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Treasury single account system and economic juche: the Nigerian experience.

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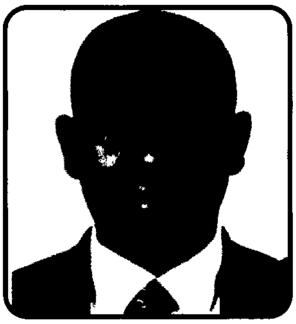
TREASURY SINGLE ACCOUNT SYSTEM AND ECONOMIC JUCHE: THE NIGERIAN EXPERIENCE

ABSTRACT

This paper critically examines the nexus between the full implementation of the Treasury Single Account System (TSA) and Economic emancipation in Nigeria. Using data sourced from the Central Bank of Nigeria Statistical Bulletin, the study employed the use of explorative analysis. Findings emanating from the research indicate that the full implementation of TSA is capable of rejuvenating the drive for economic emancipation in Nigeria. Therefore, this paper has recommended policy reforms to serve as an operational framework for the full implementation of TSA, being one of the pre-conditions of optimal resource utilization and economic autarky.

Keywords: Treasury Single Account, MDAs, DMBs, Economic juche and Domestic Debt.



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1.0 INTRODUCTION

Public finance and particularly the financial management and accounting of government institutions have become fundamentally important. This matter has received global attention and substantial innovation and fiscal reform had been introduced (Hennie and Bekker, 2009). Ordinarily, management of the resources of any economy should lead to poverty reduction, improvement in the standard of living of its citizens, mitigation of inequalities in income distribution and kick-start economic emancipation. However, in spite of the visible attempts by the various governments in Nigeria to manage their vast financial and other resources, there exists what is referred to as – the paradox of plenty. With its large reserve of human and natural resources, Nigeria has the potential to build a prosperous economy, reduce poverty significantly, and provide health, education and infrastructure services its population needs. However, available evidence indicates that these resources have not been judiciously managed (Aigbokhan, et al, 2007). Ekpo (2015) posited that the Nigerian economy is "uncommon" for an economy such as Nigeria's, with abundant human (skilled and unskilled), material and natural resources to have poverty incidence of almost 70 per cent, unemployment rate of 24 per cent and 50 percent for youths, lending rates averaging 25 per cent, decayed infrastructure, embarrassing public/ private school system and deteriorating health delivery system among others. There is "uncommon" corruption. Most of the political leaders and technocrats as well as public servants loot the treasury with impunity.

In November 2013, The Central Bank of Nigeria (CBN) called for an urgent implementation of the Treasury Single Account (TSA) to manage the country's revenue properly. The CBN stated this in a communiqué at the end of its 235th Monetary Policy Committee (MPC) meeting where it noted, "A TSA is an essential tool for consolidating and managing governments' cash resources. In countries with fragmented government banking arrangement, the establishment of a TSA receives priority in the public financial management reform agenda" The CBN lamented that the "erosion of the fiscal buffers through the depletion of the Excess Crude Account (ECA) has further exposed the economy to vulnerabilities, while the fall in oil revenue has left capital inflows as the only source of external reserves accretions" (CBN, 2014). It also expressed concern that the federal government's debt had also risen phenomenally along with its deposits at the deposit money banks. This, it said, showed the federal government as a net creditor to the system. "This underscores the urgent need for the immediate implementation of the Treasury Single Account. The continued delay in returning government accounts to the Central Bank is adding to the huge cost of government debt due to poor cash flow management" (CBN,2014:21) the MPC statement added. Although, mixed reaction trailed the full implementation of TSA, the Chartered Institute of Nigerian Banks, CIBN, has expressed support for the ongoing implementation of the Treasury Single Account (TSA). Debola Osibogun, president, CIBN, said this at the 9th annual Banking and Finance Conference of the Chartered Institute of Bankers of

