



Treasury Cash Management

Sharon P. Almanza
Bureau of the Treasury

10 March 2017

Philippine Association for Government Budget Administration (PAGBA)
2017 1st Quarterly Seminar & Meeting, April 5-8, 2017
Crown Legacy Hotel, Baguio City

Objectives of Cash Management

- ✓ Ensure that there's sufficient cash available to meet government expenditure on a daily basis and refinancing requirements,
- ✓ Minimize negative carry by maximizing returns on idle cash;
- ✓ Minimize borrowing costs by integrating debt management with cash management and avoiding unnecessary borrowing
- ✓ Managing risks when investing temporary surpluses



TREASURY SINGLE ACCOUNT

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Treasury Single Account



- A unified structure of government bank accounts enabling consolidation and optimum utilization of the National Government's cash resources
- Objectives:
 - Greater control and oversight over NG cash resources
 - Reduced funding pressure due to cash fungibility
 - Unify NG's fragmented banking arrangement
- Rationale:
 - High cost of fragmented cash positions
 - Idle cash balances in bank accounts often failed to earn market-related remunerations
 - NG incurs unnecessary borrowing costs on raising funds to cover perceived shortfalls
 - Cost of managing liquidity partially generated by the public sector is costly for the BSP

Treasury Single Account



- Benefits:
 - Efficient debt and budget management
 - Promote transparency in Public Financial Management
 - Reintegrate Off Budget Accounts (OBA's)
- Characteristics
 - Interest-bearing savings account
 - Rate = SDA x (1 – current Reserve Ratio)
 - Quarterly interest payments based on Average Daily Balance
- Milestones
 - Closed and swept over a hundred BTr bank accounts to TSA
 - Consolidated at least 381 dormant and 538 active bank accounts of several NG agencies to TSA

Legal Bases



- **EO 55, s. 2011**
 - To carry out all necessary activities for the completion and implementation of the TSA.
- **EO 338, s. 1996**
 - Directing the deposit of cash balances to the National Treasury.
 - Implemented by COA-DBM-DOF J.C. No. 1-97.
- **EO 431, s. 2005**
 - Reverting all dormant accounts, unnecessary special and trust funds to the general fund and other purpose.- Implemented by COA-DBM-DOF J.C. No. 4-2012
- **Section 7 general provision GAA 2016**
 - All bank accounts classified as trust receipts shall be deposited to the National Treasury. Disbursements shall be made in accordance with the purpose for which the fund is created.
- **Memorandum Order 276, s. 1990**
 - Establishing the Government's MDS, directing the use of government financial institutions as the servicing banks, and for other purpose.

