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# CONCEPTUAL DESIGN OF THE TREASURY SINGLE ACCOUNT FOR THE GOVERNMENT OF EGYPT

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# **CONCEPTUAL DESIGN OF THE TREASURY SINGLE ACCOUNT FOR THE GOVERNMENT OF EGYPT**

**TECHNICAL ASSISTANCE FOR POLICY REFORM II**

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## INTRODUCTION

In line with the recommendations of the IMF FAD missions of 2004 and 2005 His Excellency the Minister of Finance has decided to implement the Treasury Single Account (TSA) system consistent with international best practices for better management of the government cash resources.

The new TSA system will replace the current system of banking operations of the government budget execution by which the government financial transactions are processed through several thousands of bank accounts maintained at the Central Bank of Egypt (CBE) and further several thousands of accounts at commercial banks.

In preparation for the TSA implementation consistent with the government's decision the consultants from BearingPoint Inc. engaged under the USAID contract conducted during December 2005 and January 2006 the analysis of the existing banking and payment systems used in the budget execution of the government of Egypt and presented comprehensive reports to the Ministry of Finance (MOF). The recent IMF FAD mission in January 2006 further analyzed the situation and presented to His Excellency the Minister of Finance on 2 February 2006 the report on the findings, the recommended reforms and the project plan for TSA implementation.

The purpose of this Conceptual Design<sup>1</sup> document is to serve as starting point for TSA implementation and to assist the TSA Task Force members share common understanding of the features of the TSA, the new processing and reporting methods, the implementation strategy and the approach towards the implementation of the new TSA system across the government sector. This document also provides opportunity to the members of the TSA Task Force to exchange and contribute ideas and options to make the TSA system compatible with the local needs and the governing legislation while retaining the basic and essential features to enhance the management of the government cash resources.

This document after review and changes where appropriate by the TSA Task Force shall be used as baseline document for TSA implementation.

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<sup>1</sup> The Conceptual Design represents the structure of the system, as perceived by the users and describes the services the system should offer and how to present those services in ways that are logical to the users.

## DESIGN FEATUTURES

### 1. NAME OF THE ACCOUNT

One new account shall be established at the Central Bank of Egypt (CBE) under the name of:

“Main Account of the Ministry of Finance”

or any other title that the Treasury Single Account (TSA) Task Force deem appropriate.

### 2. PURPOSE OF THE ACCOUNT

The account shall be the sole account for keeping all government cash resources and shall be used for:

- a) depositing all budget revenues and paying all budget expenditures,
- b) processing all receipts and payments to support the budget implementation,
- c) processing the receipts and payments of all special purpose government and quasi-government funds managed by the budget entities,
- d) keeping the balances of off-budget funds generated by all entities covered by the State General Budget, and
- e) keeping the operating cash balances of those Economic Authorities included in the TSA system subject to a case-by-case review of each Economic Authority after the ratification of the appropriate amendments to Law No. 127 of 1981.

The consolidation of government cash resources in a single account shall be accomplished in two stages, firstly with budget transactions only and eventual extension to include the cash resources managed outside the budget such as off-budget funds and the cash balances of the Economic Authorities to establish a complete TSA.

### 3. STRUCTURE OF THE ACCOUNT

Ultimately the TSA shall be the sole account for processing all financial transactions of the government concerning both budget and off-budget funds through relevant sub-accounts. No payment or receipt shall be made through the main account. All budget related receipts and payments shall be processed through the sub-accounts of which the structure is described below:

- a) One payment sub-account for each Budget Authority<sup>2</sup> to process budget related payments.

To assist in the determination of the payment sub-accounts, a list of Accounting Units and Budget Entities under each Budget Authority that shows the volume of

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<sup>2</sup> Ministry / Governorate / Public Service Authority

monthly payment transactions of each Accounting unit is required. The structure of the budget entities covered by the State General Budget is tabled below:

	1 <sup>st</sup> level	2 <sup>nd</sup> level	3 <sup>rd</sup> level
1.1 Budget Sector	Ministry / Governorate / Authority	Entity	Accounting Unit
Central Administration	30	160	665
Local Administration	27	353	1277
Public Service Authorities	92	136	456
<b>Total</b>	<b>149</b>	<b>649</b>	<b>2398</b>

One payment sub-account shall be opened for each 1<sup>st</sup> Level Authority on the above table. In general no 1<sup>st</sup> Level Budget Authority will be permitted to keep more than one payment sub-account. Some 2<sup>nd</sup> Level entities of special nature like Income Tax Authority, Customs Authority etc that are affiliated to Ministry of Finance (MOF) and process large volume of financial transactions are exceptions and under such circumstances the parent Ministry can be permitted to keep one separate sub-account for each affiliated entity with authorization from the MOF.