Nigeria (CIBN), with the theme, "The Financial Services Industry Agenda for a New Nigeria," held recently in Abuja. "We believe that the Treasury Single Account will help to cut down the several inconsistencies that have marred public sector fund management in the recent past. Under this initiative, banks would have to leave their comfort zones caused by dependence on government funds to now source for long term and sustainable deposits at cheaper costs, as it is the practice in modern economies around the world,". However, some analysts feared that the policy could lead to another round of banks' failure, this they opined will pose a serious cash crunch and liquidity challenges to the banking sector, who prior to the introduction of the TSA feed fat on the float created by the duplicated and unaccounted MDAs accounts scattered in all the Deposit Money Banks (DMBs) in Nigeria. According to Professor Charles Soludo (2015) TSA is a great initiative; however, we do not have to return to the past by having every penny of government largely redundant in the Central Bank. For an economy desperately in need of stimulation, piling up idle cash balance at the Central Bank of Nigeria is not sound economics. Self-reliant economic development may be defined as the type of development that relies on the human and material resources of the economic unit, whose development is the subject of discussion. In other words, it is development that relies on "internal" resources as opposed to development that relies heavily on "external" resources. Self-reliant development is not autarky; it allows for "external" support, but it is propelled and sustained by "internal" resources. Thus, one of the common objectives you find in economic plans or a blueprint of continental, regional, national and state organizations or governments is "to promote self-reliant development (Ojemeraya, 2004). The management of the collective patrimony in Nigeria is fraught with the prevalence of misappropriation of public funds by public servants, delays in fund disbursement, low absorption capacity by some departments, and idle, dormant bank accounts. As if to further complicate Nigeria's problems, a new and ominous spectre has appeared on the horizon where public funds lie idle and undetected in some bank accounts while the MDAs borrowed to finance other activities. This paradoxical situation depicts the syndrome of a highly dependent government banking arrangement despite her enormous resources. In economic affairs, Nigeria is far from the independence and self-sufficiency to which it aspires. The country is in the throes of underdevelopment and is plagued by chronic borrowings from DMBs. Far from relying on its own economic resources which is subject to the vagaries of production and prices of oil at the international market; the challenge for Nigeria is to devise policies and strategies to accelerate economic emancipation despite these daunting problems. It is in view of the controversies and contentious debate the full implementation of TSA might generate, that this paper examines the nexus between Treasury Single Account and economic emancipation.

