Strengthening and Measuring Treasury Performance in Cash Management and Forecasting

Ministry of Finance
Republic of Armenia
2024

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Treasury Performance Assessment

To assess the Treasury's performance, the following have not been developed and are not currently used:

- any key indicators,
- any measurement system/mechanism.

➢ At present, the performance of treasury officers, as well as officers in the other units of the Ministry of Finance, are evaluated only within the civil service, according to a work plan for the year, once every six months.

| Employee | Head of unit | Head of department | Chief Secretary of the Ministry | Ministry Secretariat |

Indicator 1: Cash Management Outcomes

Indicator	Mo 1 (July 2024)	Mo 2 (August 2024)	Mo 3 (September 2024)
Percentage of the total amount (by value) of monthly payments due that are not made on the due date (as a result of the lack of liquidity)	0%	0%	0%
Ratio of outstanding advances or other borrowing from the central bank to total monthly expenditure, %	0%	0%	0%

Questions and Comments
Indicator 1: Cash Management Outcomes

Questions	Yes	No
Is this indicator relevant?	While the Treasury does not actually borrow from the Central Bank, we believe that the indicator is relevant	
Is it useful for comparing cash management practices with those of other countries?	We are interested in benchmarking	
Have you used the indicator or anything similar in the past (are using now)?		No key indicators are currently defined or used to assess the performance and effectiveness of the Treasury's work
Have you encountered any computational difficulties when applying this indicator?		Given the existing treasury capabilities, we assume that we will have no difficulties.
Do you have any other suggestions for measuring cash management performance?		Since we do not have our own assessment system, we are interested in suggestions from other countries using a similar system today

The Treasury Single Account (TSA) and Treasury sub-accounts

In 1996, a Treasury Single Account denominated in Armenian drams was opened with the Central Bank of the Republic of Armenia in the name of the Ministry of Finance and has been maintained since.

The TSA includes the following subaccounts:

1. sub-accounts of the State Budget of the Republic of Armenia (1996);
2. sub-accounts of local budgets of municipalities of the Republic of Armenia (2000);
3. sub-accounts of state and municipal extrabudgetary funds (2001);
4. sub-accounts of the implementation offices of targeted lending and grant programs (provided to the Republic of Armenia by foreign states and international organizations), irrespective of their organizational and legal type (2010);
5. sub-accounts of state nonprofit organizations (2018);
6. subaccounts of funds established by the state and municipalities, as well as legal entities established by these funds (2018, at their discretion, but it is already planned to transfer all accounts to the treasury);
7. municipal nonprofit organizations subaccounts (2018, discretionary, not all have transferred their accounts from banks at this point in time).

❑ only with the Treasury
❑ discretionary, but will be mandatory
❑ discretionary

The Treasury clients

➢ **general government - 101,**
- ***including local governments (marz) -10;***

➢ **municipalities - 71;**

➢ **implementation offices of targeted lending and grant programs (provided to the Republic of Armenia by foreign states and international organizations) - 45;**

➢ **state nonprofit organizations – 2,312;**

➢ **municipal nonprofit organizations - 3;**

➢ **funds established by the government - 3.**

The Treasury's authority to manage the TSA funds

1. In case of free balance of other TSA sub-accounts, the difference between the receipts to the state budget of the Republic of Armenia and the expenditure transfers financed from the state budget at the end of any day may be negative, provided that:

➢ *the balance of the state budget of the Republic of Armenia on the last day of the budget year (excluding loans or grant funds provided by international organizations and foreign states and extra-budgetary funds) will not be negative.*

➢ *transfers scheduled from other TSA sub-accounts will not be disrupted.*

2. The Treasury may place deposits <u>only with the Central Bank</u> with terms ranging from 15 days to one year.

➢ *The possibility of depositing surplus cash to commercial banks is under discussion.*

Indicator 2: TSA Coverage

Indicator	End of month (July 2024)	End of month (August 2024)	End of month (September 2024)	Average
A. Cash balances in the TSA under control of the Treasury and available to meet commitments (in local currency), including deposits in the CB (bln dram)	488.3	485.2	500.7	491.4
➤ Cash balances in the TSA	7.3	4.2	7.7	6.4
➤ Deposits in the Central Bank (bln dram)	481.0	481.0	493.0	485.0
B. Total of other general government balances in the banking system (in local currency)	0	0	0	0
C. = A/(A+B) x 100 %	100%	100%	100%	100%

Questions and comments
# Indicator 2: TSA coverage

Вопросы	Yes	No
Is the indicator relevant?	We deem the indicator relevant.	
Is it useful for comparing cash management practices with those of other countries?	Interested in benchmarking.	
Have you used the indicator or anything similar in the past (are using now)?		No key indicators are currently defined or used to assess the performance and effectiveness of the Treasury's work
Have you encountered any computational difficulties when applying this indicator?		Given the existing treasury capabilities, we assume that we will have no difficulties.
Do you have any other suggestions for measuring cash management performance?		Since we do not have our own assessment system, we are interested in suggestions from other countries using a similar system today

The Treasury Role and Participation

Cash forecasting is done by the Public Debt Department (outside the Treasury) of the Ministry of Finance of the Republic of Armenia.

