms began with the introduction of automation of the accounting procedures in Accountant General of Pakistan Revenues through the world bank funded PIFRA (Project to improve financial reporting and auditing system) from the year 1996 till 2014. Then in the year 2019, a PFM Act was enacted that changed the way the process of financial management is carried out in the public sector of the country. From the process of budgeting to the way expenditure is recorded -all was made a part of the aforementioned act hence legalised and in the same year Cash Management and TSA Policy was also notified that delineated the contours of the modern cash management and laid ground for the Cash Management and finally the TSA Rules 2020 came out, that were a major intervention in the financial management. So, the associated research questions include;

- *What is the concept of Cash Management and TSA?*
- *How the process of Public Financial Management Reforms began in Pakistan?*
- *Are they being adopted in the true essence of the word?*
- *Is any Radical change being witnessed in the Public Financial Management as a result of PFM Reforms particularly after the promulgation of TSA Rules 2020?*
- *And does implementing the Treasury Single Account System is presenting itself as a huge challenge?*

2. CONCEPTUAL FRAMEWORK

2.1. Cash Management in the Public Sector

Prudent Cash Management is the fundamental concept in Public Finance Management Reform and a Treasury Single Account is the first pillar of a sound public cash management. According to a study conducted by (Teresa & Minassian, 1995); the Treasury Single Account (TSA) serves as a Public Accounting System in which all government revenues, receipts, and incomes are reflected into one single account, and it is maintained by a country's Central Bank. The same single account is also used to execute all payments as well. Hence the purpose of this, as per (Stefan W. & Schmitz, 2006); is to make sure that there is transparency as to earnings and spending of a government as well as the government revenues are accountable in clear transactional terms. It is therefore imperative to make sure that there is transparency and misappropriation of the public funds is avoided. We can also say that through effective maintenance of a Treasury Single Account (TSA), it can be ensured that a government has suitable cash management and can do away with the "idle funds" that are usually with commercial banks. Richmond and Rosemond (2020) vividly explained the concept of Treasury Single Account and how it positively affects the governmental functioning by keeping up a record of the cash flows on a daily basis.

Similarly, it can result in increased supervision and control over how a government's revenue is collected, and expenses are paid. Garbade, Partland and Santoro (2004) also opines that the Treasury Single Account (TSA) is a particular structure of government bank accounts that envisages a cohesive view of the government cash resources. A working paper of the International Monetary Fund that was published in 2010 (Sailendara P. & Israel F., 2010), suggests that TSAs should be a part and parcel of the public finance management reform agendas of the countries that want to develop a system aimed at ensuring efficient management and effective use of the public funds. The same seminal study has vividly illustrated as to how Treasury single account helps gain financial stability in the modern world. The same article has also suggested ways through which migration of cash balance ought to be handled from commercial banks to the central bank so as to maintain monetary liquidity. A per Pattanayak and Fainboim (2010) the conversion of cash system into Treasury single account ought to be stage wise and not done in haste. However, if we study the Cash Management and TSA Policy 2010-2029 of Pakistan then we see that the same has been planned by the federal government and gradually adopted. TSA implementation is going to be a gradual process. In the first phase the Ministries Divisions Attached departments and subordinate offices were brought into the net of TSA and in the second phase that started in April 2021 the migration of commercial bank accounts of the Autonomous bodies began however progress is not as per expectations. This was also seen from figure one that the amount still deposited in the commercial banks is almost the same as the budget deficit.

On the other hand, the fragmented banking structure of developing economies give rise to the presence of the Idle cash (Pattanayak & Fainboim, 2010) and this fragmentation ought to be curtailed besides implementation of TSA. First a cohesive view of all the bank accounts used by all entities of the government ought to be garnered and then gradually they should be converted into the Treasury Single Account system as per customisation of their needs.

2.2. TSA; Empirical Studies

There are many comparable experiences for TSA implementation. Below we have proved some of the comparable countries reforms in that regard.

