



FISCAL AFFAIRS

Government Cash Management under Fiscal Stress

**SINGAPORE TRAINING INSTITUTE (STI)
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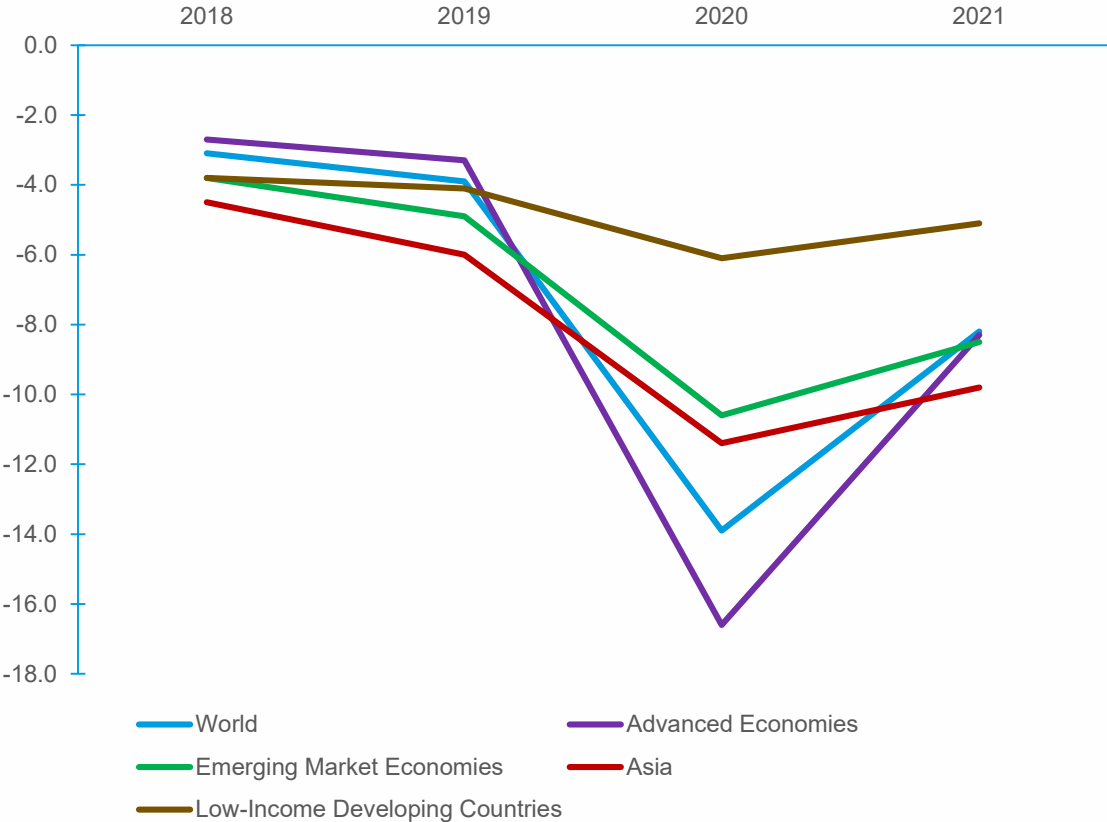
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Key Messages