2.0 CONCEPTUAL ISSUES

The New Webster Dictionary defines Treasury as Government building kept for the purpose of public Revenue and Expenditure or a building for income and expenditure of socio-economic organizations. Management Encyclopaedia defines a Treasury as any place where the currencies or items of high monetary value are kept. The concept of Treasury was first used in the Classical Management Era to describe buildings erected to accommodate gifts to the gods such as Delhi treasury. In many countries, the Treasury is referred to as Ministry of Finance and the head is known as Finance Minister. Examples include New Zealand, Canada, Malaysia, Singapore, India, Japan and Nigeria. Treasury or Financial Management according to Renice (2005:1) is concerned with the acquisition and applications of funds, financing and management of assets of an organization to achieve the set goals. A TSA is a unified structure of government bank accounts that gives a consolidated view of government cash resources. Based on the principle of unity of cash and the unity of treasury, a TSA is a bank account or a set of linked accounts through which the government transacts all its receipts and payments. The principle of unity follows from the fungibility of all cash irrespective of its end use (Pattanayak, 2010). TSA is a system of aggregative financial inclusion, being a nationally organized and particular way of connecting all the divergent federating units on 3-by-3 matrix, Federal, State and Local governments and their respective Ministries, Department and Agencies (MDAs), to account for all their incomes and revenue via TSA designated bank accounts with Deposit Money Banks (DMBs) and channelling same to a consolidated single account deposited at the Central Bank of Nigeria (Prince, 2015). According to Adebayo (2015) TSA is a Federal Government independent revenue e-collection initiative that will automate revenue collections of ministries, departments and agencies (MDAs) directly into the Federal Government Consolidated Revenue Fund (CFR) account at the CBN through the REMITA e-collection platform and other electronic payment channels. The implication is that banks will no longer have access to the float provided by the accounts they maintained for the ministries, departments and agencies. Different types of account could be maintained under a Treasury Single Account arrangement and these may include the TSA main account, subsidiary or sub-accounts, transaction accounts and zero balance account. Other types of accounts that could be operated include imprest accounts, transit accounts and correspondence accounts. These accounts are maintained for transaction purposes from funds flowing in and out of the Treasury Single Account (Adeolu, 2015).The cardinal objective of TSA is to facilitate implementation of the Federal government's Cash Management Policy, and to achieve greater accountability for public expenditure. This would ensure that sufficient cash is available as at when needed to meet commitments. He said it would control aggregate cash flow, improve the management of government domestic borrowing programme, enhance efficiency and enable investment of idle or excess cash (Obinna, 2015). Prior to the full implementation of TSA, Nigeria had fragmented banking arrangements for revenue and payment transactions. There were more than 10,000 bank accounts in multiple banks, which made it impossible to establish government consolidated cash position at any point in time. It led to pockets of idle cash balances held in MDAs' accounts when government was out borrowing money (Obinna, 2015:52).The banking arrangement clearly showed a Slavery tendency in which government perpetually borrowed from DMBs at exorbitant interest rates to finance development projects while public deposits accounted for 75 per cent of commercial banks' total deposit at zero per cent interest rate. Okwe, et.al, (2015:58) described the situation aptly when they posited that, currently everyone is a slave to the system, and people need to be at their desk to effect transactions. Although foreign scholars often describe juche as "self-reliance", the true meaning of the term is much more shrouded. Kim 11 Sung (1982) explained: Establishing juche means, in a nutshell, being the master of revolution and reconstruction in one's own country. This means holding fast to an independent position, rejecting dependence on others, using one's own brains, believing in one's own strength, displaying the revolutionary spirit of self-reliance, and thus solves one's own problems for oneself on one's own responsibility in any circumstance. According to Kim Jong 11 (1982), building an independent national economy means building an economy which is free from dependence on others and which stands on its own feet. An economy which serves one's own people, and develops on the strength of the resources of one's own country by the efforts of one's own people. An economy in the process of economic development is likely to experience a combination of three sets of change:

(I) an advance in utility; a major factor contributing to advancement in wellbeing in real income per capita.

(ii.) Advances where needed in the areas of education, health and general quality of life. Goulet (1971:10) argued that economic development involves advances in skills, knowledge, capability and choice.

(iii.) Self-esteem and Self-respect: A growing sense of independence from domination by others or at times from the state is a major characteristic of an economy that can be said to be developed. Kim (1982) asserted that, if one lacks the revolutionary spirit of self-reliance, one will lose faith in one's own strength, fail to tap the inner resources of one's country, grow indolent and loose, and fall into passivism [sic] and conservatism. Regardless of the many difficulties facing Nigeria, two basic requirements underpinned their resolution. The first is the belief in Nigeria and her institutions, and the second relates to the capacity of Nigerians to manage their polity, socio-economic development and treasury with concomitant zeal within the scope and context of the political and economical realities.

2.1 Treasury Single Account and the Nigerian Economy

The government of Nigeria has different sources of raising revenue for carrying out the various state functions. The sources of revenue can be classified into twelve (12) namely: Customs and Excise, licenses and internal revenue, direct taxes, fees, mining royalties, earnings and sales, armed forces revenue, interest and repayment (general), interest and repayment (state), reimbursements; rent on government properties; statutory and non-statutory financial transfers and miscellaneous revenue (Anyanfo, 1996; Anyanwu, 1997; Adams, 2001). Though Section 80 (1) of the 1999 Constitution as amended, states - "All revenues, or other monies raised or received by the Federation (not being revenues or other monies payable under this Constitution or any Act of the National Assembly into any other public fund of the Federation established for a specific purpose) shall be paid into and form one Consolidated Revenue Fund of the Federation". However, successive governments have continued to operate multiple accounts for the collection and spending of government revenue in flagrant disregard to the provision of the constitution which requires that all government revenues be remitted into a single account. This singular lacuna has made it possible for revenue generating MDAs to have reportedly generated N3.06 trillion in 2009, but only remitted N46.80 billion to government coffers; generated N3.07trillion in 2010 but remitted mere N54.10billion. Same agencies generated N3.17 trillion in 2011 and remitted a meagre N73.80billion. He cited the case of NNPC and its subsidiaries, which, having internally generated N6.132trillion between 2009 and 2011 remitted zero naira to the government treasury (Okwe, et.al, 2015).

