Measuring Effectiveness and Efficiency of Cash Management and Forecasting

Astana, 2024

Cash Management Outcomes

Indicator	July	August	September
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)	11,7	14,7	10,7
Ratio of outstanding advances or other borrowing from the central bank to total monthly expenditure, %	0	0	0

Comments: *This indicator is relevant for the Republic of Kazakhstan. We believe that it is useful for benchmarking our liquidity management practices against other countries. Such indicators are used in the Republic of Kazakhstan. We have not encountered any difficulties in terms of making calculations when applying this indicator. No other indicators are proposed to assess liquidity management outcomes.*

Indicator 2

TSA Coverage

billion tenge

Indicator	End of July	End of August	End of September	Average
A. Cash balances in the TSA under control of the Treasury and available to meet commitments (in local currency)	2,247.3	2,330.5	2,140.7	2,239.5
B. Total of other general government balances in the banking system (in local currency)	50,972.2	51 579,5	51,841.2	51,464.3
C. A/(A+B) x 100%	4.22	4.32	3.97	4.17

Comments: *In the Republic of Kazakhstan, the TSA does not include balances of extra-budgetary funds, such as the Unified Contributory Pension Fund and the Social Insurance Fund. This indicator is not relevant for the Republic of Kazakhstan. This indicator was not used before. When performing calculations on this indicator it was difficult to obtain information on extra-budgetary funds balances.*

Indicator 3

Cash Forecasting

billion tenge

Indicator	July	August	September	Average for 3 months
Revenue (forecast), in local currency , R_F	1,879.1	2,486.6	2,167.7	x
Revenue (actual), in local currency, R_A	1,914.2	2,536.0	2,171.0	x
Error, revenue $E_R = \frac{\lvert R_A - R_F \rvert}{R_A} \times 100\%$	1.8	1.9	0.15	1.28
Expenditure (forecast), E_F	1,796.9	2,921.5	2,642.8	X
Expenditure (actual*), E_A	1.695.5	2,596.5	2,544.4	X
Error, expenditure $E_E = \frac{\lvert E_A - E_F \rvert}{E_A} \times 100\%$	-6	-12.5	-3.9	-7.5
Net Deviation $Eb = \frac{[(R_A - R_F) - (E_A - E_F)]}{R_A} \times 100\%$	8.1	14.4	4	8.8

Comments: *Indicators like "Error, Revenue" and "Error, Expenses" are not used in the Republic of Kazakhstan; we calculate deviation in absolute amount and as a percentage. We did not use them in the past. We did not experience difficulties in calculations, as all data are available.*

Comments and General Recommendations

The above indicators adequately reflect the range of cash management activities. However, in the Republic of Kazakhstan these indicators are not used in practice, and cash calculations are currently performed in absolute amounts and percentages.

In this regard, we are not clear enough about the algorithm of the calculations, namely the system of evaluation of the results of this measurement. We believe that more precise indicators of the calculation outcomes should be specified (e.g., what range of data is effective, what is satisfactory vs. unsatisfactory, as well as what actions should be taken in each of these scenarios). These indicators should reflect the full picture of the revised budget implementation, the amount of non-performance of expenditures for previous months and revenue adjustments. Cash calculations should reflect revenue and expenditures on an accrual and annualized basis to fully reflect budget execution for the year.

In general, we are quite clear about the importance of cash forecasting for effective public finance management. It helps to optimize expenditures and revenues, prevent deficits, generate income from idle cash, maintain macroeconomic stability and ensure transparency of financial transactions. This process helps the government to fulfill its obligations in a timely manner and maintain the financial system sustainability. Besides, it has a significant impact on public debt management. Timely planning helps to optimize borrowing, thus avoiding excessive borrowing. This helps to reduce the cost of servicing public debt, minimize the risks of its build-up and prevent debt crises. More accurate forecasting of balances also allows planning the repayment of existing debts without putting additional burden on the budget.