The TSA Task Force shall consider other exceptions where appropriate to permit multiple sub-accounts for each Budget Authority at the outset of the TSA implementation project. A set of criteria shall be prepared and used for consideration of the need for multiple sub-accounts in each Budget Authority.

The budget payment sub-accounts shall be established at CBE and its branches wherever appropriate.

Currently Accounting Units maintain over 600 accounts at National Investment Bank (NIB) for investment projects funded under Chapter 6 of the SGB. Those accounts will continue to operate according to the current practice outside the Main Account of the MOF for some time until a thorough review of the budget execution system for investment projects is carried out, the feasibility of merging those accounts into TSA (when created) is studied and the appropriate decision is taken. It is anticipated that the above activities will take place during the later part of the year 2006.

The new account structure will assist the reduction of the number of budget expenditure accounts at CBE from around 18,000 to around 200.

- b) One sub-account for each major category of revenue or financing receipt as tabled below:
- i) Income Tax,
  - ii) Sales Tax and Excise,
  - iii) Other Goods and Services Taxes,
  - iv) Customs,
  - v) Property Tax,
  - vi) Other Tax revenues,
  - vii) Grants,

- viii) Dividends,
- ix) Other non-tax revenues,
- x) Receipt of lending and sale of financial assets excluding privatization,
- xi) Privatization receipts, and
- xii) Borrowing and issuance of securities other than shares.

The sub-account structure for revenues and financing receipts will enable the CBE to report the aggregates of the daily receipts in the Main Account of the MOF by major category of revenue or financing receipts. The structure also is in line with the revenue and financing sections of the Consolidated Fiscal Operations Report prepared periodically by MOF and hence the relevant amounts reported by CBE on the daily account statements can be imported to the preparation of such report. The data concerning the expenses on investment projects in regard to the preparation of the Financial Operations Report shall be extracted from the NIB weekly reports.

The structure of the sub-accounts described above will assist the reduction in the number of budget revenue and financing accounts at CBE from around 12,000 to 12. The need for a separate sub-account for any specific revenue or financing receipt other than those listed above shall be considered on the basis of the merits and justifications and approved at the outset of the TSA implementation project.

- xiii) One sub-account for each Economic Authority for processing receipts and payments to support its operations.

Initially this set of sub-accounts will be included in the structure as placeholders. The operation of those sub-accounts is contingent on the ratification of the amendments to Law No. 127 of 1981 to permit the consolidation of the operating cash resources of Economic Authorities in the TSA, review of the role and functions and case-by-case decision of the future system for financial operations of each Economic Authority.

- c) The Minister of Finance upon recommendation by the TSA Task Force will approve the number of sub-accounts at the outset of the project.

An illustrative diagram that shows the structure of the sub-accounts can be seen on Attachment 1.

#### **4. OPERATION OF PAYMENT SUB-ACCOUNTS**

Payments concerning the budget execution of all affiliated accounting units under each 1<sup>st</sup> Level Budget Authority shall be paid out from the same sub-account<sup>3</sup>. To enable this process a Central Payment Office (CPO) will be established in each Authority that is authorized to keep a separate payment sub-account. CPO will process cheques for all affiliated accounting units affiliated to the concerned Authority.

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<sup>3</sup> There can be a few exceptional 2<sup>nd</sup> level entities such as Income Tax Authority, Customs Authority etc who could be permitted to operate on separate sub-accounts.

Spending agencies, i.e. budget entities and accounting units shall submit the payment vouchers (Form 50) approved by the responsible Financial Controller to the relevant CPO for payment processing by means of cheques or direct account transfers to the account of the creditor when this facility becomes available in the CBE system.

CPO will record the received payment vouchers on the register, provide acknowledgement of the receipt of the documents and advise the submitting entity of the date and time for collection of cheques. The cheque processing time shall be determined on the basis of the volume of payment orders, the available facilities and staff.

CPO will process payments against the relevant payment sub-account. All payments processed through the payment sub-accounts shall be reflected in the Main Account of the MOF in real-time mode.

New cheque forms shall be designed for each payment sub-account. To ensure consistency in the design of accountable forms for use in connection with the execution of the State General Budget the cheque form design for each payment sub-account should be approved by an appropriate Department within MOF. The new Budget Execution Department when established will be appropriate for this role.