Adegbite (2015) opined that the Treasury Single Account is a masterstroke policy which is more than simply closing down accounts. It is the most potent anti-corruption weapon by any government, given that, it is a double-edged sword that would not only cut off all the fingers of corruption in government, but it is also an ingenious policy that will sanitize the banking sector. Where there are no longer existences of hundreds of clandestine accounts hidden in several banks, it therefore becomes impossible to launder money, as there would be no platform to do so. The gain of this policy is unimaginable. TSA will definitely have a positive effect on the economic planning of the Federal Government, swift and full budgetary implementation, reduce leakages and other irregularities in the MDAs, aids appropriate planning, data collection and data analysis and timely aggregation of Federal Government Revenues etc.(Adebayo,2015).

Adeyemi (2015) asserted that, "All stakeholders should contribute their quota in promoting efficiency and not opacity in the nation's financial system. A situation whereby you don't know how much is due to government and government revenue gets intercepted will make it difficult for government to embark on developmental projects and achieve economic growth". TSA is forcing banks to leave their comfort zones caused by dependence on government money to become creative and inventive as it is the case with modern economies around the world, who seeks private deposits through investment in the real sector of the economy. In fact, with economic financialisation soon over, banks will discover that their survival is dependent on their embracement of fractional reserve banking, which is leaving a fraction of private depositors' funds in reserve while using the main deposits to chase high profit-yielding investment (Okwe,et al,2015). No doubt, the implementation of TSA would further bring to the fore, the ingenuity, creativity and innovative ability of indigenous banks in the pursuit of their mandate of providing better platform for intermediation rather than depend on cheap public funds. According to Sanusi Lamido Sanusi (2013), banks receive government funds at zero percent and lend same to government at 14%, an obvious moral issue which leads to higher liquidity, higher inflation and interest rate with negative effects on the economy. Otunla wondered if it was reasonable that federal government's money be kept with banks by MDAs while the same federal government goes to borrow money to finance budget deficit from banks and other sources. "This is quite absurd" (Vanguard Editorial, 2015:18). Onasanya (2015) opined that the TSA has almost necessarily moved away public accounts at the federal level from the vaults of commercial banks into the Central Bank of Nigeria. Liquidity is shrinking because of the fact that public sector funds constitute a large chunk of commercial banks deposit. Indeed, it is estimated that commercial banks hold about N2.2trillion public sector funds at the beginning of second quarter of 2015.

