Government Cash Management under Fiscal Stress

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Sandeep Saxena
Fiscal Affairs Department
Key Messages

• Crisis presents both challenges and opportunities for cash managers

• Countries that in the past invested in institutional development are better positioned to deal with the challenges

• To be effective, cash management needs to adopt a multi-pronged strategy
Fiscal balance and debt levels are expected to deteriorate sharply.

Source: World Economic Outlook Update June 2020
Policy response has meant additional spending pressures and rising fiscal risks.

Fiscal Measures in Response to the COVID-19 Pandemic (percent of GDP)

Source: Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic, June 2020
Crisis presents both opportunities and challenges for cash management.

Challenges and risks have multiplied many fold

- Higher financing needs due to declining revenues and (higher) crisis-related spending
- Heightened uncertainty and increased volatility of government cashflows
- Constrained access to financial markets and higher risks

Cash management assumes greater relevance

- Essential to support crisis-related spending
- Ensuring timely payment of government obligations
What can the government cash managers do differently?

- Can we widen the Treasury’s pool of cash resources?
- Conversely, how do we avoid further cash fragmentation?

- What institutional measures will better support crisis management?

- What can we do to make forecasts more reliable?

- Are there any unconventional financing sources that can be tapped?
- How should the available safety nets be used?

Cash pooling

Cashflow forecasting

Institutional strengthening

Cash balance management
### Elements of a broader strategy

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<th>Cash Pooling</th>
<th>Cashflow Forecasting</th>
<th>Cash Balance Management</th>
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<td>• Look for any significant cash balances that can be realistically integrated with the treasury single account (TSA).</td>
<td>• Analyze short-term impact of the macroeconomic conditions and the government’s policy response.</td>
<td>• Explore short-term borrowing options:</td>
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<td>• Identify opportunities for speeding up the movement of money through the TSA system.</td>
<td>• Strengthen the bottom-up information base from major spending and revenue departments.</td>
<td>• Credit lines with commercial banks</td>
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<td>• Channel donor funding through the TSA to avoid further cash fragmentation.</td>
<td>• If necessary, shorten the forecasting horizon (4-6 weeks).</td>
<td>• Overdraft facility with the central bank (must be regulated)</td>
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<td>• Closely monitor outturn and analyze forecast errors.</td>
<td>• On call borrowing from public enterprises, extra budgetary funds</td>
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<td>• Update forecasts frequently (ideally daily).</td>
<td>• Recalibrate the cash buffer level.</td>
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<td>• Analyze the feasibility of using reserves (e.g., cash reserve fund, forex reserves, sinking fund).</td>
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<td>• How much and over what period?</td>
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Strengthening Institutional Arrangements

Senior MoF leadership for strategic decision-making.

High-level interdepartmental group for tactical and operational decision-making
- reviews forecasts
- identifies potential resource gaps and financing options
- analyzes options for potentially adverse scenarios
- informs CMG of a need for strategic change/adjustment is needed.

Small technical team
- monitors cash balance, prepares cashflow forecasts
- advises CCG on cash balance management needs.
Coordinated Cash and Debt Management

• Update borrowing program in line with cashflow forecasts; update issuance calendar and inform markets.

• Adopt a flexible approach to debt management.

• Coordinate issuance with other public entities (e.g., subnational governments) to avoid competition.

• For the medium-term, keep track of risks.