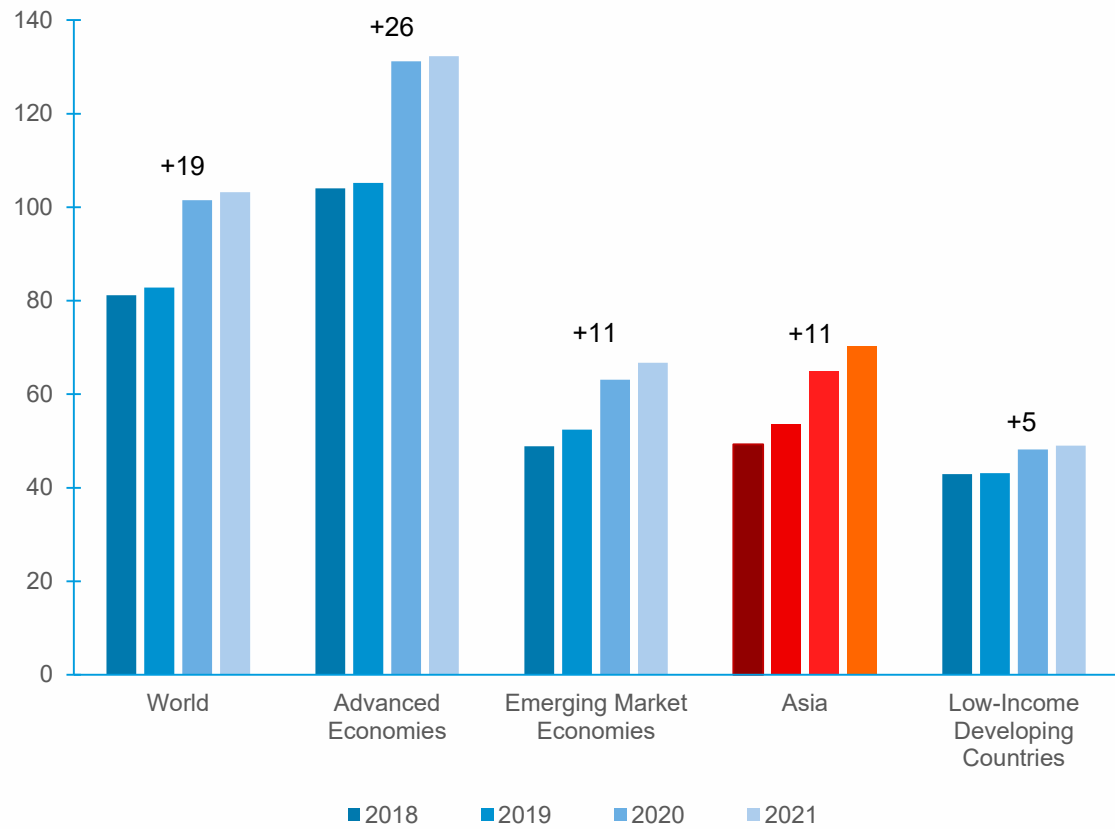
- Crisis presents both challenges and opportunities for cash managers
- Countries that in the past invested in institutional development are better positioned to deal with the challenges
- To be effective, cash management needs to adopt a multi-pronged strategy

Fiscal balance and debt levels are expected to deteriorate sharply.

**General Government Fiscal Balance
(Percent of GDP)**



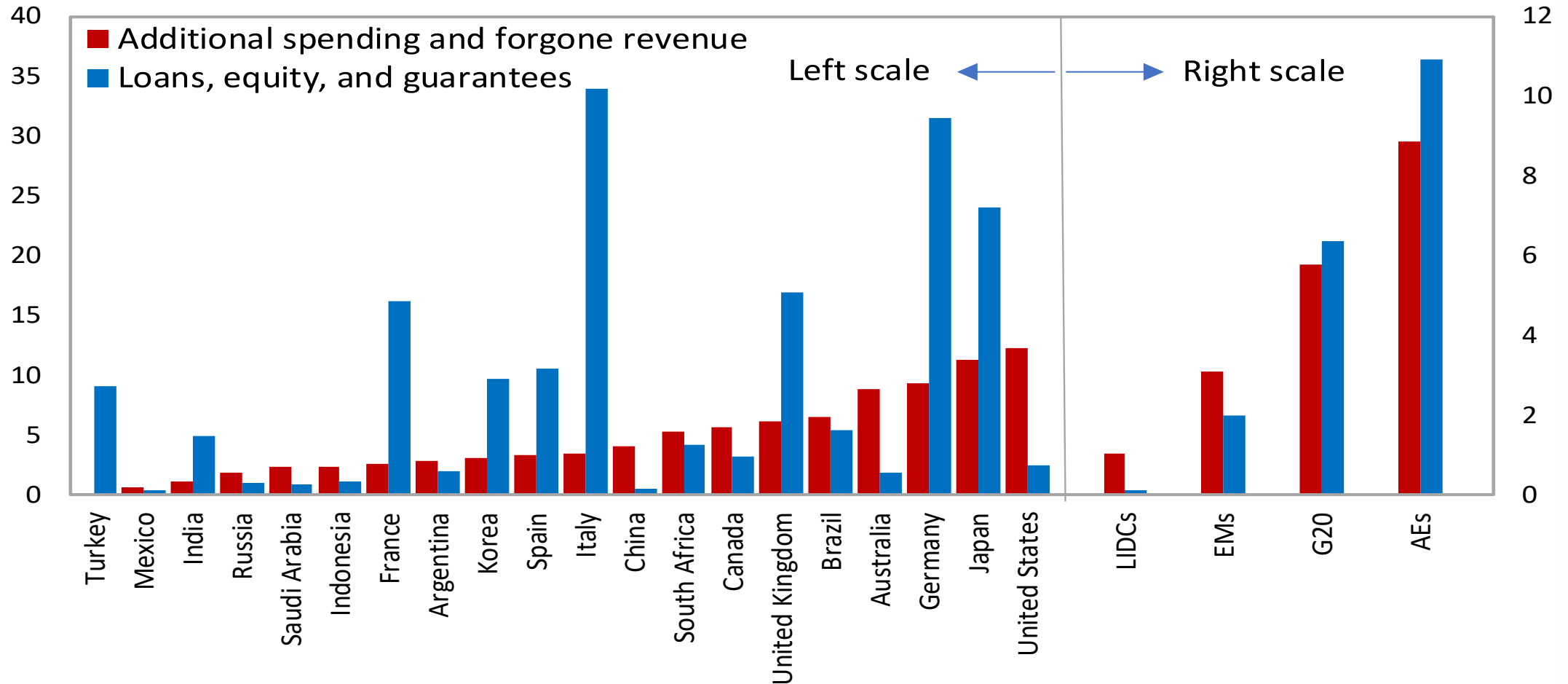
**General Government Debt
(Percent of GDP)**