The nation's banks would be losing about N2trillion deposits to the Central Bank of Nigeria (CBN), with the implementation of the Treasury Single Account. The report on accounts of banks with CBN shows that, as at beginning of the current quarter, banks' total public sector deposits was N1.3trillion with additional net flow from Federation Accounts Allocation Committee (FACC), as at the end of last month (about N240 billion) inclusive of the expected inflows by end of this month may push the figure close to N2.2 trillion by the time the pull out begins (Okwe, et. al, 2015:53). The implementation of the policy has the capacity of crippling ministries and agencies as a result of bureaucracy in accessing needed funds for the smooth running of MDAs when the need arises. To address the challenge therefore, cash releases to MDAs should not suffer bureaucracy bottleneck, rather free flow of cash should be encouraged for the success of the programme (Obinna, 2015:52). The implementation of the TSA affected the liquidity level in the banking system, creating a surge in money market rates as banks scrambled for funds to stabilize their liquidity positions. With the TSA implementation now extended to all federal MDAs, the Nigerian banking industry, on an aggregate basis, would be affected in terms of deposits and funding cost structure (Okwe, et.al, and 2015:58). Onyekpere (2015) argued the opposite as follows: I do not see the full implementation of the TSA hurting banks, properly so-called, it will only hurt establishments that purported and pretended to be banks but have failed, refused and neglected to understand the core mandate of banking industry and do what bankers do elsewhere. It is an opportunity for banks to refocus on the original purposes for which they were set up – to collect depositors' funds (not necessarily government funds), keep them safe; engage in intermediation to create wealth and jobs for the economy and in the process earn profit for themselves. Yes, the idea of sitting idle and expecting rents or rather unearned income is gone and gone for good. Good and well managed banks will have no problem with this policy.

3.0 ISSUES AND CHALLENGES FACING THE FULL IMPLEMENTATION OF TREASURY SINGLE ACCOUNT IN NIGERIA.

This review takes an in-depth look at the obstacles ahead of Nigeria in implementation. It focuses on the challenges and complexities of the full implementation of the Treasury Single Account in Nigeria. Nigeria is thus poised to enter a period marked by opportunities for growth and capacity to overcome myriad of barriers to development. Understanding the institutional, social and political milieu likely to militate against the implementation of TSA is critical to implementing effective and appropriate policy. Prior to the implementation of TSA, public sector deposit accounted for 75 per cent of total deposits in DMBs. With full implementation of the policy, the banking sector is projected to record a net debit of about N1trillion. Though the implementation of TSA is targeted at federal agencies, it will also affect both the Naira and Dollar deposit levels and balance sheets of banks, as the deposits/assets have to be transferred from the banks to the CBN. The withdrawal of these massive funds hitherto held in the commercial banks' domain, may compel banks' to downsize in a bid to survive. Workers in the public sector finance department or marketing department are likely to be the worst hit by this tsunami. This appears more real when the TSA policy is also advocated in all tiers of government. It will be foolhardy, and indeed, beyond common economic rationality that no jobs will be lost in the process. The policy poses serious challenge to price stability in the Nigerian economy. This sign post the fact that the liquidity position of commercial banks is further threatened with the implementation of TSA, banks may become more conservative with their cash. According to the CBN economic reports for Q1 and Q2 2015, total assets of banks dropped to N28.401trillion in Q2 2015 from N28.587 trillion in the first quarter.

While the cash squeeze or illiquidity lasts, there will be rush for the limited cash in circulation resulting in inflation. Furthermore, cost of borrowing is expected to increase, particularly as banks will no longer depend on public funds to give out loans to the business community. Like any other profit-oriented business, the banks would give their funds to the highest bidder. Banks' lending to the economy dropped to N17.262trillion in the second quarter from N17.280trillion in the first quarter, which represents a decline of 1.1 per cent, in contrast to the 4.4 per cent growth in the preceding quarter. The development was attributed to the decline in claims on the Federal Government and the private sector in Q2 2015.

In Q2 2015, the total specified liquid assets of the banks were N6, 348.1billion, representing 35.8 per cent of their total current liabilities. At that level, the liquidity ratio was 0.7 percentage point below the level in the preceding quarter, but was 5.8 percentage points above the stipulated minimum ratio of 30.0 per cent. The loans-to-deposit ratio, at 67.8 per cent was 1.6 percentage points above the level at the end of the preceding quarter, but was 12.2 percentage points below the prescribed maximum of 80.0 per cent - EFInA (2015). This will stifle smaller businesses. The implementation of the policy has the capacity of crippling ministries and agencies because of bureaucracy in accessing needed fund for the smooth running of MDAs when the need arises. The full implementation of TSA is fraught with legal constraints, while Section 162 of the constitution regarding the maintenance of Federation account makes provision for a broad legal framework; it however fails to give insights on the operational details. Some MDAs have financial autonomy granted them by legislation including powers to maintain a fund from which to spend, reinvest surpluses generated and maintain reserves.