2.2.1. *TSA in African Countries*

(1) A study by Ekubiat and Ime (2016) reviewed in detail the adoption of the TSA in **Nigeria**. As per the aforementioned study public funds in Nigeria had been wrongfully used at all possible levels and the introduction of TSA greatly helped in curbing the menace of financial corruption between 1999 and 2015 and it was revealed that by closing down the multiple commercial bank accounts and bringing the cash into one set of linked accounts, financial probity was successfully achieved. The study also assessed the closure of bank accounts by East African Community partner states and it was observed that the governmental oversight on the cash inflows and outflows helped in managing the finances and improving the economic governance.

(2) In **Kenya** the Public Finance Management Bill 2017 created the grounds for the development of a Treasury Single Account. IFMIS (Integrated Financial Management Information system) had to be introduced so as to implement the Public Finance Management Regulations 2013 and since its adoption economic conditions and cash management has improved.

(3) In **Malawi t**he creation of a treasury single account is in its formative phase (Richmond S. Q., 2020). The process of integration of all governmental cash through the IFMIS has begun and as per the finance minister of Malawi the fragmented banking system of a country is a horrendous public finance management weakness and needs to be removed soonest so as to develop a sound financial management system.

2.2.2. TSA in Developed Countries

(1) **France**: France has a very developed TSA at the central bank and it includes the balances of local administration and municipalities and semi-governmental bodies and all the government revenue and spending departments. In France the TSA Architecture is fully centralised and minus the social security funds that are held in a government owned savings bank all governmental cash inflows are into a centralised TSA and there is complete governmental oversight on the financial management.

(2) **UK**: All cash balances of the central government are held into a TSA that is maintained at the central bank. Local authorities and state-owned enterprises are outside the TSA system and they keep their cash balances in the commercial banking system. In the UK, sub accounts are linked as a pyramid. Each account sweeps into the one above. Top Account-Debt Management Account is managed by the UK Debt Management Office and is the target cash management account. Permissions to spend are transferred by the Treasury into spending agencies subaccounts on request from the agencies. Payments and receipts managed from a single sub-account swept into the Consolidated Fund and then to the DMA. Most transactions are managed by two commercial banks which are selected by competition. Payments are made direct where possible i.e. claim cleared across the TSA via the interbank system. Some seed funding is paid to the commercial bank early every morning but swept back at the end of the day.

(3) **Australia:** Australia has a mixed TSA architecture. The department of Finance and administration manages the banking and payment system within the government. The Department of Finance holds the main government bank

accounts at the Reserve bank of Australia. The Official Public Account at Reserve bank provides funds for all spending departments of the country. The funds are provided to the departments a day in advance keeping in view the expenditure statements.

(4) **United States:** The US treasury keeps a consolidated funds pool and the Federal reserve acts as the main governmental bank. The system is primarily decentralised but there is a constant liaison between the federal reserve bank and other governmental agencies.

2.2.3. Other Studies

However, another study by Eme et al. (2015) suggested how important the political will is in terms of the implementation of the Treasury single account. It stated that in case of Nigeria President Buhaari's determination created the grounds for successful implementation of the Treasury single account. The study opined that the system of TSA greatly facilitates the governmental functioning. It puts an end to the intermediation by the multiple banks and stops the misuse of funds by revenue generating organisations.

Whereas another study by Pattanayak (2010), mentions that cash management in the public sector holds great significance as unlike the private sector cash inflows and outflows fall under the domain of multiple stakeholders and the agencies responsible for revenue generation are different than the spending authorities. A cash management unit has to keep track of all the movement of cash and there are many benefits of effective cash management that include;

(1) Increased certainty—effective cash management brings forth the increased certainty in regard of the payments that are to be made and it make mismanagement or fraud difficult.
(2) When the idle balances in the banking sector are minimised then the unnecessary borrowing is saved and this helps in curtailing the debt.
(3) When the government accounts are linked it improves the visibility of cash flows and it reduces gross balances and it's easier to forecast cash flow beforehand.
(4) The financing instruments including the Treasury bills and other short term borrowing gives the governments increased flexibility
(5) Effective cash management makes the monetary policy interventions less difficult and improves short term interest rates and uncertainty in the money markets

Mike Williams (2010) on the other hand states that effective cash management is quite challenging. It requires adequate information management system to be in place and the government personnel shall be equipped with analytical skills. Some of the systems very necessary for effective cash management are as follows:

(i) There should be proper database for monitoring the expenditure of the government.
(ii) Adequate information of the financial accounts shall be published.
(iii) Debt management ought to be based on accurate recording systems and the same information will be integrated into the government' accounting systems so as to ensure proper debt servicing.