Treasury Single Account

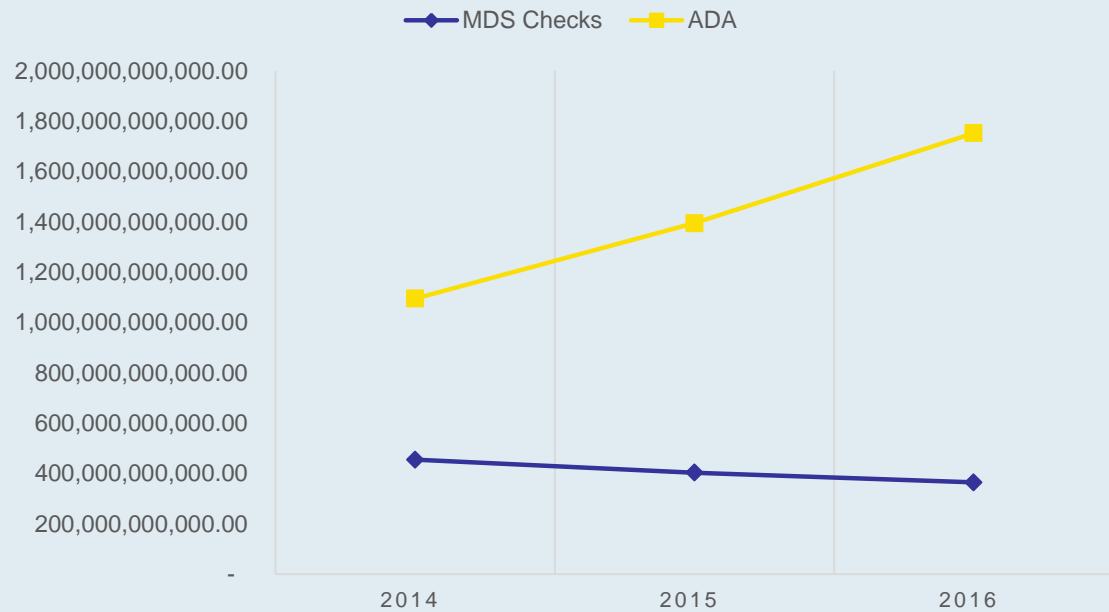


- Key Issues and Challenges
 - Lack of government oversight on the accounts outside Treasury
 - Consolidation of cash balances held outside TSA
 - Updated inventory of account
 - Initiated consultation with various agencies with huge number of accounts
 - Distinction between the authority to spend and physical location of cash
 - Issues of NGAs that the cash will be available to them in a timely manner
 - Proper monitoring and recording of NGA balances once consolidated to the TSA
 - Potential to improve efficiency of operations
 - Continue to promote the use of electronic payments (ADA) to reduce check floats
 - Encourage the use of e-MDS for NGAs using LBP for disbursements

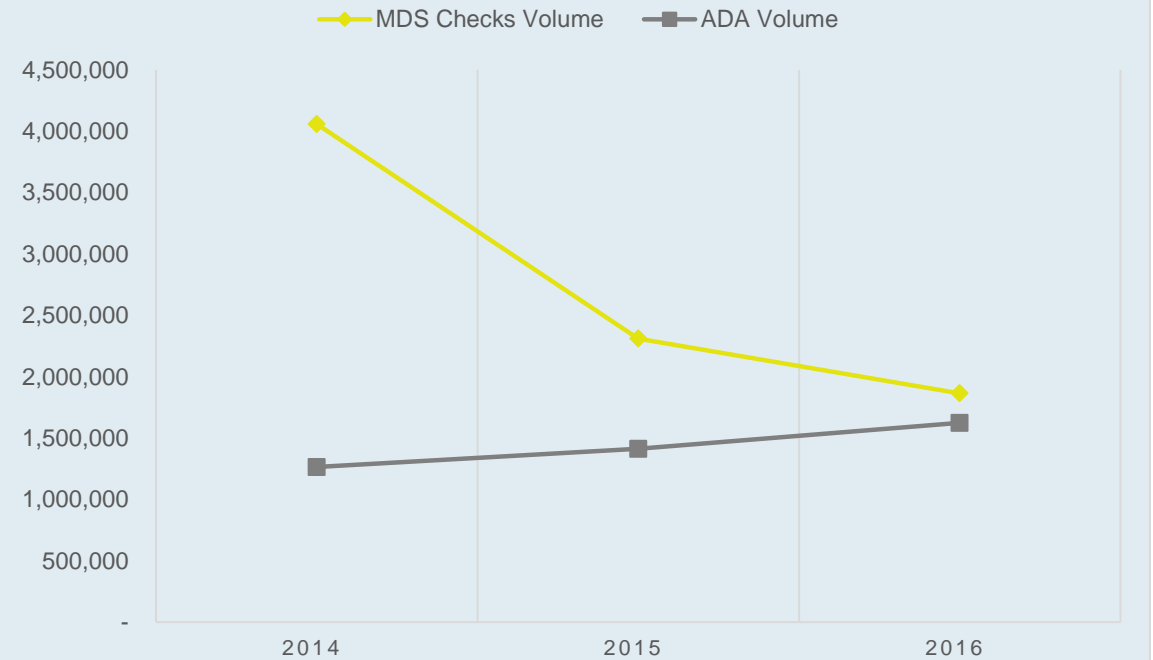
Checks vs electronic payment



UTILIZATION OF MDS CHECKS VS. ADA



VOLUME OF MDS CHECKS VS. ADA



	2014				2016			
	MDS Checks (billion)	Volume	ADA	Volume	MDS Checks	Volume	ADA	Volume
TOTAL	454.893	4,058,468	1,095.02	1,264,130	364.514	1,864,024	1,752.9	1,623,857
% to total	29%				17%			
change					20%	54%		

