



JAMAICA:

Central Treasury Management

System (CTMS)

“Managing Cash Effectively”

Presentation of the
CTMS Committee



OVERVIEW:

- Economic Reform Programme Overview
- Aim of the CTMS
- Current Challenges
- Existing Treasury Management
- Proposed Treasury Management
- Benefits of the CTMS
- Outline of key future functions
- Stakeholders and impact
- Highlights
- Sequence of Implementation



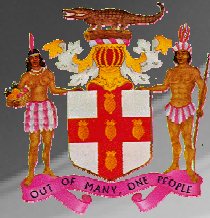
Government Economic Reform Programme

Jamaica currently faces several developmental challenges and structural deficiencies that has led to serious fiscal constraints and created barriers to sustained growth & development



MACROECONOMIC/FISCAL CHALLENGES

- Jamaica has struggled with the twin challenge of low economic growth and high public debt
- The country currently has one of the highest Debt to GDP ratios in the world (137% as at March 2011)
- This unacceptably high level of debt suggests that there are serious weaknesses in the country's fiscal framework

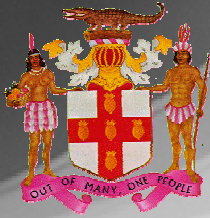


MACROECONOMIC/FISCAL CHALLENGES...cont'd

- Jamaica needs to reduce its debt to sustainable levels in order to release sufficient funds for development purposes

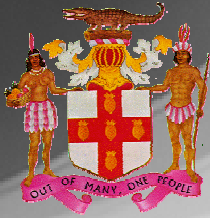
For every dollar spent :

- **48 cents goes to debt servicing**
 - **25 cents to wages**
 - **04 cents to all Govt pensions**
 - **23 cents left for all else (health, national security, education, social security, etc.,)**
- The unsustainable Public Sector Wage Bill that stands at approx. \$127.3 billion (2010/2011)



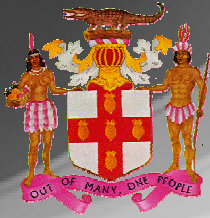
MACROECONOMIC/FISCAL CHALLENGES...cont'd

- ✓ A complex, inefficient and inequitable tax system
- ✓ Finding the most viable framework to achieve fiscal discipline and growth



ECONOMIC REFORM PROGRAMME IN CONTEXT

- IMF Stand-by Agreement of USD1.27 Billion
- The **Economic Reform Programme (ERP)** consists of a number of key reforms components and framework geared towards economic stability, growth and development.
- To achieve stability and sustained growth, the ERP's components are geared towards systematically attacking the structural deficiencies that have been pervasive/ perennial in Jamaica



ECONOMIC REFORM PROGRAMME IN CONTEXT

- ✓ Eliminating the overall Public Sector deficit
- ✓ Clear downward trajectory in the Debt to GDP Ratio



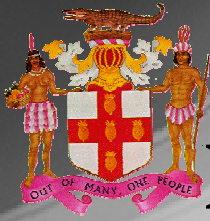
OBJECTIVE OF ERP

To implement policy reforms that will fundamentally transform the Jamaican economy and create the conditions for sustained growth



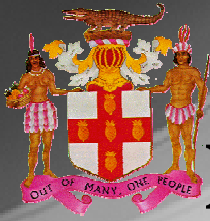
COMPONENTS OF ERP

- Fiscal Responsibility Framework (FRF)
- Comprehensive Tax Reform
- Public Sector Reform
- Rationalization of Public Entities
- A Comprehensive Debt Management Strategy
- Establishment of a Central Treasury Management System



Fiscal Responsibility Framework

- Jamaica consciously decided to adopt a FRF based on international best practices, to address its fiscal problems and achieve better fiscal outcomes
- Jamaica's FRF seeks to:
 - Introduce the principles of responsible fiscal management, and
 - To improve fiscal transparency



Fiscal Responsibility Framework

- The FRF is at the centre of PFM reforms which includes:
 - Institution of a Medium-Term Expenditure Framework (MTEF);
 - Enhancement of Debt Management Legislation;
 - Establishment of a Centralized Treasury Management System ; &
 - Improved Fiscal Governance.