(iv) The government cash managers shall integrate forecasts of the receipt and payments and shall be capable of generating flow profiles so as to decide the future Treasury bill issuance or other short-term strategies for lending and borrowing.

(v) As a matter of fact, from expenditure control to debt and cash management all shall be synchronised so as to come up with a straight through processing of data from the different systems. Cash managers shall be adequately trained and shall have enough knowledge of keeping all the systems integrated so as to attain efficient cash management.

3. THEMATIC ANALYSIS

Now given the complexity of the research questions explained above and the conceptual framework presented above; the present study is based upon the themes and it was structured in a form of detailed survey of the Federal Government and various facets of federal government, which were brought into the ambit of research. As the Rules of Business clearly define the term Government Office-The federal government comprises of Ministries Divisions Attached Departments and Autonomous bodies so all the four types of government offices were brought into the research ambit.

As a sample the main focus was on four ministries i.e. Ministry of Science and Technology, Cabinet Division, Finance Division and Ministry of Maritime Affairs-however while conducting qualitative research a holistic appraisal of the federal government was carried out. Around fifty officers from the Federal government were interviewed. This included officers from the level of Additional Secretary that is the second highest level at the federal Secretariat and from the federal adjuster to the officers working at the Debt Policy Coordination Office were interviewed. Coordinator Budget was time and again interviewed because this seat is crucial for fiscal management. Officers from the Planning commission were also interviewed, they primarily deal with the chapter 4 of the Public Finance Management Act which deals with the project planning and management in Pakistan. Furthermore, the officers from the attached departments and autonomous bodies were also interviewed and that included specifically officers from the Pakistan Council for Scientific and Industrial Research and Pakistan Council for Science and Technology which are attached departments of the M/o Science and Technology.

Following themes were kept in mind while conducting the research;

(1) **Public Finance Management Reforms** What are the Reforms and what is their need? When were they envisaged and how are they being rolled out? Was PFM Act necessary?

(2) **What is Modern Cash Management**. Based on the literature reviewed so far a concrete definition of the term was already at hand. During the research the concept was seen through the lens of the personnel involved in the cash management in the country and this included prolonged interviews with the officers at the Budget and Debt Wing of the ministry of Finance.

(3) **What is Treasury Single Account** and how is it being conceived at the Federal Government? What is the general perception about the TSA and how welcome it is in the governance?

(4) **How aware are the government functionaries** about the TSA and its ramifications?

(5) **How will TSA implementation help** and what is the correlation between Federal Consolidated Fund and the TSA. What does the constitution suggest about the management of cash in the country?

Thus keeping all the five themes illustrated above in mind, which are based on the objectives of the study, an exploratory research was carried out. It started with the interviews from those at the helm of affairs at the Finance Division and particularly the Budget Wing because PFM Act 2019 was prepared by the officers of the Budget wing with the help of the consultants from European Union and IMF and also with the help of the officers from the Auditor General of Pakistan's office and Accountant General of Pakistan Revenues and officers from the Controller General of Accounts office. So this was the obvious choice.

4. THEMATIC ANALYSIS FINDINGS

(A) PFM Reforms and the Knowledge Base of Government Officials:

First and foremost, the concept of Cash Management and Public Finance Management Reforms was discussed with the senior most officer i.e. the Coordinator Budget and he opined that "*Before the promulgation of PFM Act there was no legal framework available for the cash management in the country. All the management of cash was being carried out in the light of rules and regulations issued from time to time by the President's orders. Most of the cash management was with the State Bank of Pakistan with the Finance Division working on managing the expenditure and to some extent non-tax revenue but PFM Act totally changed everything*".