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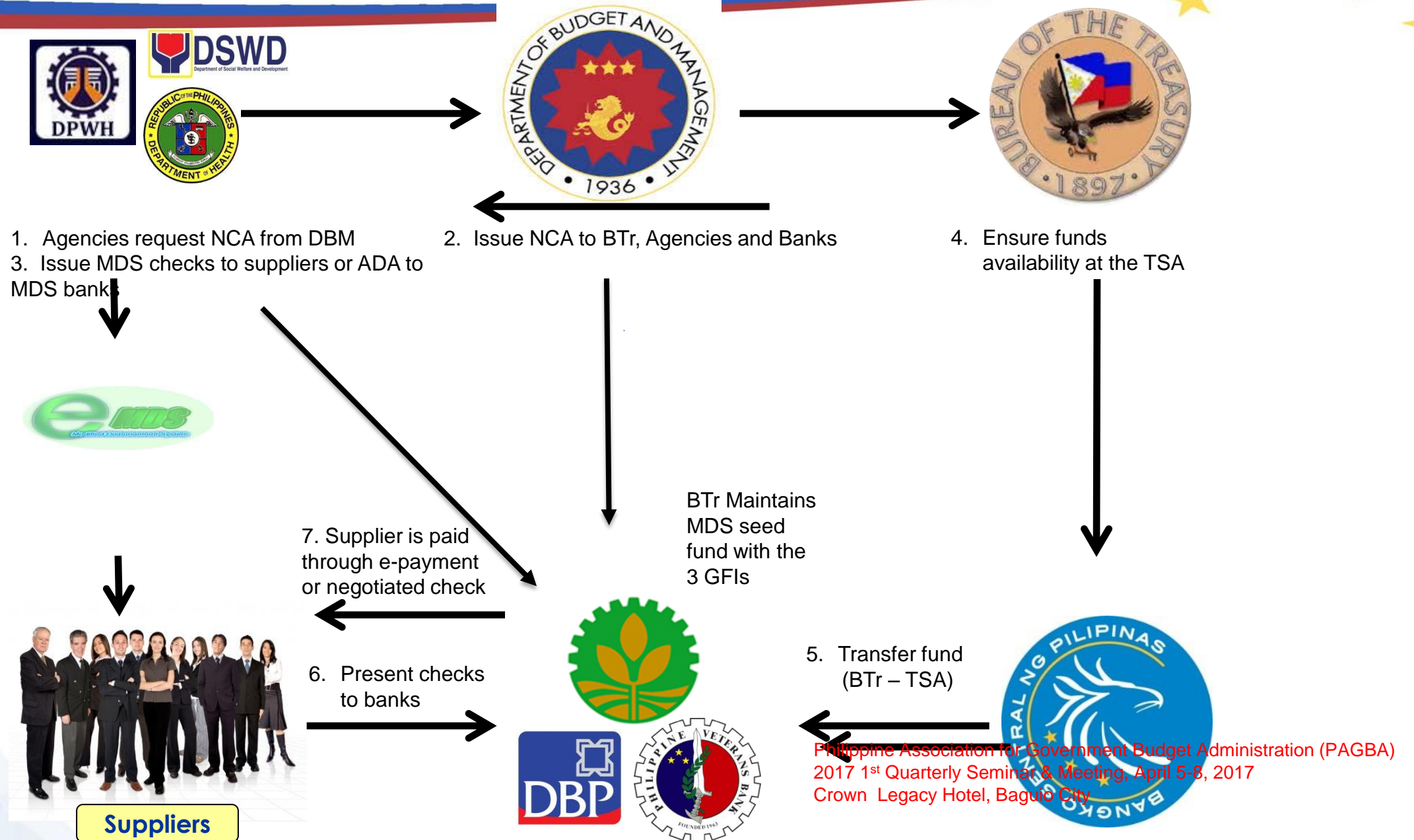
Total Opportunity Cost (interest forgone) for NG

Balances Held in Trust *	TSA rate at BSP	Interest to be earned if deposited to TSA
* 35.28 billion	2.0%	705.7 million
Balances Held in Trust*	Bank's Savings Rate**	Interest to be earned in GFIs
35.28 billion	0.25%	170.71 million
Balances Held in Trust	Difference	Interest Foregone if not deposited to TSA
35,28 billion	1.75%	535 million

* Excludes ODAs and Revolving Funds

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TSA Disbursement Framework – Regular Budget





CASH FORECASTING

Cash Forecasting

- Measuring the timing and magnitude of cash inflows and outflows
- Rationale: reduction of cost of carry
 - TSA Rate: average borrowing cost
 - Cost of borrowing is higher than the TSA Rate
- Current Initiatives:
 - Coordination with biggest implementing agencies (Group of 10)
 - Improving methodology, determining optimal cash buffer