The TSA Task Force shall develop detailed procedures for the entire payment process including delivery of the approved payment vouchers to CPO, record keeping, cheque processing, issue of the processed cheques, physical control over blank cheques etc.

The role of CPO is confined to payment processing only and the compliance with the prevailing legislation and procedures and account keeping of the payments are the responsibilities of the spending agencies. Budget entities shall maintain the ledger accounts and report periodically to Final Accounts Sector using the current procedures.

## **5. ACCOUNTING OF EXPENDITURE PAYMENTS**

The TSA Task Force shall develop procedures to facilitate the accounting of the cheques processed by each CPO. This will require the design of appropriate register(s) and form(s) for use in the CPO and modification of the current payment voucher (Form 50) to facilitate the recording of the budget classification against which each payment is charged.

The TSA Task Force shall develop special procedures for processing centralized payments by means of direct account transfers that are currently handled by the MOF Financing Sector.

Special procedures for processing payments of expenditures of the remotely located spending agencies outside Cairo shall be developed.



The TSA Task Force shall also develop a comprehensive Chart of Accounts consistent with the existing budget classification structure for the purpose of ledger accounting and reporting.

CPO will maintain the records for control purposes only and the budget entities will be responsible for keeping the accounts and submitting periodic budget execution reports to the Final Accounts Sector of MOF. Later after the establishment of the new Budget Execution Department in the MOF budget entities will coordinate with the new Department for monthly reporting of the budget execution.

## **6. OPERATION OF THE RECEIPT SUB-ACCOUNTS**

Specific sub-accounts shall be established for dedicated use by the concerned authorities for processing revenues and financing receipts. Altogether twelve sub-accounts will be established for depositing different types of revenues and financing receipts.

Income Tax sub-account is for the sole use of the Income Tax Authority to deposit the collected income tax revenues.

Customs revenue sub-account is for the sole use of the Customs Authority to deposit the collected customs revenues.

The sub-account established for Sales Tax and Excise is for the sole use of the Sales Tax Authority to deposit the sales tax and excise revenues.

The sub-account established for Other Goods and Services Taxes is for the sole use of the Income Tax Authority to deposit the revenues categorized under Goods and Services Taxes other than Sales Tax and Excises.

The sub-account for Property Tax is for the sole use of Real Estate Authority for depositing Property Tax revenues.

The sub-account for Other Taxes is for the sole use of Income Tax Authority for depositing the revenues categorized under Other Tax revenues.

The sub-accounts for Grants, Dividends, Receipt of lending and sale of financial assets excluding privatization, and Privatization receipts, are for the sole use of the MOF.

The other two sub-accounts for Other non-tax revenues and Borrowing and issuance of securities other than shares are for common use by the concerned budget authorities.

Receipt sub-accounts shall be established at CBE central office in Cairo. All revenue agencies shall deposit the receipts in the relevant sub-accounts at CBE central office directly or through an authorized territorial bank on a daily basis. All receipts deposited in the sub-accounts shall be rolled over to the Main Account of the MOF at the end of each day.

Revenue agencies shall maintain the ledger accounts and report to Final Accounts Sector according to the existing procedures. Later after the establishment of the Budget execution Department in the MOF revenue agencies will submit the periodic revenue performance reports to the new Department. The TSA Task Force will develop a comprehensive chart of accounts consistent with the budget classification structure for ledger accounting and reporting and will distribute it to all concerned authorities for use in preparing periodic budget execution reports.

## **7. INTERFACING WITH OTHER GOVERNMENT ACCOUNTS OUTSIDE CBE**

The budget payment sub-accounts shall be established at CBE and its branches wherever appropriate. Budget Authorities who are authorized to maintain a separate budget payment sub-account, in the territories where CBE Branch office does not exist shall open an account at an authorized commercial bank. The account shall operate on Zero balance basis of which the payments shall be reimbursed from the Main Account of MOF at the end of each day.

The purpose and the nature of the accounts of the budget entities maintained at commercial banks will be reviewed with assistance of the concerned commercial banks and CBE. The accounts that do not support the government financial management shall be closed and the balances shall be transferred to the Main Account of the MOF at CBE. The TSA Task Force will consider the continuation of any account that has sound justifications on a case-by-case basis and provide recommendations to the Minister of Finance for decision. Each Budget Authority that is authorized to operate off-budget funds shall be permitted to maintain one Zero balance account at the authorized commercial bank to manage all different off-budget funds under its jurisdiction. The balance in each account of this nature shall be transferred to the Main Account of the MOF at CBE at the end of each day.