Further he mentioned that disbanding the Financial Advisers (FA's) Organisation and Empowering the Principal Accounting Officers was one step towards more autonomy and more decentralisation. Finance division started working on creation of a Cash Management Unit and realigning the work of debt policy coordination unit. TSA is a very novel idea in Pakistan although the Federal Consolidated Fund (FCF) already has many characteristics of a TSA still the liberty enjoyed by autonomous bodies has come at a cost for the federal government. After the promulgation of PFM Act things became vivid for those working at the Finance Division but how about the officers of other ministries? Level of awareness is disappointingly low. Officers at Cabinet Division opined that they have no idea as to how can regulatory authorities be brought into the ambit of TSA and why was PFM Act necessary from the very outset.

Same ideas were shared by the officers of the Ministry of Science and Technology that has a multitude of autonomous bodies but all work on their own terms and conditions and their officers are unable to comprehend the change that has been envisioned in the PFM Act.

Categorisation of the Public Sector Entities: Amendments in Rules of Business

In order to streamline the government departments fund management, Section 36 of the PFM Act 2019 mandated the Finance division to categorise the Public Sector Entities into various categories i.e. the government's business enterprises, Research organisations and Regulatory authorities etc. Once categorisation takes place –it will become easier for the Finance division to cater to the fears of the public sector entities in implementing the TSA Regimen. The organisations that are research based can be exempted from remitting all their earnings into the TSA system. Autonomous departments such as Universities could get certain leverage in retaining the utilisation of funds and some business enterprises could also be placed out of the TSA system but at the same time, the organisations like Pakistan Standards and Quality control Authority –which generates funds in billions could be brought under the ambit of the federal government which will help the government finance its activities. But before the categorisation –it is imperative that the Cabinet Division amends the Rules of Business 1973-The book that serves as a key to administration in the federal secretariat. Cabinet Division needs to add the autonomous bodies into the Rules of Business and once they are placed there it will become easier for the Finance Division to categorise them into various categories as described above. Without this particular categorisation –its very hard to bring all the Public Sector Entities into the TSA Ambit.

Fears of the PSEs are abound. In order to address those fears, an adequate campaign by the Finance Division is utterly important. By arranging Seminars and workshops the Finance division needs to make the PSEs comprehend the essence of TSA regimen.

4.1. Modern Cash Management and TSA

As a matter of fact, the constitution of Pakistan in its Articles 78 and 79 very vividly illustrates the concept of cash management. Article 78 vividly states that “All revenues raised by the federal government all loans raised by the federal government and all moneys received by it in repayment of any loan shall form part of a consolidated fund known as the Federal Consolidated Fund”.

Whereas all other moneys shall be credited to the Public Account of the Federation including

(1) Received by or on behalf of the Federal Government
(2) Or Received by or deposited with the Supreme court or any other court established under the authority of the federation

As a matter of fact, till date this has never been implemented to the fullest. There are around 300 autonomous bodies[2] and most of them generate revenues and remit a part of their revenues to the FCF but the condition that all moneys raised by the governmental bodies on behalf of the federation shall be remitted into the FCF has not been complied with. The system of Cash Management before the promulgation of PFM Act 2019 and Cash Management and TSA policy 2019 was being carried out on the basis of rules issued by the government. There was a dire need to introduce a proper system of fiscal prudence and that could only be attained once there is a clear path to tread upon.

4.2. Correlation between Federal Consolidated Fund and TSA

Federal Consolidated Fund was created under Article 78 of the Constitution of the Islamic Republic of Pakistan and it was supposed to be the account receiving all governmental receipts. To a large extent FCF is a type of Treasury Single Account but in Pakistan’s case the FCF was receiving all the revenues collected by the FBR and Non-tax revenue collected by

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[2]Reports by Ishrat Hussain’s Reform Cell