Challenges to Cash Flow Forecasting

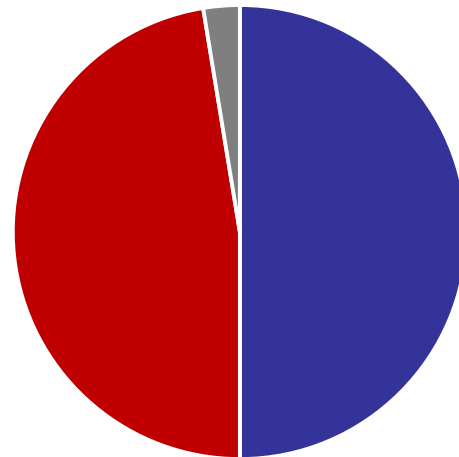


- Limited information regarding budget execution hindering alignment of expenditure planning and actual cash spending of line agencies;
- The need for a more realistic monthly disbursement cash program or cash plan to minimize unutilized NCA
- There are still significant check payments (check floats)



2016	
TOTAL NCA	₱2,132,675,570,220.40
Negotiated Checks	₱2,022,293,578,226.78
Bank Balance	₱110,381,991,993.62

NCA



■ Total NCA ■ Negotiated ■ Bank Balance ■

2017 First Semester Cash Requirements

January	₱206,328,246,387.78
February	₱179,763,543,609.00
March	₱200,746,711,802.00
April	₱190,389,326,918.00
May	₱222,471,010,777.00
June	₱178,472,647,852.00
First Semester	₱1,178,171,487,345.78

2017 First Semester Cash Requirements

	January	February	March	April	May	June	Total
Expenditure	₱206,328,246,388	₱179,763,543,609	₱200,746,711,802	₱190,389,326,918	₱222,471,010,777	₱178,472,647,852	₱1,178,171,487,346
*Revenue <small>*For presentation purposes only</small>	₱178,244,241,325.00	₱152,412,653,215.00	₱188,525,452,125.00	₱192,254,875,455.00	₱200,242,121,888.00	₱188,639,987,546.00	₱1,100,319,331,554
Deficit	(₱28,084,005,062.78)	(₱27,350,890,394.00)	(₱12,221,259,677.00)	₱1,865,548,537.00	(₱22,228,888,889.00)	₱10,167,339,694.00	(₱77,852,155,791.78)