There will be a need to pay the concerned commercial banks for the transactions processed through the Zero balance accounts at their territorial branches. The TSA Task Force will negotiate with the concerned commercial banks with the involvement of CBE to agree the fee structure and method for payment of the fee.

## **8. REPORTING**

Under the new system of banking operations of the government budget execution CBE will no longer provide the daily reports of the movement of funds analyzed by budget chapter and sector. The role of CBE in daily reporting will be switched from the current requirement of primary accounting by detailed budget chapter to reporting daily movement on government cash balances.

The structure of payment sub-accounts will enable CBE to report the daily aggregate payments by each budget sector, by each Budget Authority or by each sub-account, but not at the level of budget chapter.

In regards to the reporting of receipts CBE will provide daily analytical reports representing the aggregates of major categories of revenue or financing receipts according to the established structure of the relevant sub-accounts.

Budget Authorities will be responsible for producing analytical reports at the levels of functional and economic classification. To enable the production of such reports budget entities shall record the relevant budget classification codes on each receipt or payment transaction document. The TSA Task Force shall modify the layout of Form 50 Payment Voucher to permit the recording of the relevant budget classification codes and other relevant reference information.

## **9. ACCOUNTS OF ECONOMIC AUTHORITIES**

The ultimate aim of the TSA implementation is to consolidate all accounts of the government entities involved in the execution of the State General Budget to enhance the efficiency of the management of government cash resources.

Currently 49 Economic Authorities maintain 623 accounts at CBE and unknown number of accounts at commercial banks and it is desirable that all those accounts be merged into or linked to the TSA.

The integration of the accounts of the Economic Authorities that are purely commercial ventures into TSA would require careful examination in order to prevent potential operational difficulties. Accordingly the integration of the accounts of Economic Authorities in the TSA regime shall be considered on a case-by-case basis with reference to the prevailing legislation and the functions.

The role and functions of each Economic Authority shall be reviewed and appropriate decision on each Authority should be made, whether to:

- include in the TSA structure, or
- permit to operate outside the TSA structure on a Zero balance account basis, or
- permit any other appropriate means.

## **10. IMPACT TO PAYMENT PROCESSING TIME**

The new cheque processing procedures will have little or no impact to the payment processing in small scale Budget Authorities.

However in the case of a CPO of a large Budget Authority that has several affiliated accounting units it is inevitable that the delivery of the approved payment vouchers to the CPO, the waiting time in the processing queue, the additional documentation and accounting work etc. will cause overhead to the payment processing time of the individual accounting units.

Some of the factors that can minimize the magnitude of such impact are efficient structure and work flow of the CPO, the procedures and the availability of facilities and skilled resources etc. The TSA Task Force shall develop a system to minimize the impact to the payment processing time.

## IMPLEMENTATION STRATEGY

The MOF will establish a TSA Task Force with participation of senior officials of the MOF, CBE and the IMF Resident Advisor to take the responsibility of TSA implementation under the guidance of IMF. The consultants from BearingPoint Inc. will provide necessary technical assistance in the day-to-day activities of the TSA Task Force to support the TSA implementation.

The use of the new Account will start with the budget transactions of the MOF on pilot basis and will be extended to the entities under the three sectors of the State General Budget, namely Central Administration Authorities, Local Administration Authorities and Public Service Authorities through a phased approach.

The extension of the new account to the accounts of Economic Authorities and the investment project accounts at NIB shall be considered after examining each case.

Discussed below are the major steps defined in the project plan for the government-wide TSA implementation organized in the order of urgency and priority:

### STAGE 1 – IMMEDIATE MEASURES TO COMPLETE BY THE END OF JUNE 2006

- a) Review Legislation - Before the establishment of the TSA and the closing of the existing accounts the governing legislation should be reviewed and amended where necessary to provide a path for the introduction of the TSA.

It is understood that the amendments to Law No. 127 / 1981 – Law on Government Accounting are in process.

Besides Law No. 127 / 1981 and its amendments, Law No. 53 / 1973 and its amendments, and Executive Financial Regulations last updated in 2001 need a thorough review to determine whether any of the provisions conflicts with the features of the TSA discussed in the earlier sections of this document and amend either the legal provisions or the TSA design where necessary to ensure compatibility.

It would be necessary to coordinate with the authorities of CBE to review Law No. 88 / 2003 – Law on the Central Bank of Egypt and the Banking Sector for the same purpose.

