



PEMPAL TREASURY COMMUNITY OF PRACTICE (TCOP)

Videoconference of the Cash Management and Forecasting Thematic Group

Cash Flow Forecasting and Analysis Tool (CFAT)

September 21, 2023

On September 21, 2023, members of the PEMPAL Treasury Community of Practice (TCOP) met via videoconference (VC) to get familiarized with a Cash Flow Forecasting and Analysis Tool (CFAT) developed by the International Monetary Fund, as well as to further develop the agenda of the November 2023 face-to-face meeting of the thematic group. The CFAT was presented by Mr. Mike Williams (TCOP Thematic Advisor). The VC was attended by 30+ officials¹ from 15 PEMPAL countries (Albania, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, Georgia, Kazakhstan, Kosovo, Kyrgyz Republic, Moldova, North Macedonia, Romania, Tajikistan, Türkiye, and Uzbekistan), as well as by representative from the Hungarian State Treasury. The meeting was facilitated by the World Bank resource team, including Ms. Elena Nikulina (TCOP Resource Team Leader), Ms. Yelena Slizhevskaya (TCOP Resource Team Member), Ms. Galina Kuznetsova (Head of PEMPAL Secretariat), and Ms. Tetiana Shalkivska (PEMPAL Secretariat).

Summary of Discussion

Introduction

1. **Mrs. Elena Nikulina** welcomed participants. She noted the growing interest in cash management among the TCOP countries that was observed over the years since the Cash Management Thematic Group was established. On many occasions the TCOP members inquired about available templates or tools that could facilitate cash flow forecasting, and this videoconference responds to these requests by presenting the Cash Flow Forecasting and Analysis Tool (CFAT) developed by the International Monetary Fund (IMF).² During the second half of the session the participants had an opportunity to contribute to the design of the upcoming face-to-face meeting of the thematic group.

Cash Flow Forecasting and Analysis Tool

2. **Mr. Mike Williams** presented CFAT. It had been prepared over a long period by the IMF, with successive versions being improved in the light of comments from pilot users. The CFAT is Excel based and although originally prepared for low-income countries, in practice some middle-income countries had found it useful. Mr. Williams shared that the tool would

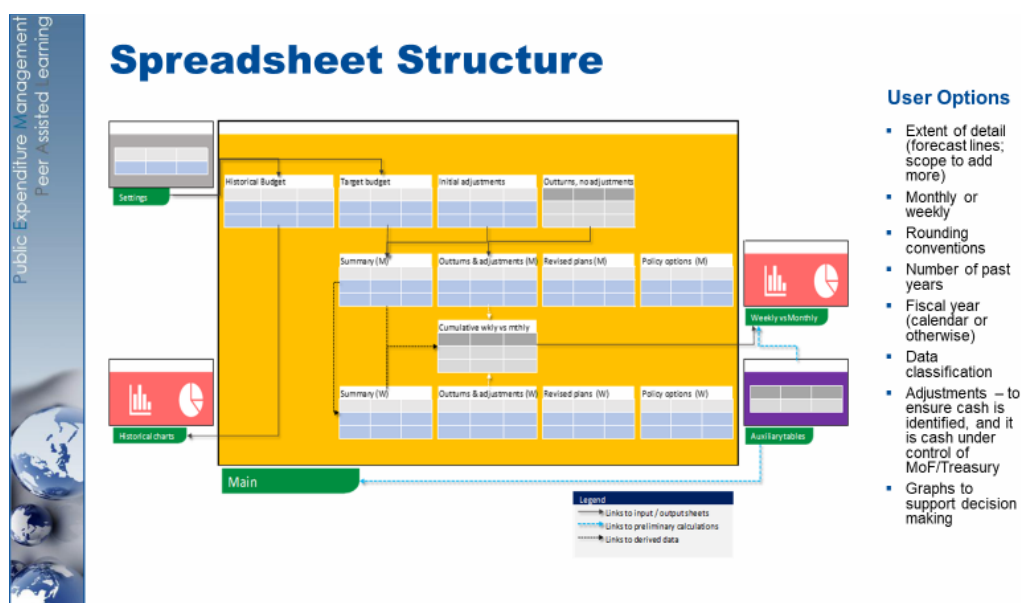
¹ The number includes only those who provided full contact details.

² The CFAT (original English version and unofficial Russian version) and the user guide (English, Russian and BCS versions) had been shared with participants prior to the videoconference.

shortly be published by the IMF;³ comments from users would continue to be welcome, and as possible incorporated as the tool was further developed.

3. Mr. Williams reminded the group of the main purposes of cash flow forecasting: both to facilitate orderly achievement of budget targets and to devise the strategies for active cash management with the benefits that flow from that. There was an important difference between cash plans and cash forecasts, but both were supported by CFAT.

4. Turning to CFAT's main characteristics, Mr Williams noted that, although it was primarily a top-down mechanism – relying on known flows and past patterns – it was also designed to incorporate bottom-up information from ministries, agencies, and the revenue authority. It had a strong focus on cash, and cash over which the Treasury or Ministry of Finance had control. It could handle both monthly and weekly forecasts, and different classifications of financial management data (although most users were likely to use an economic classification, ideally assembled in a format following the Government Financial Statistics Manual 2014). Most of the calculations were done within a single worksheet, with several segments, although the spreadsheet included a wide range of supporting data, charts, templates, and other analytical material (see slide). The CFAT was designed primarily for the practitioners, but it also made recommendations on the presentation of the forecasts and policy advice to senior decision makers.