Finance division on behalf of the government of Pakistan. However, besides department's own revenue from the amounts transferred a large chunk of expenditure that remained unused was invested in various commercial accounts and interest was being received on the idle amount kept in the commercial accounts of various organisations of the federal government. There were technical reasons such as officers of the Ministry of Kashmir Affairs opined that "*they had kept money inherited from the Maharaja post partition into commercial accounts and it was not possible for them to put it into the TSA"*. Similarly, officers from Pakistan council for Scientific and Industrial Research stated that "*how can they let the federal government take away their autonomy and not let them keep money in their own accounts*". Cabinet Division has a host of such varied organisations under its umbrella. There are some organisations that take budget from government but there are regulatory authorities as well that remit a part of their revenues into the FCF and are brutally independent and it's nearly impossible to make them understand that why governments want to keep all cash inflow and outflow under its check for better financial management. Maybe exemptions would be necessary as in the case of UK and some other countries where some public entities are kept out of the ambit of TSA but clearly that exercise is still missing.

As a matter of fact, the autonomous bodies are resource rich and often follow their own financial rules. Stacking money away in commercial banks makes the government suffer. This particular practice needs to be stopped. The Public Sector Entities should comprehend the predicament of the government and understand that in case any demand for money occurs, the government will be there to fund them up. Keeping money out of the ambit of FCF or TSA negates the principles of good financial management and hence it needs to stop. Table 2 addresses the arguments of Autonomous bodies. (The arguments were made by the officers of multiple autonomous bodies during the survey and the responses are based on MOF concerned staff and review of rules)

Argument	**Arguments from MOF/Rules for TSA**
Our statutes give us freedom to manage our resources.	Agencies will have the same freedoms in respect of the use of their own resources. They will continue to be able to spend their own revenues in timing and amounts as they judge best.
These freedoms include management of our own bank accounts	Agencies will in effect continue to have their own bank account—but it will be a sub-account within the TSA.
It will make it more difficult to meet our objectives	The TSA does not change budgetary authority or the ability to spend resources in the most cost-effective way.
The commercial bank provides other services as well as managing our account	Where these are services that are best provided by a bank and do not require an agency to hold balances with it, the agency could contract separately (e.g. for document custody). Otherwise they will have to be considered on a case by case basis
We will lose interest earned on our balances at the bank	Yes, although that interest has arguably been earned at the expense of the government more broadly ending up borrowing from the same banks and hence the taxpayer
Integration/interfacing our accounting system with FABS is unnecessarily bureaucratic	This is a necessary reform to ensure that the government cash movements are reflected in the government's accounts. It will support better debt and cash management to the collective benefit,
Central government processes are too slow and time consuming	It is your choice of how you process payments—but it will be important that there is a prompt flow of information to government
It will be impossible in the more remote areas where we operate	The use of bank accounts could be continued where the balances are tiny or to support petty cash.
How can we be sure we will retain access to "our" cash after the transfer	Aligning the accounts posting with those in FABS—to ensure no information is lost.
You are taking some cash away by transferring to TSA-I, not TSA-II	Only if cash has been improperly retained in the past—unspent budgetary grants should have been returned.

4.3. Progress so Far & Challenges

Following are the steps taken so far in terms of implementation of TSA:

(1) Re-Designation of the Budget Wing at the MOF
(2) Establishment of a dedicated Cash Management Wing within the Budget Wing so as to coordinate and implement the TSA Rules 2020.
(3) State Bank of Pakistan taken on board and asked to identify the commercial accounts of the government offices.
(4) Notification of the Government Offices as described in the Cash Management and TSA Rules—In Phase one only the Ministries/Divisions/attached departments as elucidated[3] in the Rules of Business 1973 have been brought into the TSA system. The autonomous bodies will be made part of the system once the same are duly made part of the Schedule III to the Rules of Business and are further classified by the Budget Wing as mandated under Section 36 of the PFM Act 2019. A preliminary list of public entities has been issued but without the requisite amendments in the Rules of Business 1973 –the complete implementation will be very hard to attain.
(5) Financial Management Regulations and powers of the Principal Accounting officers Rules 2021[4] have recently been notified that have been made as per the framework provided by the PFM Act 2019.
(6) Closure of zero budget accounts

Coordinator Budget MOF reiterated that *"description of the aforementioned Rules is necessary in order to understand exactly how effectively has the government comprehended the basic concept of PFM and how adequate these Regulations are"*.