The project plan schedules the legislative review task for immediate commencement and completion by April 2006.

- b) Establish the new Main Account of MOF – In anticipation of the ratification of the amendments to Law No. 127 / 1981 the new account that provides the features discussed in the earlier parts of this document should be established at CBE. Preparatory tasks to support the TSA implementation such as meeting the CBE authorities to exchange understanding of the topic, review of Law No. 88 / 2003, agreement on the account structure and procedures, review of the potential obstacles (if any) etc. could commence without delay.

The project plan envisages the accomplishment of the above by the end of March 2006.

- c) Pilot Test the Central Payment Processing system in MOF - This involves the establishment of the Central Payment Office in MOF to centralize the payment functions currently performed by the accounting units in Minister's Office, General Secretariat Sector and Financing Sector into a single unit, developing the processes and procedures for centralized cheque processing and the inauguration of the use of the sub-account structure of the new MOF Main Account.

Subsequent to the commencement of the use of the new MOF Main Account the existing accounts of MOF concerning the budget implementation should be closed. It is important that prior to the closure of the redundant accounts:

- the necessary amendments to the legislation are in place,
- the alternate procedures for the effected accounts have been developed, and
- the Chart of Accounts has been modified to enable the accounting of the receipt and payment transactions processed under the new arrangement.

The project plan envisages the commencement of the pilot testing by April 2006.

- d) Decide on the option for servicing the regional entities affiliated to MOF - It may not be practical for a CPO in Cairo to process the payment transactions of the affiliated units located outside Cairo in an efficient manner and the appropriate mechanism must be developed for this purpose. The recent IMF Mission suggested two options to consider for this purpose. The TSA Task Force shall review the options and choose the option that is compatible with the local circumstances or create an alternative that supports both the local conditions and the TSA regime. The selected option shall be pilot-tested in MOF to service its regional affiliates and if successful shall be used for all regional budget entities throughout the country.

The project plan warrants that the decision be made by the end of April 2006.

- e) Extend the TSA structure to accounts at commercial banks – Concurrent with the pilot testing of CPO functions in MOF the TSA Task shall negotiate and agree with the four commercial banks involved in the budget execution the use of Zero balance accounts for processing budget related payments of the budget entities located in the governorates where CBE branch office does not exist and the fee structure for transaction processing. These arrangements should be formalized timely before the TSA system is rolled out to the territories outside Cairo.

The project plan schedules the implementation of the above during the period from March to May 2006.

- f) Accounting System Reforms – Concurrent with the activities discussed above the TSA Task Force shall negotiate and agree with CBE on the gradual transfer the primary accounting from CBE to Budget Authorities, the new format for daily reporting of the cash movements in the TSA and its sub-accounts. In parallel the TSA Task Force shall revise Form 50 to enable the recording of the budget classification for primary accounting by the Accounting Units, develop and issue instructions to budget entities on the use of the revised Form 50 and reporting format.

The project plan schedules this activity for the period from March to June 2006.

## **STAGE 2 – MEDIUM TERM MEASURES – FROM JUNE 2006 TO JUNE 2007**

- a) Issue instructions for workflow for the new banking arrangement – The introduction of the new banking arrangements and payment processing using the sub-accounts of the TSA will require changes in the processes and procedures in the current system. The TSA Task Force shall develop new processes and procedures, describe the roles and responsibilities of the Accounting Units, Financial Controllers and CPOs consistent with the needs of the TSA regime. The new set of processes and procedures and definition of roles and responsibilities shall be disseminated to all budget entities in a form of Financial Instruction timely before the extension of the new TSA system.

The project plan envisages this activity to take place during June and July 2006.

- b) Extend the new banking arrangements to the other entities – Following the completion of pilot testing in MOF the new banking arrangements, CPO functions and procedures shall be rolled out to the other budget authorities through a phased approach.

Firstly the system shall be extended to the remaining 29 Central Administration Authorities and some 2<sup>nd</sup> Level entities that are approved for maintaining a separate payment sub-account. This phase involves setting up the CPOs in each entity, designing new cheque forms, training the staff on the new procedures for payment processing, accounting and reporting.

It is envisaged that the arrangement of Zero balance accounts for processing regional transactions in the territories where CBE branch does not exist would have been timely formalized prior to the start of this phase. Likewise the method for servicing the regional affiliates of the Central Authorities should have been finalized prior to the TSA system rollout to the Central Authorities. Otherwise the regional affiliates of the Central Authorities in the territories where CBE branch does not exist will need to continue using the existing system and procedures for payment processing in the interim.