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

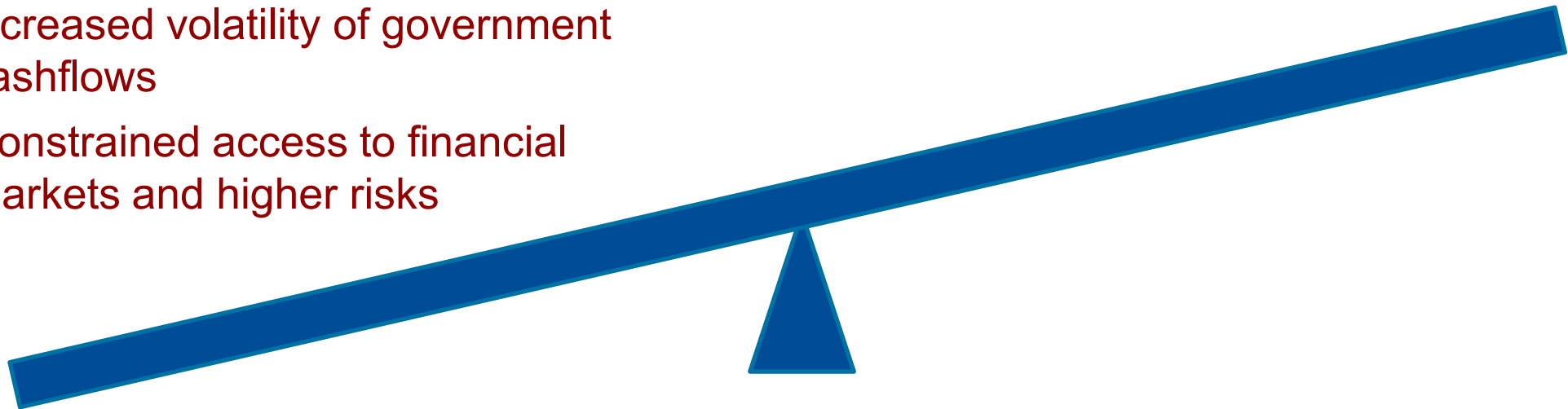
Crisis presents both opportunities and challenges for cash management.