MINISTRY OF FINANCE

Public Debt Department

treasury Treasury

Treasury Information System

TOD
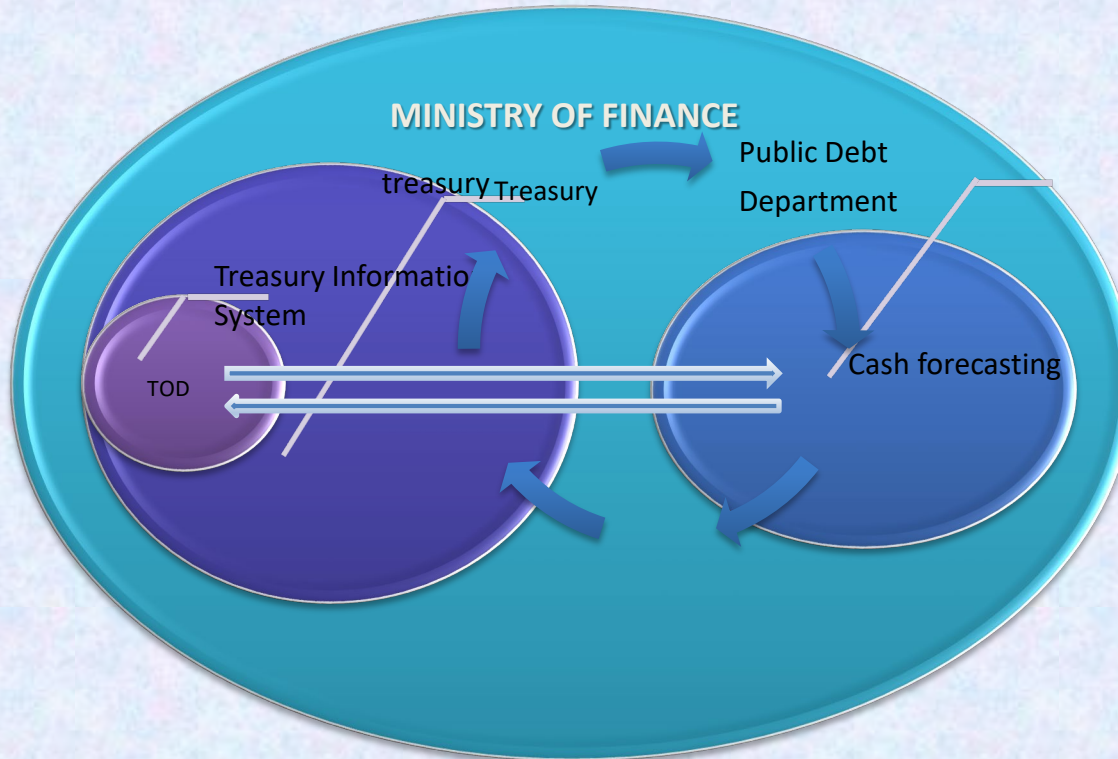
Cash forecasting

➢ Cash forecasting is done using data from the Treasury Operating Day IS /TOD/, using the IS toolkit.

➢ The Public Debt Department is a user of the TOD IS, and access is provided in real time.

Indicator 3: Cash Forecasting

Indicator	Month 1 (July 2024)	Month 2 (August 2024)	Month 3 (September 2024)	Average for 3 months
Revenue (forecast), bln dram, R_F	190.0	182.0	218.0	x
Revenue (actual), bln dram, R_A	185.1	175.4	219.0	x
Error, revenue $$E_R = \frac{|R_A - R_F|}{R_A} \times 100\%$$	2.6%	3.8%	0.5%	2.3%
Expenditure (forecast), E_F	255.0	204.0	220.0	X
Expenditure (actual), E_A	260.8	208.7	220.9	X
Error, expenditure $$E_E = \frac{|E_A - E_F|}{E_A} \times 100\%$$	2.2%	2.3%	0.4%	1.6%
Net Deviation $$Eb = \frac{[(R_A - R_F) - (E_A - E_F)]}{R_A} \times 100\%$$	5.8%	6.4%	0.0%	4.1%

Questions and comments
Indicator 3: Cash forecasting

Questions	Yes	No
Is the indicator relevant?		Cash forecasting is not part of the treasury function, although the indicator is relevant for assessing the entire Ministry
Is it useful for comparing cash management practices with those of other countries?	Interested in benchmarking	
Have you used the indicator or anything similar in the past (are using now)?		No key indicators are currently defined or used to assess the performance and effectiveness of the Treasury's work
Do you have any other suggestions for measuring cash management performance?		Since we do not have our own assessment system, we are interested in suggestions from other countries using a similar system today

Feasibility of assessing the performance and effectiveness of Treasury operations

➢ *Although there are no immediate*

plans to develop a mechanism/system

for assessing the performance and efficiency

of the Treasury, there is an interest in exploring such systems and indicators to analyze the feasibility of their implementation.

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THANK YOU!

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