Secondly the new system shall be rolled out to the other two Governorates where CBE branch office operates, i.e. Alexandria and Port Said. This phase will involve extending the new system to processing the regional transactions of the affiliates of the Central Administration Authorities in those Governorates using the method chosen by the Treasury Task Force in (d) above.

Thirdly the new system will be extended to Public Service Authorities located in the three governorates i.e., Cairo, Alexandria and Port Said where the territorial branches of CBE exist. The Public Service Authorities in the other governorates shall continue with the existing system and procedures until the system for regional operations with commercial banks has been formalized.

Fourthly the feasibility to extend the same approach to the accounts of budget entities at National Investment Bank (NIB) shall be carried out. Depending on the outcome of the feasibility study the TSA Task Force shall either plan for extending the TSA system or develop alternatives for the accounts at NIB.

The project plan schedules this activity to take place during the period from July to November 2006.

- c) Implement Zero balance method for the accounts of budget entities at commercial banks - Following the formalization of the arrangements with commercial banks of the Zero balance accounts for processing payment transactions for budget entities in the territories outside the reach of CBE the TSA coverage should be extended to the accounts of budget entities at commercial banks. This process mainly involves the financial offices of the twenty-four governorates other than Cairo, Alexandria and Port Said and possibly a few special entities that are regional affiliates of the Central Authorities and Public Service Authorities.

To support the implementation of Zero balance accounts for processing budget related payments in the regions the TSA Task Force will assist each of the concerned entities to establish Central Payment Office, develop the processes and procedures for centralized cheque processing using Zero balance method and to monitor the cash movement between TSA and Zero balance accounts, modify Chart of Accounts and General Ledger structure to include TSA and the new accounts and to watch cash movements and organize relevant training for the staff of the effected entities on the new procedures and subsequent closing of the redundant accounts.

This is an extended activity that spans across the period from March 2006 to June 2007 on the project plan

- d) Extension of Zero Balance method to the off-budget accounts of budget entities at commercial banks – The same Zero Balance method should be implemented for the accounts of budget entities at commercial banks for keeping off-budget funds.

The TSA Task Force shall compile an inventory of the off-budget accounts of the budget entities at commercial banks with assistance from CBE, review the nature and purpose of each account, close the accounts of which the purpose does not support the government financial management and transfer the balances to the budget and obtain approval from the Minister of Finance for continuation of the accounts that have sound justifications.

Each Budget Authority shall be allowed to operate one Zero balance account at the approved commercial bank for managing the approved off-budget accounts. The balance in the Zero balance account should be swept into the TSA at the end of each day. The concerned Budget Authorities shall be allowed to spend

the off-budget funds from those Zero balance accounts. The TSA Task Force shall develop procedures for accounting and reporting of the self-generated funds to enable each concerned entity spend the funds according to the net balance.

The project plan envisages this activity to take place during the period from July to October 2006.

- e) Review the extension of the new banking arrangements to Economic Authorities – As discussed in the earlier sections of this document the ultimate aim of the TSA implementation is to consolidate all government cash resources in the single account to enhance the efficiency of government cash management. However it may not be practical to integrate the accounts of some Economic Authorities that function in a fully commercial basis.

Under the circumstances the TSA Task Force will review the status and role of each Economic Authority with reference to the prevailing legislation since each Economic Authority functions within the framework of its own legislation. The TSA Task Force shall submit recommendations to the Minister of Finance on the Economic Authorities that should be included in the TSA regime and the Authorities that should be permitted to function outside the scope of TSA due to the nature of the institution.

The TSA Task Force shall then make relevant arrangements to extend the TSA coverage to the Economic Authorities that are decided by the Minister of Finance for inclusion in the TSA regime. The arrangements similar to the case of budget entities and Public Service Authorities will include setting up the CPO in each Economic Authority, designing new cheque forms, training the staff on the new procedures for payment processing, accounting and reporting.

Wherever possible Economic Authorities whether they are included in the TSA system or not, should be made mandatory to maintain their accounts at CBE.

The TSA Task Force shall also develop a reporting system that will make the Economic Authorities outside the TSA system mandatory to report the cash movements in their bank accounts periodically (monthly / quarterly).

The project plan schedules this activity for November 2006.



## SUPPORTING REFORMS

To support the TSA implementation and to ensure success and sustainability of the new TSA regime, the January 2006 IMF mission recommended a few other reform measures for implementation concurrent with the TSA activities.