4.0 STYLIZED FACTS ON SELECTED ECONOMIC INDICATORS ON NIGERIA

Nigeria economy is characterized by several stylized facts that reinforce the need for renewed focus. First, the economy exhibits narrow economic base (see Table 1). Over the years, oil and gas sector has accounted for 75 to 80 per cent of total revenue receipts. This further gives credence to the fact that the macroeconomic performance of Nigeria is dependent. In terms of fiscal structure, oil dominates the economy. In fact, in the last three decades, the contours of Nigeria economic growth have totally depended on developments in the oil sector. It is very clear from the figure that, in Nigeria, total federal collected revenue is a reflection of oil revenue, suggesting a monoculture structure of the economy. The truth embedded in this is that, the oil sector remains indispensable in the economic survival of the Nigeria nation. Such heavy reliance on oil and gas revenue receipt is a reflection of shallow revenue base. The diversification of the economic base of Nigeria is therefore non-negotiable in her quest for economic emancipation.

Domestic debt which was only N30million in 1960, remained relatively stable over the period preceding the debt relief, it has however rose astronomically from N1,275.077billion in 2005 to N7,904.02 billion in 2014, representing about 519 percent increase. Between 2008 and 2014, External debt increased by 211.8 percent, from N523.25billion in 2008 to N1, 631.52 billion in 2014. Audu (2004) relates the concept of debt overhang to Nigeria's debt situation. He stated that the debt servicing burden has prevented rapid growth and development and has worsened the social issues. Nigeria's expected debt service is seen to be an increasing function of her output and as such resources that are to be used for developing the economy are indirectly taken away by foreign creditors in form of debt service payments (Ekperiware et al, 2005). This has further increased the uncertainty in the Nigerian economy which discourages foreign investors and also reduces the level of private investment in the economy (See Figure 1).

Cohen (1993) and Clement et al (2003) observed that, aside from the effect of high debt stock on investment, external debt can also affect growth through accumulated debt service payments which are likely to "crowd out" investment (private or public) in the economy. The crowding-out effect refers to a situation whereby a nation's revenue which is obtained from foreign exchange earnings is used to pay up debts. This limit the resources available for the growth of domestic economy as most of it is soaked up by external debt service burden thus reduces the level of investment. The ever increasing level of external debt service payments has led to imbalances in fiscal deficits and budgetary constraints that have militated against the growth of the Nigerian economy. The resultant effect of the debt quagmire in Nigeria could create some unfavourable circumstances such as crowding out of private investments, poor GDP growth etc. (Ngonzi Okonjo Iweala, 2011). However, the consolidation of all funds into one account has eliminated the occurrence of idle funds in scattered accounts, thus improving the government's liquidity position. Government borrowing is likely to reduce considerably with the elimination of idle funds and the consolidation of scattered accounts at the MDAs level. The increase in domestic borrowing can have adverse macroeconomic consequences. Domestic borrowings by government crowd out private investment through increased lending interest rates.

The Nigerian economy is further constrained by her import dependent nature. With import skyrocketing from a meagre N12.7billion in 1981 to N8, 164.0billion in 2010 while in 2014 import increased to N10, 538.4billion. Like most African countries, Nigeria depends on primary exports, and the small share of manufactured goods in total exports limits the capacity to import. Oil earnings provide the foreign exchange needed to finance the huge foreign appetite of the economy, especially for the intermediate and capital requirements of the manufacturing sector. Thus, developments in the global oil market have a direct impact on domestic industrial performance and the conduct of economic activities. Moreover, since the Nigerian government is the repository of oil revenue, fluctuations in oil revenue often result in major contractions in public investments and, by extension, aggregate domestic investment (Olofin, Adenikinju and Iwayemi, 2002). Of course, table iii is an indictment on the nation's self-reliance policy since imports have more than doubled over the period under consideration, whereas it can produce most of the imported products locally. No matter how one looks at it, the conclusion is incontestable that Nigeria's economy had metamorphosed to a highly dependent economy, which is the hallmark of economic subservient. The full implementation of TSA is capable of ensuring that funds needed to encourage local production and export promotion is made available, this is critical in solving her balance of payment disequilibrium.