5. Mr. Williams explained that users input into the tool previous years' outturns, the budget for the current or upcoming year and in-year outturn data, but they could make their own adjustments in the light of new information or their own judgements. There was also a range of possible adjustments that could be made to ensure a focus on cash; many of these are spelt out in the user guide circulated to the group. The tool emphasises cash flow forecasts

3 Shortly after the videoconference the tool and the user guide had been published on IMF's website: <https://www.imf.org/-/media/Files/capacity-development/Home/cash-forecasting-and-analysis-tool.ashx>; <https://www.imf.org/-/media/Files/capacity-development/Home/eng-cash-flow-forecasting-in-fragile-and-low-income-states-guidance-note.ashx>

three months ahead, with an important worksheet segment focusing on policy options, with a table and charts that forecasters might submit to the Cash Management Committee or similar, showing the forecast, the impact of sensitivities or scenarios, and possible policy responses and impacts.

6. Mr. Williams then gave a brief presentation of the spreadsheet, taking participants through the various worksheets and segments. Users had to make some choices when setting up the tool but navigation around the segments was straightforward. A range of graphs and other aids were generated, but these could be adjusted to respond to users' requirements, as could the breakdown of the revenue, expenditure, and financing lines.

7. The CFAT was originally constructed in English, its current version allows to change its interface to several other languages. Russian was not among the languages envisaged by the authors and considering wide use of the language in PEMPAL countries, an unofficial Russian version of the tool was prepared for this videoconference.⁴ The PEMPAL program also supported translation of the CFAT user guide into Russian and Bosnian-Serbian-Croatian.

8. In the subsequent discussion the participants of the meeting shared their comments and questions on the CFAT:

- Mr. Dan Berladean (State Treasury of the Ministry of Finance of Moldova) shared that they might use the tool in parallel with their existing approach as a way of exploring its potential for Moldova. He noted that CFAT's analytical capabilities, and the associated charts and diagrams, that could be presented to the senior management, are one of the main advantages of the tool.
- Mr. Tamás Török (Hungarian State Treasury) commented that they use a similar, though less sophisticated, tool, and asked how the tool might incorporate unexpected expenditures, as had arisen during the COVID-19 pandemic. Mr. Williams noted that this could be done by including additional lines to CFAT for contingency spending, that have no historic set. This would allow to capture risks arising from emergencies to inform decision makers what these numbers imply for cash flows.
- Mrs. Mimoza Pilkati (General Directorate of Treasury of the Ministry of Finance and Economy of Albania) noted that the analytical capabilities of CFAT could bring extra value. Albania is using simple Excel spreadsheet (which is heavy to manage data), and increasingly incorporates bottom-up information in its forecast. The team of the Treasury would be exploring use of the tool in this context.
- Mr. Bariş Can (Ministry of Treasury and Finance of Türkiye) explained that in Türkiye the expenditure side of the forecast is compiled bottom-up based on the spending plans provided by the institutions compared to economic breakdown used in the CFAT. Mr. Williams noted that there would be no difficulty in using an administrative classification if users wished; the tool had been designed to accommodate different classifications. Mr. Can also questioned how the tool handled bottom-up information. Responding to the question

⁴ To receive a copy please contact tcop@pempal.org

Mr. Williams acknowledged that in some circumstances bottom-up data might be easier to process outside the tool, e.g. to gross-up partial information, subsequently uploading the results, and an embedded capability indeed could be a potential addition to CFAT at some point in the future.

- Mr. Ilyas Tufan (Ministry of Treasury and Finance of Türkiye) remarked that CFAT could be very useful, especially for those countries building the forecasting infrastructure from scratch.

9. Summing up, Mr Williams thanked participants for their helpful comments. He stressed that the CFAT authors would strongly welcome any feedback from users, whether in relation to bugs, to its ease of use, or to its capabilities.⁵ It was important that further improvements took account of users' needs.

Design of the November 2023 face-to-face meeting of the Cash Management Thematic Group

10. Participants of the videoconference were invited to comment on the concept and preliminary agenda of November 27-29, 2023 meeting of the Cash Management Thematic Group, as well as volunteer to present during the sessions. The participants confirmed the relevance of the choice of topics (coverage of the Treasury Single Account (TSA), cash forecasting techniques, and investment of surplus cash) which are essential for cash management. Representatives from the treasuries of Albania, Moldova and Türkiye volunteered to present their TSA coverage/reforms during the first day of the meeting. It was agreed the Hungarian State Treasury will present their cash flow forecasting methodology and respective links with debt management during the second day of the event. The upcoming meeting may provide additional space to further discuss application of the CFAT, and the Resource Team will reach out to registered participants to seek their interest in such a session.

⁵ Comments should be sent to ngallardo@imf.org and/or mike.williams@mj-w.net