- a) Reorganization of Budget execution functions in MOF – The three major Sector Departments of MOF namely General Budget Sector, Financing Sector and Accounting and Financial Directorates Sector deal with the different matters concerning the budget execution.

As the budget execution functions such as release of budgetary allocations, commitment of funds, bank accounts, cash management, payment processing, accounting etc. are inter-related, reorganization of such functions under one administrative unit will improve coordination and cohesion in budget execution.

Concurrent with the TSA implementation activities the functions of the above the international advisors involved in the TSA implementation shall review the functions of the three Sector Departments assist the TSA Task Force with the recommended structure and functional descriptions for integration of the budget execution functions in MOF and establishment of a new Department responsible for the overall budget execution of the government.

- b) Centralization of Accounting functions within MOF – The accounting functions concerning the budget execution in MOF are currently handled by three sector Departments namely Financing Sector, Final Accounts Sector and Accounting and Financial Directorates Sector.

With the new Budget Execution Department being entrusted with overall responsibility for managing the execution of the entire State General Budget, the accounting functions also should be co-located with the budget execution functions in the new Department to enhance coordination and cohesion in the budget execution and reporting.

Concurrent with the TSA implementation activities the international advisors associated with the TSA implementation shall review the functions of the three Sector Departments and assist the TSA Task Force with the recommended structure and functional descriptions for centralization of the accounting functions in MOF and establishment of a new Accounting Unit within the new Budget Execution Department.

- c) Establishment of Cash Flow Forecasting Unit – The TSA aims to improve cash management and the IMF missions highlighted in their reports the importance of the creation of a unit within the MOF responsible for Cash Management and Forecasting.

Under the new TSA system the MOF will need to establish reliable forecast for managing the cash flow to ensure the smooth financing of the execution of the entire State General Budget by the cash resources available in the TSA.

Concurrent with the TSA implementation the TSA Task Force with assistance of IMF will establish a Cash Flow Forecasting Unit within MOF.

- d) Training - The TSA implementation in Egypt is a totally new concept that will lead to significant changes in payment processing, financial control, cash management, banking operations, accounting and financial reporting. The personnel of MOF and line agencies involved in the budget execution, banking operations and accounting should be provided with adequate education on the new system and the related procedures to ensure the success of the TSA implementation.

It is therefore essential that a thorough training need analysis is conducted among the staff of MOF first and later the staff of line agencies, and train the involved staff on the new procedures concerning TSA operation, the use of the new Chart of Accounts in payment processing, account keeping and periodic reporting etc.

To fulfill the training needs for TSA implementation, the MOF will establish a Training Unit to deliver training to the staff of line agencies on the topics concerning the new TSA operations initially. The Training Unit shall later extend the scope of training to public financial management, budget execution, accounting etc. The Training Unit shall then prepare a rolling training program to deliver regular training courses on the above-mentioned topics to the staff of spending agencies to ensure consistency of approach in the public financial management.

- e) Development of interim IT system – To enable the transfer from CBE to Accounting Units of the responsibility of reporting the cash movement analyzed at budget chapter level there is a urgent need for an IT system in the MOF for consolidation of the budget execution reports of the spending agencies, high-level accounting of budget execution and production of national level summary reports.

To fulfill this requirement the TSA Task Force with assistance of the international advisors associated with the TSA implementation will review the features of the GL and PSB modules of the Oracle applications currently being implemented in MOF, develop the structures for chart of accounts and general ledger in GL, processes and procedures for collection of manually prepared Form 75 reports from Accounting Units and posting the data to the General Ledger.

This facility will enable the updating of the central database with the actual revenues and expenditures of budget entities.

- f) Implementation of the Government Financial Management Information System (GFMIS) – To enable the eventual closure of Zero balance accounts at commercial banks and to facilitate a central payment system directly from the TSA, providing timely and accurate reports to budget entities and daily cash position in the TSA a country-wide integrated GFMIS is essential.

The preparation for GFMIS implementation is a long-term effort that requires certain steps including preparation of conceptual design, high-level functional requirements, development of options for future development and implementation and determination of costs.

The GFMIS implementation plan shall also include the evaluation of the Automated Government Accounting System (AGES) being developed through

the collaborative efforts of Ministries of Finance, State for Administrative Development and Communications and Information Technology for use at Accounting Units.

If the evaluation shows that the weaknesses in the system can be remedied, and that it can support the countrywide needs for the centralization of government financial transactions in the TSA system, and the automatic interface to the central system, priority steps should be taken to address these weaknesses and to reorient the implementation strategy that will keep the costs to the minimum.