AIM OF THE CTMS:

“CTMS aims to ensure better management of public resources, by bringing the responsibility for treasury management under one agency, thereby eliminating the overlap, duplication and inefficiencies of the current system. It will establish a Treasury Single Account (TSA) to improve cash management”

Honourable Audley Shaw,
Minister of Finance & the Public Service
Budget Debate 2010-11



GOJ CURRENT TREASURY MANAGEMENT SYSTEM:

Principal Receivers of Revenue (PRR)

Customs

Inland Revenue

Stamp Office

AGD

Revenue Bank Accounts

Warrants

CONSOLIDATED
FUND
(CF)

Loans & Grants

MDA's Expenditure Clearing Accounts

MDAS

- Health
- Education
- Security
- etc.

PAYEES

- Public Bodies
- Employees
- Suppliers
- etc.



Current Challenges

- Multiple Bank Accounts
- Lack of access to funds in bank accounts
- Idle balances in Banks
- Entrepreneurial Government actions stifling Fiscal
- Unnecessary borrowing
- Cash management not efficient
- Poor coordination and budget execution



GOJ FUTURE TREASURY MANAGEMENT SYSTEM:

Principal Receivers of Revenue (PRR)

Customs

Inland Revenue

Stamp Office

AGD

Revenue Bank Accounts

Warrants

CONSOLIDATED
FUND
(CF)

Loans & Grants

TSA Arrangements

TSA
in BOJ

PAYEES

- Public Bodies
- Employees
- Suppliers
- etc.

