Cash Management and Non-Tax Revenue Collection and Accounting

Treasury Single Account & Treasury Functions

Lisbon May 17, 2018





Best Practices for Segregating Budget and Treasury Functions

BUDGET FUNCTIONS

TREASURY FUNCTIONS

- Preparing the budget proposal
- Monitoring budget execution
- Adjustment of the budget
- Proposing commitment ceilings (Available funds)

Policy

- Funds allocations (credits releases) to entities for payment
- Cash flows forecasting and monitoring
- Establishing cash buffers
- Managing assets and liabilities
- Oversight of bank accounts and payments systems
- Defining financial risks policy

Implementation

- Debt and cash operations
- Managing liquidity
- Establishing operational process (including ICT)
- Negotiation with banks bank services (accounts, payments, collecting)
- Managing financial risks

TSA Main Characteristics/Objectives

FINANCIAL EFFICIENCY

- Funds centralization
- Fungibility
- Minimizing transactions costs
- Maximizing return
- Reducing idle balances

OPERATIONAL EFFICIENCY

- Processes standardization
- Efficient payment systems
- Simplifying operational activities
- Reducing manual activities and related risks
- Automation of registrations and reconciliation

DISCLOSURE

- Real time information
- Database for treasury systems
- Linkage TSA-Accounting information

TSA improvement

Expanded TSA:

- The DCC is a requirement for improving the TSA by providing real-time information on revenue collections and reducing the number of bank accounts for revenue collection
- Adopting book-entry accounts mechanism first within each entity
 - It allows an entity to have only a single IGCP bank account
- Expanding the book-entry accounts gradually

Single Collecting and Accounting Document DCC

CHARACTERISTICS

Standard, with flexibility:

- Minimize data to be processed by the banks
- Enable adaptations to legacy systems
- Enables adaptations to specific processes

TECHNOLOGY

Issuance from local systems

- by consulting a central system
- Interoperability
 Accounting in the ECE for cash monitoring:
- Payable accounts
- Received funds
 Centralize processing upon
 receipt requires:
- unified catalog of revenues
- Accounting parameters

BANK SERVICES

Banks:

- Processing collection
- Sending information to the
 - ECE systems
- Local systems (collection entities)
 IGCP:
- Depositing in the entity's account

DCC Implementation

SGR with dual function:

- Collecting revenue estimates for budget purposes (budget function)
- Managing the operational inflow process (treasury function)

Improving the SGR gradually:

- Prioritizing the DCC issuing and registering
- Developing Local SGR firstly for entities that don't have legacy systems
 - Firstly as a DCC issuer
 - As a "credit management system" on medium or long-term

DUC, DCC and Electronic Invoice: ensuring consistency between DCC and Electronic invoice projects.

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DEVELOPING THE CASH MANAGEMENT MODEL

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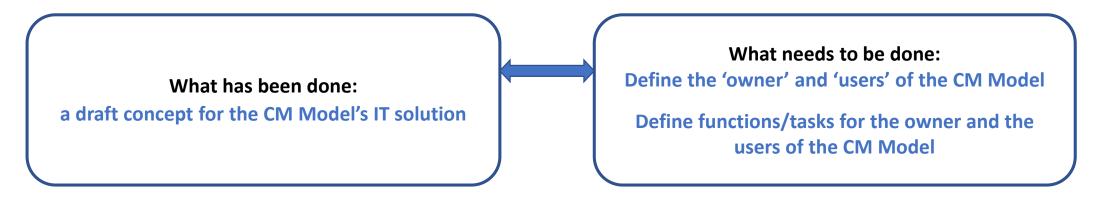




Objective of the CM Model (concept paper)

Budget Execution Control

12-month Rolling Cashflow Forecasting



RECOMMENDATION:

- Split developing of the CM Model into two sub-areas: (i) **Budget Control** and (ii) **Cash Forecasting** as functionalities, tasks and the level of detail for information for both of these areas differ
- Involve various stakeholders for developing the CM Model concept paper

Developing the CM Model: Budget Control

- Define **procedures**, **roles and responsibilities** for each member in the budget control area in the CM Model
- Define the level of centralization for budget controls:
 - Analyse pros and cons of leaving transaction level control functions/monitoring for the Coordinating Entities and a high-level control and oversight to the MoF

Members of budget control processes:



Developing CM Model: Cash forecasting

- Define **procedures, roles and responsibilities** for each member in the cash forecasting area in the CM Model (central vs local levels)
- Map input data needed for various cash forecasting reports required by each user of the CM Model (central vs local levels)
- Map on-budget and off-budget cash flows to be included in cash forecasts, include cash forecasts for cash deposits by non-TSA members (local govs, Social Security, ..)
- Define cash flow forecasting reports based on automated data uploads from accounting systems and manual data inputs, frequency of updates, and how to merge this information and eliminate intra-group payments
- Define functionalities for variance analysis, scenario analysis, statistical forecasting, etc.

Members of cash forecasting processes:



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ICT STRATEGY AND CASH MANAGEMENT MODEL DEVELPOMENT

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Current Situation of ICT Systems

Current situation

- The financial management system is fragmented with different ICT platforms and databases.
- Given that budget executing units and revenue collection units have invested in their own financial management IT systems, there is a need to implement IT interoperable solutions to collect information on revenue (DCC) and expenditure (electronic invoice) and consolidate it for budget control and cash management.
- Reducing number of legacy systems should remain a medium and long-term objective as part of a global ICT strategy.

ICT requirements for the new Cash Management Model

Technical assistance support on ICT

For the short-term

- The technical review of the fragmented ICT systems for the centralization of the accounting information (identifying technical bottlenecks for deploying the DCC and the electronic invoice).
- Strategy for deploying the DCC from the governance perspective (international cases of success and failures in using alphanumeric codes for non-tax revenues)

For the medium-term

 Defining the Global ICT strategy systems with the perspective of a more integrated Financial Management System

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NEXT STEPS

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Budget Execution Controls & cash forecasting

- June 25th- June 29th : Second Mission to review:
 - Details of the concept note on the Cash Management Model,
 - Legal and regulatory instruments for the proposed changes,
 - ICT consequences of the new model
- September 2th-7th: Third mission on the organisation of the Ministry of Finance
- September or October : Workshop on best practices and findings of the three previous missions (including the current one) to high-level officials in the MoF

Working Method for the Preparation of the Next Mission

- Creation of a working group including UNILEO, DGO, IGCP, ESPAP, and the WB Team
- Dissemination of the draft Concept Note on the Cash Management Model prepared by UNILEO to the working group and collection of their comments by May 31
- Preparation of a revised draft concept note by the WB Team
- Discussion on the revised draft concept note and its legal, organizational and practical (ICT in particular) requirements during the June mission

Non-Tax Revenue Collection and Accounting

Issues :

- Analysis of earmarked revenue
- Analysis of the current use of the DUC and scope for extension
- New payment systems
- ICT implications

Dates of the mission to be determined (November?)