THE WORLD BANK
Treasury

Webinar

Government Cash Management: trends and challenges

Wednesday, June 28, 2017, 9:00 am – 10:30 pm
Washington, D.C. time (U.S. Eastern Standard Time)

Description of topic

The IMF-WB Guidelines for public debt management[1] do not include a specific part on government cash management but stresses its importance for debt managers on several occasions:

- "Debt managers and fiscal and monetary authorities should share information on the government's current and future cash flow needs."
- "The legal framework should clarify the authority to borrow and to issue new debt, to hold assets for cash management purposes, and, if applicable, to undertake other transactions on the government's behalf."
- "There should be cost-effective cash management policies in place to enable the authorities to meet their financial and budgetary obligations as they fall"
- "Credit risk should be assessed and managed consistently by debt and cash managers."

Government cash management can be defined as "having the right amount of money in the right place and time to meet the government's obligations in the most cost-effective way[2]". Despite the clarity of this definition and the multiple references in the IMF-WB Guidelines, the exact perimeter of government cash management is not always consensual: "from the perspective of budget policy or management, it is an internal government function - ensuring that cash flows to where it is needed without wastage or idling. But to debt managers and central banks it is about the impact and management of the government's cash flows in the financial sector[3]".

Against this background, country experience provides a list of valuable lessons and recommendations for effective government cash management, that includes the following:

- Pooling government revenues in a Treasury single account facilitates cash management by ensuring a concentration of funds.
- Accurate, timely and realistic forecasts of cash inflows and outflows needs to be developed encompassing all (large) payments and aligning expenditure planning with actual cash spending.
- Close coordination between debt and cash management is a crucial but challenging requirement as their objectives can be very different.

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[1] Revised Guidelines for Public Debt Management, IMF-WB, 2014: http://treasury.worldbank.org/documents/RevisedGuidelinesforPublicDebtManagement_2014_English.pdf

[2] I. Storkey, Government Cash and Treasury Management Reform, Asian Development Bank, Governance Brief, Issue 7-2003: https://www.adb.org/sites/default/files/publication/28642/governancebrief07.pdf

[3] M. Williams, Government cash management: good – and bad – practices, 2004: http://treasury.worldbank.org/bdm/pdf/CM-V2-Aug04MikeWilliams.pdf

- Trade-offs need to be clearly evaluated and assumed on minimizing the amount of idle cash and maximizing its return while ensuring timely payment of government's commitments.
- Coordination with the central bank is also essential to avoid adverse implications on monetary policy.

In many OECD countries, there has been a move towards integrating debt and cash management but the choice of any particular institutional arrangement needs to take into account the specificities and history of each economy. In all cases, coordination, transparency and smooth exchange of information are indispensable.

The webinar on government cash management aims to initiate a broad discussion among government debt practitioners and facilitate sharing of experience and key lessons. Given the particularities of cash management across countries, a panel format has been chosen so that speakers will focus on key questions/issues of wide interest for the audience, rather than present the details of their respective systems. They will highlight challenges faced in developing and implementing effective government cash management, its interaction with public debt management and other economic policies. As usual in WB Treasury webinars, participants will have the opportunity to pose specific questions and share their own experiences.