The rate of unemployment is quite alarming when compared to the Asian Tigers and other countries with remarkable economic performance. The National Bureau of Statistics (NBS) reported that the working age population in Nigeria (those between the ages of 15 and 64) increased from 102.8 million in the first quarter to 103.5 million in the second quarter, an increase of 0.81 per cent. The labour force population, which represents the portion of working-age people who are willing, able and actively looking for work, increased to 74.0 million in Q2 2015 from 73.4 million in Q1 2015.

The unemployment rate in Nigeria increased from 7.5 per cent in Q1 2015 to 8.2 per cent in Q2 2015, with 529,923 more unemployed people in Q2 than was recorded in Q1. This represents the third consecutive rise in the unemployment rate since Q3 2014. The underemployment rate also increased from 16.6 per cent in Q1 2015 to 18.3 per cent in Q2 2015. Underemployment occurs if one works less than 40 hours per week, or works full time but engages in an activity that underutilises one's skills, time and educational qualifications. In total, 19.6million people between 15 to 65 years were either unemployed or underemployed in Q2 2015, compared to 17.7million in Q1 2015.
In Q2 2015, the total number of people in full employment (at least 40 hours per week) decreased by 1.3 million. The decrease in the number of people in full employment is attributable to either job losses or a change in employment status from full-time to part-time employment EFInA (2015).

Summarily, these macroeconomic indicators indicate that Nigeria may be politically independent but economically dependent and backward. However, with the full implementation of TSA coupled with optimal management of her resources, Nigeria is on the verge of economic renaissance. TSA would unify government's banking arrangements, assist the Federal Government in the effective utilisation of government funds for approved projects, reduce the cost and amount of government borrowing and diversification of the nation's economy by promoting non-oil sector as agriculture, mining and other revenue-yielding sources and invariably reduce the country's dependence on oil alone as the major source of revenue. The implication is that in no distant time, Nigeria will begin to earn revenue from multiple sources, and this will strengthen the Naira, create new jobs and generally stimulate the economy.

5.0 CONCLUSION

This paper has reviewed relevant issues regarding the concepts and operational modalities for the full implementation of Treasury Single Account system, with some illustration from Nigeria's experience. The prevalent level of poverty in Nigeria is well documented. This implies that Nigeria, despite her enormous human and material resources has not been able to take advantage of the benefits to better the standard of living of her people, generate employment and increase industrial production, among others. This development however, is traceable to many factors including the mismanagement of scarce resources, faulty banking arrangement in the public sector as well as corruption, etc. It is against this backdrop that the full implementation of TSA was initiated to provide the live-wire that will block leakages that have hindered growth. The full implementation of TSA present a turning point for Nigeria to either makes giant development strides, or remained an economy in limbo with attendant consequences in the future.

5.1 RECOMMENDATION

The proper coordination of monetary policy and its fiscal counterpart is imperative in the drive to cushion the liquidity impact of TSA. A collaborative effort between the managers of fiscal and monetary policy is required to reduce possible illiquidity arising from the policy.

To address the challenge of timely release of funds, while implementing TSA, cash releases to MDAs should not suffer bureaucracy bottleneck, but a free flow of funds should be encouraged to avoid non-commitment to the programme. The Central Bank of Nigeria should also create an open-window of finance for banks faced with cash squeeze. The managers of the CBN and the Ministry of Finance must cleverly monitor banks to ensure that they do not sabotage the policy.

In addition, the legal framework should be reviewed and amended where necessary and training programmes should be provided for relevant staff of CBN and MDAs to ensure efficient and effective execution.

