

Overview of Cash Management Group Activities since the Meeting in Vienna

Mr. Erekle Gvaladze, TCOP Executive Committee Chair
November 4, 2024
Tirana, Albania

Cash Management and Forecasting Thematic Group: a Priority for TCOP



Thematic Groups VCs in FY 22 - FY 25*

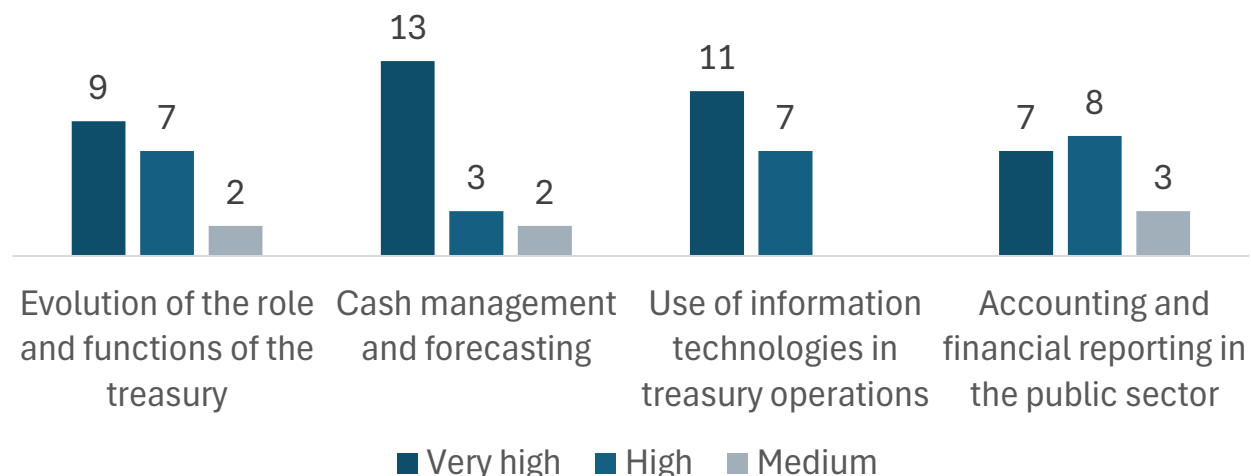


Over the past 3 years Cash Management and Forecasting Thematic Group has been **the most active:**

- 1 F2F meeting (Vienna, November 2023)
- 5 virtual meetings (including 2 VC since the Vienna meeting)

Thematic area of cash management and forecasting remains a priority for TCOP members in the long term. During the TCOP Thematic Survey in June.

Priority of Thematic Areas in the Long Term
Rating Distribution**

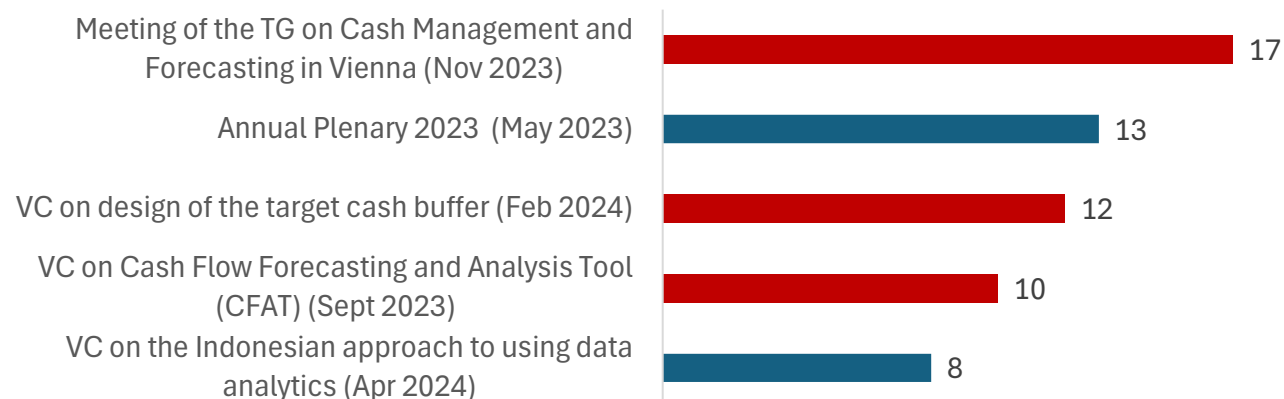


*as of November 2024. **number of PEMPAL countries, based on Thematic Survey Results

Cash Management and Forecasting Thematic Group: Impact



Most Influential TCOP Events in Formulating Treasury Modernization Agenda (FY22-24)*



The meetings of the Cash Management and Forecasting Thematic Group (both the meeting in Vienna and virtual events) were rated **the most influential events** contributing to formulating treasury modernization agenda in PEMPAL countries.