COST DUE TO DEFICIT

₱1,167,782,336.88

**3% negative carry (semi-annual cost)

CASH MANAGEMENT TOOLS

- **Cash Flow**

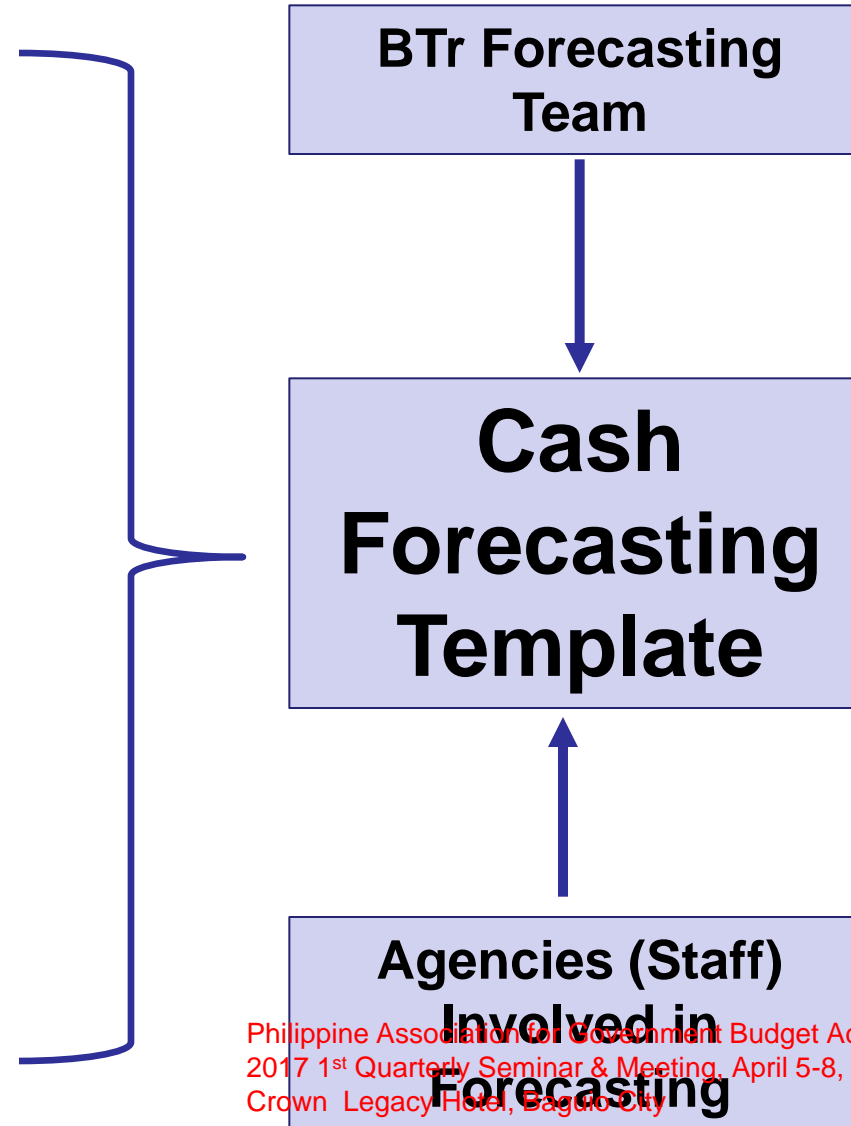
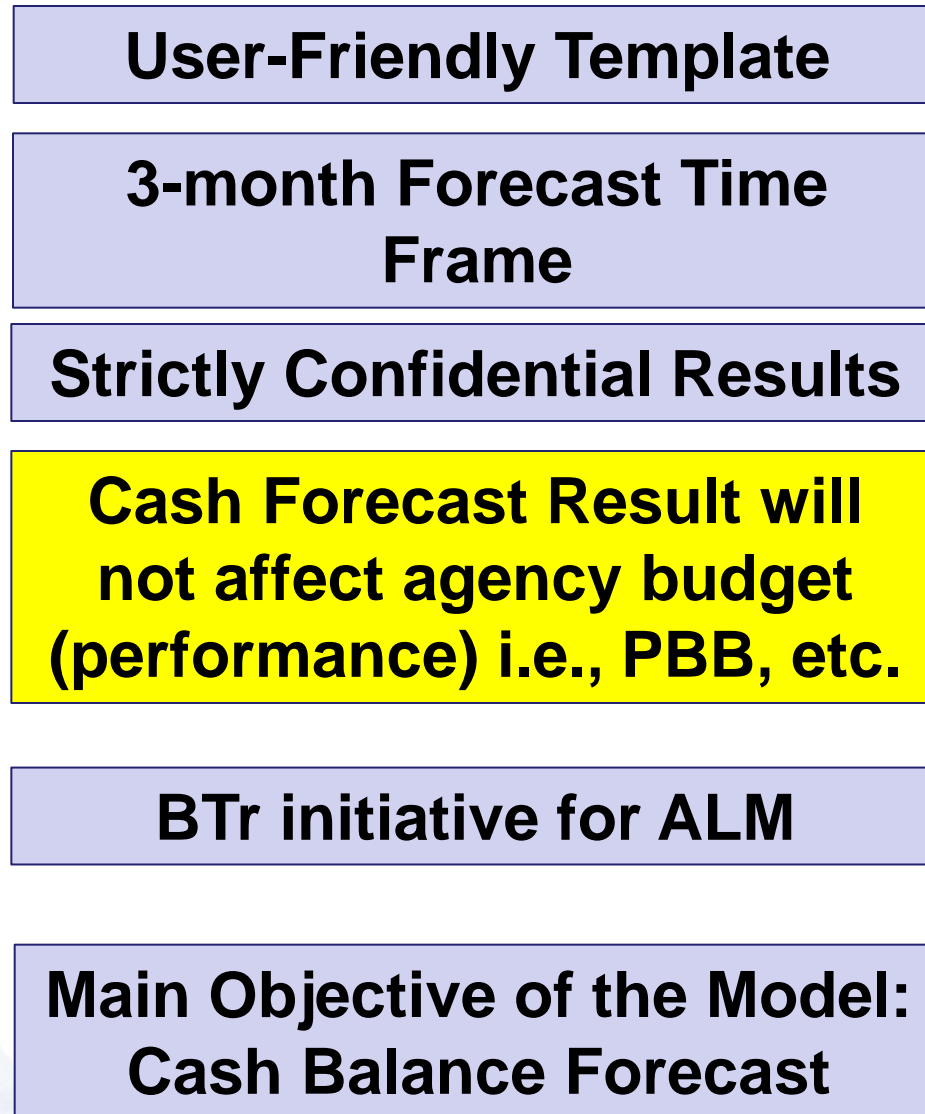
- **Map to monitor the NG's cash balances, receivables, and payables**
- **Cash Flow projections that contribute to fiscal balances and estimates of the financing transactions**