Challenges and risks have multiplied many fold

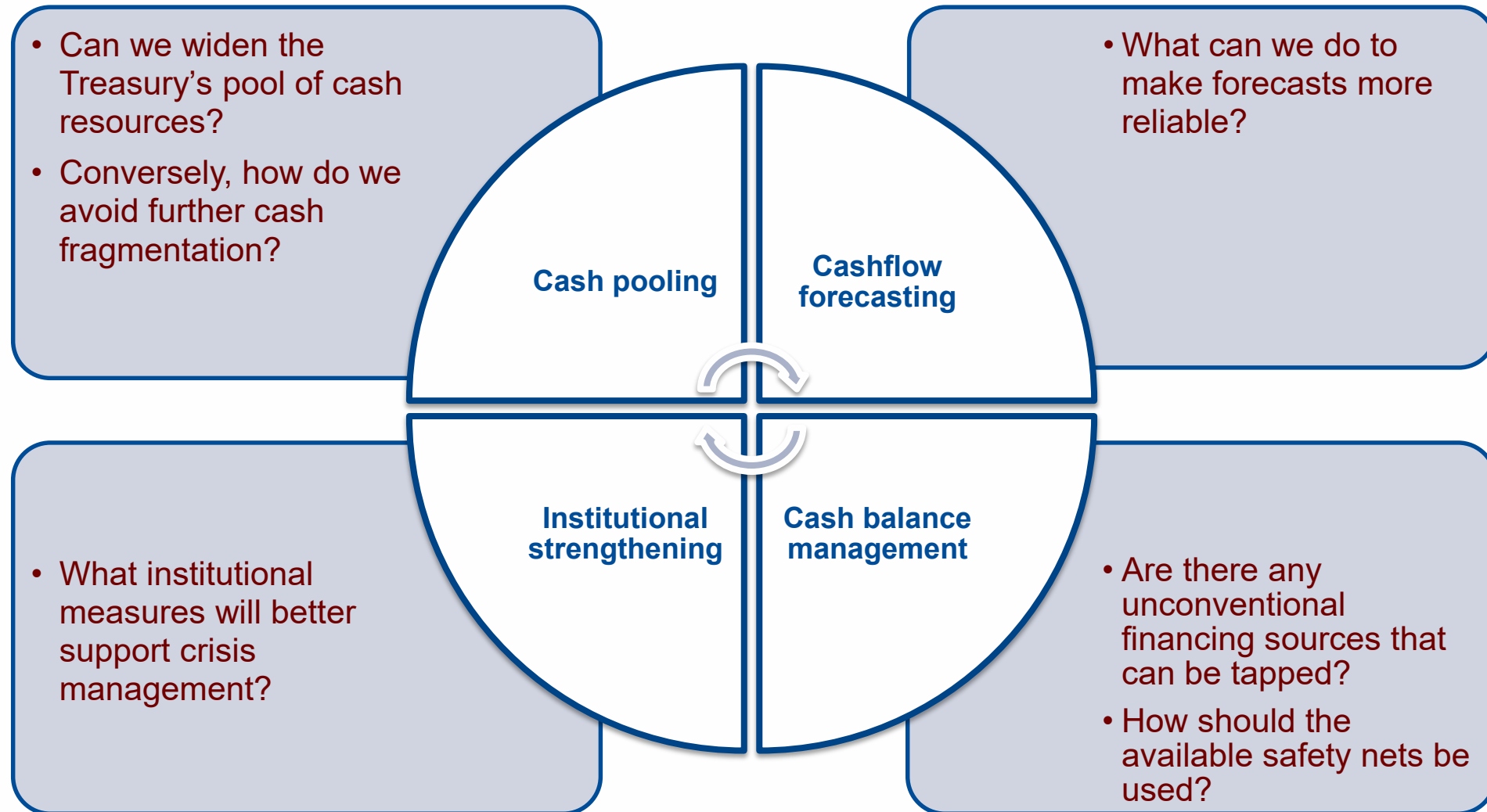
- Higher financing needs due to declining revenues and (higher) crisis-related spending
- Heightened uncertainty and increased volatility of government cashflows
- Constrained access to financial markets and higher risks

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?



Elements of a broader strategy

Cash Pooling

- Look for any significant cash balances that can be realistically integrated with the treasury single account (TSA).
- Identify opportunities for speeding up the movement of money through the TSA system.
- Channel donor funding through the TSA to avoid further cash fragmentation.

Cashflow Forecasting

- Analyze short-term impact of the macroeconomic conditions and the government's policy response.
- Strengthen the bottom-up information base from major spending and revenue departments.
- If necessary, shorten the forecasting horizon (4-6 weeks).
- Closely monitor outturn and analyze forecast errors.
- Update forecasts frequently (ideally daily).

Cash Balance Management

- Explore short-term borrowing options:
 - Credit lines with commercial banks
 - Overdraft facility with the central bank (must be regulated)
 - On call borrowing from public enterprises, extra budgetary funds
- Recalibrate the cash buffer level.
- Analyze the feasibility of using reserves (e.g., cash reserve fund, forex reserves, sinking fund).
 - How much and over what period?

Strengthening Institutional Arrangements



Crisis
Management
Group (Fiscal)

Cash
Coordination
Group

Cash
Management
Unit

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.

SPECIAL SERIES ON COVID-19



Special Series on COVID-19

<https://www.imf.org/en/Publications/SPROLLs/covid19-special-notes#top>