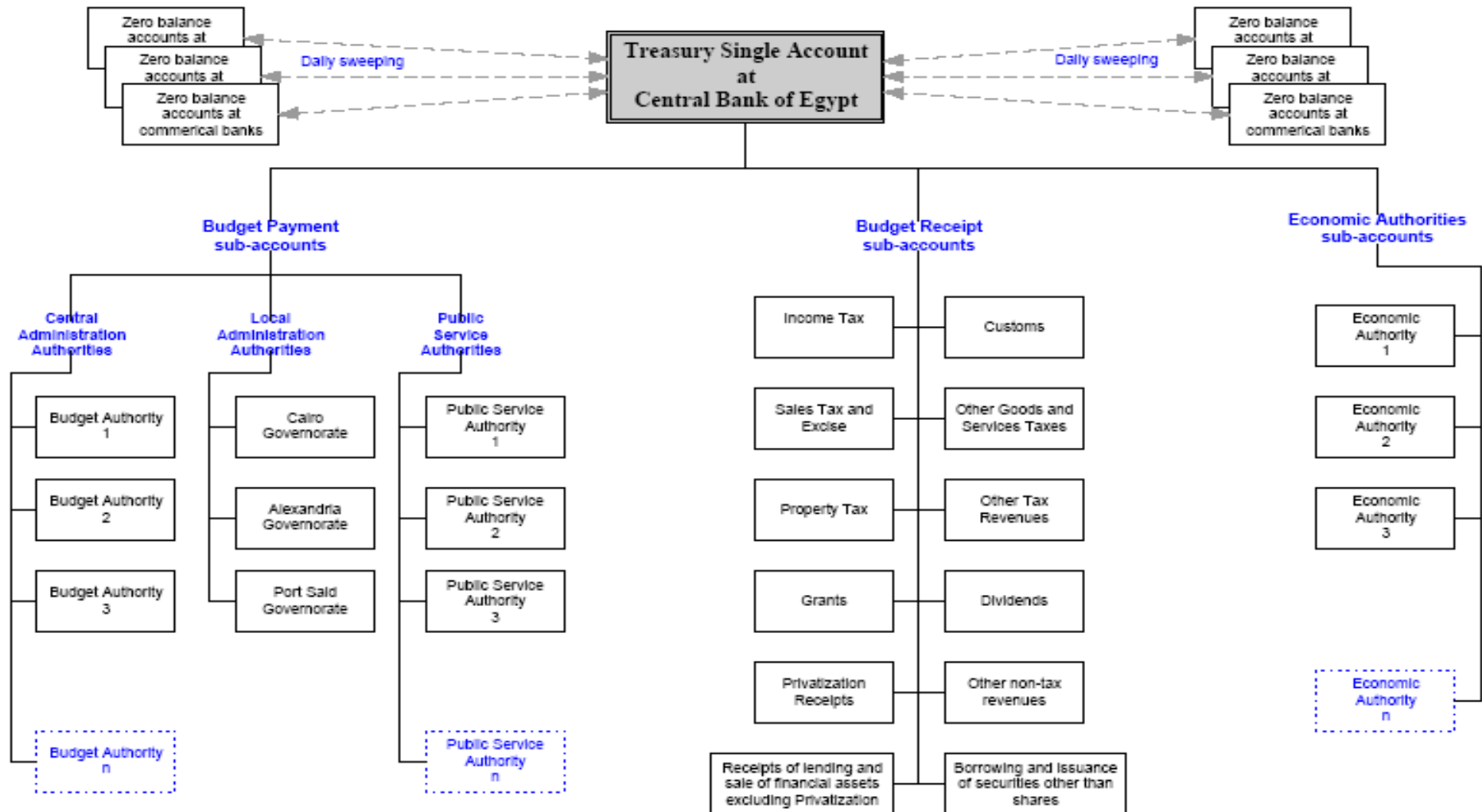
If the AGES is found to be beset with serious limitations and that further investment on its development would be of doubtful benefit in the context of higher level accounting requirements required for safeguarding the integrity of the TSA operations, it may be necessary to abandon the investment already made and to look for alternative options.

Concurrent with the TSA implementation the TSA Task Force with assistance from the international advisors involved in the TSA implementation will attend to the needs for the GFMS implementation and provide the recommended future development options to the management of the MOF to consider.

## Treasury Single Account Structure

Budget payment accounts for authorities in territories where CBE Branch does not exist

Off-budget Funds



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