To sum up, the introduction of TSA as a policy to check corruption and leakages in government is a key element to ensure efficiency and effectiveness in public financial management system and, an essential tool to minimize government's borrowing costs. However, TSA should be implemented in a way to suite Nigeria's peculiar circumstance.

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Table i: SUMMARY OF FEDERAL GOVERNMENT FINANCE (N'BILLION)

Years	2009	2010	2011	2012	2013	2014
Oil revenue	3,192	5,396.1	8,879	8,030	6,81	6,793.72
Non oil revenue	1,653	1,907.6	2,238	2,629	2,95	3,275.12
Total Revenue	4,846	7,303.7	11,12	10,66	9,76	10,068.85

Source: Federal Ministry of Finance and Central Bank of Nigeria

Table ii: FEDERAL GOVERNMENT DEBT OUTSTANDING (N' BILLION)

Year	2009	2010	2011	2012	2013	2014
Domestic Debt	3,228	4,551.82	5,63	6,5373	7,119	7,904
External Debt	590.5	689.84	8,96	1,0269	1,374	1,632

Source: Central Bank of Nigeria and Debt Management Office

Table 111: FOREIGN TRADE: OIL AND NON -OIL (N'BILLION)

Year	OIL IMPORT	NON OIL IMPORT	TOTAL IMPORT
2008	1,315.5	4,277.6	5,593.2
2009	1,068.7	4,411.9	5,480.7
2010	1,757.1	6,406.8	8,164.0
2011	3,043.6	7,952.3	10,995.9
2012	3,064.3	6,702.3	9,766.5
2013	2,429.4	7,010.0	9,439.4
2014	2,215.0	8,323.7	10,538.4

Source: National Bureau of Statistic and Central Bank of Nigeria

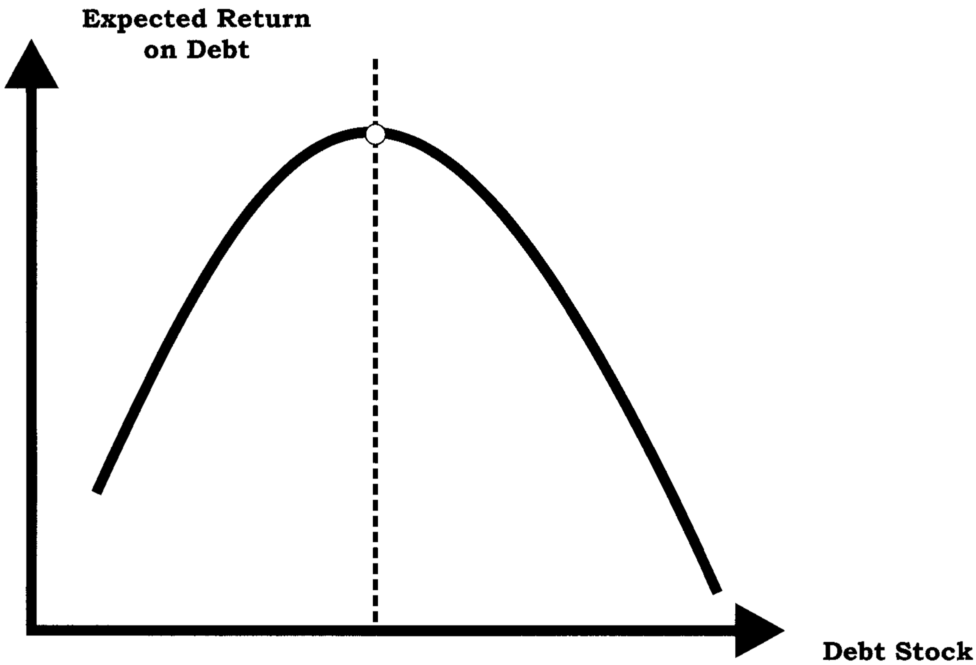

Figure 1. Laffer debt curve (Bilginoğlu & Aysu, 2008, p. 9).