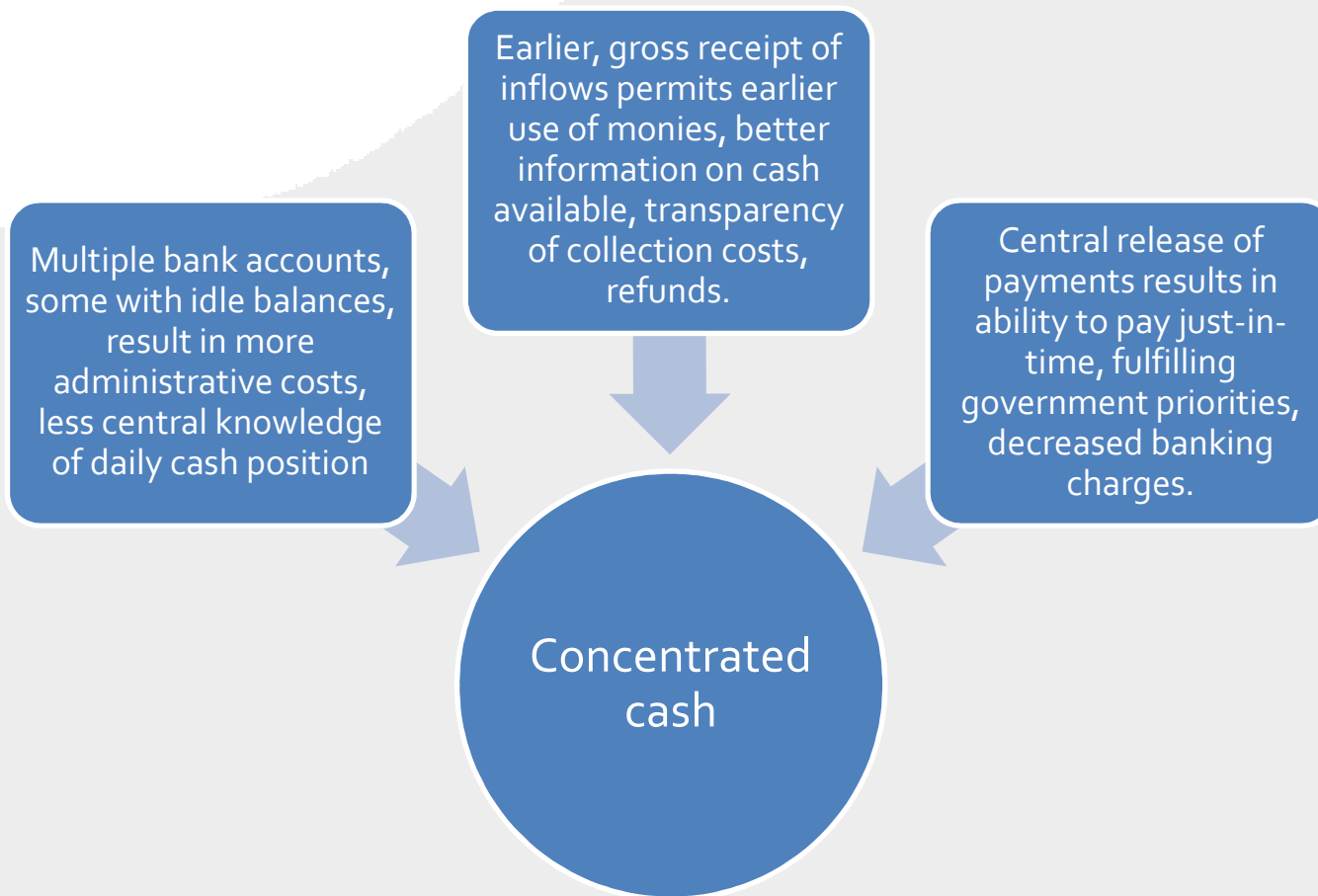


BENEFITS OF THE CTMS:

- Consolidation and improved management of cash;
- Eliminates idle balances and minimizes borrowing;
- Contributes to monetary, fiscal and budget management;
- Facilitates reconciliation between banking and accounting data;
- Efficient control and monitoring of funds allocated;
- Improving financial reporting.



TSA INCREASING EFFICIENCY & FISCAL DISCIPLINE





Threats to the CTMS

- Greater Risk in a centralized operation
- Resistance to Change (or Fear)
- Managing the Change is essential
- New processes to be understood
- Better planning required
- Better linking of planning and budgeting required
- Better budgeting required



OUTLINE OF OPERATIONS:

- Responsibilities:
 - Ministries, Departments, Agencies:
 - Transaction Processing remain;
 - Accounting Officers remain responsible for execution;
 - Prioritizing expenditure to advise the AG;
 - Finalizing Accounts;
 - Cheque writing discontinued.



OUTLINE OF OPERATIONS (2):

- Responsibilities:
 - Accountant General:
 - Executes payments based on instructions
 - Greater Coordination of payments where resources insufficient
 - Financial reporting on consolidated basis i.e. to MoF
 - Ministry of Finance & Public Service:
 - Prepares Fiscal forecasts
 - Prepares Ceilings and Warrants



STAKEHOLDER IMPACT

- **Permanent Secretaries:**
 - Accounting Officer responsibility unchanged.
- **Portfolio Ministries:**
 - Change in operations in Finance and Accounts Departments ;
 - Change in functions - no check writing.
- **Accountant General's Department:**
 - More control and responsibility;
 - Changed focus and enhanced functions;
 - Modern Treasury Operations.



STAKEHOLDER IMPACT (2):

- **Ministry of Finance:**
 - More predictive budgets;
 - Extremely efficient warrants;
 - Loss of some cash management functions.
- **Bank of Jamaica:**
 - Custody of the TSA;
 - Increased involvement responsibility for Government's cash management.



STAKEHOLDER IMPACT (3):

- **Auditor General's Department:**
 - Unchanged but online access to accounts.
- **Public Bodies :**
 - Decision framework to be developed for inclusion.
- **Revenue Departments:**
 - Closer look at revenue forecasting and collections.



STAKEHOLDER IMPACT (4):

- **Commercial Banks:**
 - Less idle cash
 - Service provision to Government
 - Focus on Treasury Management
- **Suppliers:**
 - Need to adjust as AG new payer,
 - New bank accounts
- **Departments overseas:**
 - Some Change in operations with portfolio Ministries



SEQUENCE OF ACTIONS

Entity	Phase
Ministries and Departments - Payroll and utility payments	Phase 1 Jan 2011
Ministries and Departments- Budgetary Funds of pilots, then MDA-by-MDA transition	Phase 2 July 11 – Dec 12
Ministries and Departments - Non Budgetary Funds	Phase 3 2012/13
Ministries and Departments- Projects	Phase 4 2012/13
Executive Agencies	Phase 5 2012/13
Local Authorities	TBD
Public Bodies excluding Self-Financing Corporations	Unknown



HIGHLIGHTS:

- Revenue accounts will remain in banks;
- Bank accounts will be closed; and
- Funds transferred to the TSA;
- Funds will be transferred under control of Accountant General;
- AGD will be modernized



HIGHLIGHTS:

- Treasury Single Account held in Bank of Jamaica;
- Interface with AGD instead of multiple MDAs
- Gradual move to full Electronic Fund Transactions;
- Suppliers will be required to have bank accounts;
- Banks to have stable supporting electronic interface



QUESTIONS?

- Thank you