- *Financial Management Regulations and Powers of the Principal Accounting Officers Regulations 2021*[5] *have been devised keeping in view the concept of Financial autonomy with great accountability for the Principal Accounting Officers envisaged by the PFM Act 2019.*
- *For the first time these Regulations have curtailed the authority of the Finance Division as the right to reappropriation in terms of some particular heads of Budgets that were previously under the domain of Finance Division have now been delegated to the Principal Accounting Officers.*
- *But, here is where the fault line lies. In a system where, parliamentary democracy is not strong enough, such independence can be counterproductive but as these Regulations are relatively new, one hopes that the government would strengthen the system of Internal Audit elucidated in the aforementioned Regulations in the form of a position of Chief Internal Auditor is established in earnest and the Parliament takes serious interest in regularly auditing the Ministries/Divisions.*

5. CONCLUSION AND RECOMMENDATIONS

The extent of public money parked in commercial banks are collectively more than the annual borrowing needs for the federal budget. This has consequences both in

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[3]https://cabinet.gov.pk/SiteImage/Misc/files/ROB-amended-upto-8th-Oct-2020.pdf
[4]http://www.finance.gov.pk/budget/FMP_Reguations_2021.pdf
[5]http://www.finance.gov.pk/budget/FMP_Reguations_2021.pdf

terms of excessive cost of borrowing as well as the poor management of public financial resources. The public sector entities are outside the purview of the Finance division thus no accountability or forecasting can be done. As a matter of fact, the preconditions of establishment as narrated earlier are fundamental in the successful creation of a TSA regime in the country. However necessary Political will is an essence without which it will be virtually impossible to attain the task of establishment of TSA. IFMIS is already present within the existing system so what needs to be done is making the ministries and divisions close their commercial accounts and then developing agreements with the Public entities wherein they must be urged to remit their revenues into the non-food account 1. But this will not happen overnight or without creating awareness and understanding the specific micro requirements of the public sector entities.

Establishment of a dedicated cash forecasting system is essential in keeping regular forecasts of cash inflows and outflows so as to take the fiscal management into the echelons of modern-day cash management. Thus, what the entire thesis entails is the essence of a TSA regimen as being an important tool of modern-day cash management. The impediments in its utter implementation are lack of cohesion within the governmental agencies and lack of clarity within the public entities in terms of TSA Regime.

Once these two hurdles are resolved the TSA Regime will become a reality and not a far-fetched dream as it presently looks like. However, the concerns presented by the senior officers related to public financial management have not been addressed adequately. Nor the desired changes in the conduct of government business has been made. Especially the desired changes in the classification of attached/autonomous bodies.

From the above analysis the following recommendations may make the herculean task of the implementation of TSA a little easier and on track:

(A) Creating a dedicated Cash Coordination Committee and Debt Management Wing. There should be a liaison between the Cash Management and Debt Management Units because separating these two creates institutional weaknesses and leads to ineffective Cash and Debt Management

(B) Putting an end to fragmented Cash Management

(C) Creating awareness amongst the governmental functionaries through trainings, development of manuals and active foresight.

(D) Creating grounds for TSA for those areas which have not been adequately catered for. For example, the clarity on authority of control over expenditure decisions of autonomous bodies etc.

(E) Capacity Building of Civil Servants working with the PFM Reforms in general and TSA in particular.

(F) Political Will: A resolute political will is utterly necessary for the implementation of TSA as major chunk of commercial bank accounts belong to affluent organisations and only a political discourse can make them comprehend the essence of modern Treasury Management.

5.1. Limitations of the Study and Future Scope of Work

Since there is no work on TSA/Public Financial Reforms in Pakistan, especially from the field perspective this study is novel and very basic. There is a need to expand the scope with more data and focused group discussions. In general departments are reluctant to share the data or even their views. However, being civil servants it was possible for us to extract some basic understanding of the issue of hurdles to implement the TSA in Government. A lot more work is required to guide the successful implementation of TSA and hopefully this study will pioneer the future work in this regards.

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