TCOP members highlighted the impact of the TG on PFM Reforms/Treasury Modernization

Expanding Treasury Coverage & TSA Design:

Azerbaijan, Bosnia I Herzegovina, Croatia, Hungary, Kazakhstan, Türkiye, Uzbekistan

Cash Management & Forecasting:

Albania, Hungary, Kazakhstan, Kosovo, Kyrgyz Republic, Montenegro, Serbia, Türkiye

**number of PEMPAL countries, based on Thematic Survey Results, does not include 2024 Belgrade Plenary.*

Last Face-to-Face Meeting of Cash Management TG in Vienna, November 2023



- **Objective:** to explore and share practices on the coverage of the Treasury Single Account (TSA), and on techniques, challenges, and practices in preparing reliable and timely cash flow forecasts
- Participants from 16 PEMPAL countries, guest speakers from Austria and Hungary
- Exchange of experience between PEMPAL countries (presentations on TSA management practices from Türkiye, Albania, and Moldova)

We Had Active Discussions in Vienna and Exchanged Views on Various Issues



Activities since Vienna: VC on Cash Buffer, February 27, 2024



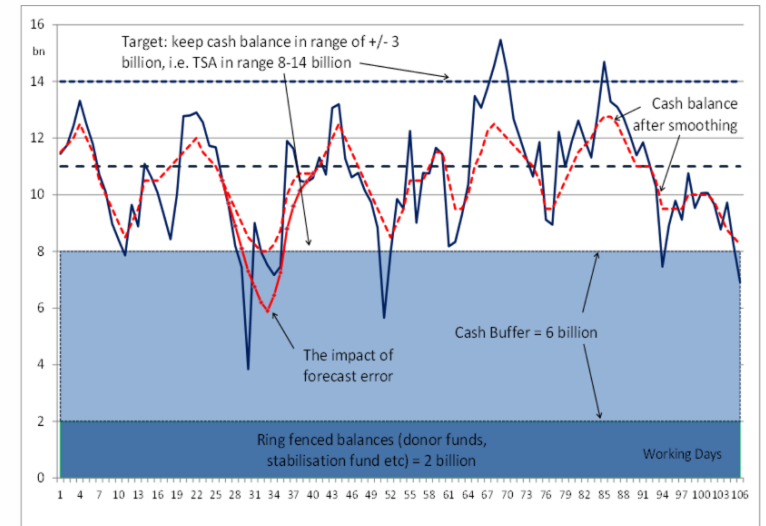
- ❑ Objective: to discuss target cash buffers
- ❑ Presentation by Mike Williams on *The Target Cash Buffer: Its Importance, Implementation and Calculation* based on the recent note produced by the IMF (*How to Set Up a Cash Buffer: a Practical Guide to Developing and Implementing a Cash Buffer Policy*)
- ❑ 41 participants from 16 PEMPAL countries

Public Expenditure Management
Peer Assisted Learning



Impact of Forecast Errors

- Standard deviation of the errors in the forecast \ll standard deviation of the outturn
 - ▶ but they will not be zero
 - ▶ It is the cumulative error that is important
- Identify: the maximum unanticipated fall in the cash balance over any period where intervention is no longer practical
 - ▶ In this context, the timescale over which unanticipated fluctuations can be managed is important.
 - ▶ In countries that issue Tbills regularly that is probably between 1 - 2 weeks



Transactions buffer = Maximum cumulative forecast error over reaction period

Various types of cash buffers and calculation approaches were discussed.

Knowledge Product: *The Optimal Coverage of the TSA*



PEMPAL

TCOP Treasury
Community of
Practice



Optimal Coverage
of the Treasury
Single Account

- ❑ The note was produced at the request of the PEMPAL Treasury Community of Practice (TCOP) working group on cash management and forecasting.
- ❑ It summarizes the content of the presentation delivered at the group's meeting in November 2023 and incorporates the findings from the group discussions held during the same meeting.
- ❑ The note defines a TSA, why it is important and suggests what should be included in the TSA and what should be excluded. The focus is on the more advanced aspects of TSA design that are more difficult to implement in practice.
- ❑ The note can be found on the PEMPAL website under knowledge products here <https://www.pempal.org/knowledge-product/optimal-coverage-treasury-single-account>

Activities since Vienna: VC on Optimal TSA Coverage & Measuring TSA Performance, September 12, 2024



Arguments for Consolidation/Separation are common across Different Funds and Types of Money in General Government

Opportunities

- Is the fund largely reliant on government for funding?
- Are they controlled entities to be reported in GG Sector?
- Do they have the skills to manage cash effectively?
- A central cash manager can access a greater range of investment and borrowing tools - expert role
- Reduced reconciliation/settlement across government
- Timely consolidated reporting
- Bank partners have a vested interest in managing cash to their advantage – whole of govt contract/MOU
- Bank Reconciliation workload is reduced

PEMPAL Sept 2024

Issues (which can be managed)

- Perceived loss of autonomy/independence control
- Real control over spending decisions - budget entities/fund managers often see bank account as fundamental to control over resources
- Timeliness of cash availability
- Returns on cash holdings

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- ❑ Objective: to discuss the recent TCOP knowledge product on the Optimal Coverage of the Treasury Single Account (TSA) and approaches to measuring the TSA coverage
- ❑ Presentation by Mark Silins on *The Optimal Coverage of the TSA* based on the recent TCOP knowledge product
- ❑ 45 participants from 16 PEMPAL countries

The presentation highlighted the importance of ensuring the fungibility of the funds on TSA.

Meeting in Tirana, Albania, November 4-6, 2024



- **Objective:** to discuss the approaches to improving and measuring cash management and cash forecasting performance
- **Special thematic meeting:** joins the agenda of TCOP Cash Management and Forecasting TG and the TG on Evolution of Treasury Role & Functions
- **Host:** Ministry of Finance of Albania, General Directorate of Treasury
- **Participants** from 17 PEMPAL countries.

I am looking forward to productive and fruitful discussions in Tirana!

THANK YOU!