- **Cash Plan**

- **Prepare initial cash plan (monthly projection consistent with monthly disbursement program of NGAs)**
- **Using different scenarios of revenue and expenditure (eg, based on internal estimate for revenue and expenditure)**
- **It takes into account borrowing plan to ensure a positive cash balance to fund expenditure in case of projected deficit**

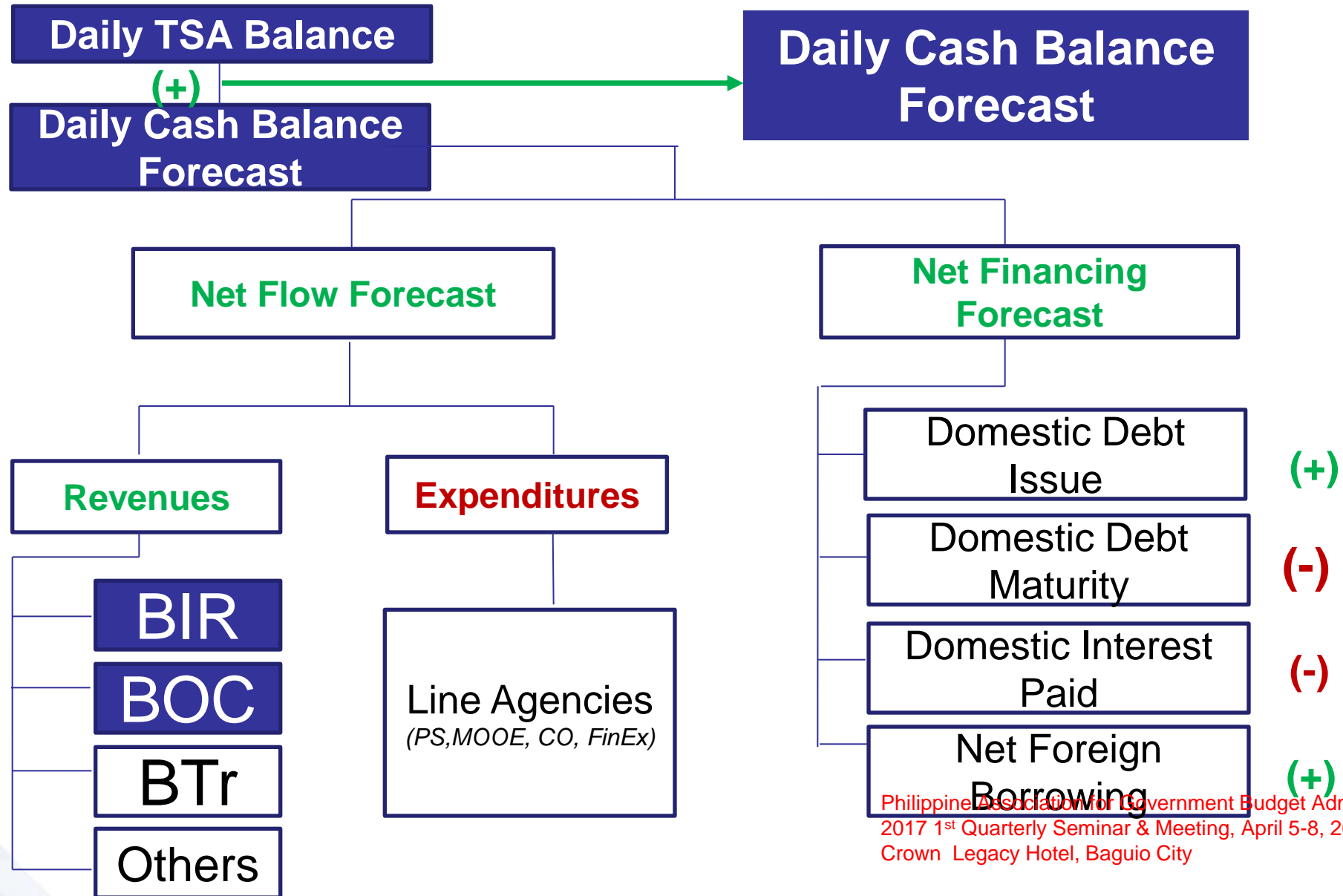


Features of Cash Forecasting



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Forecasting Model



DOF Department Order 032.2015



Republic of the Philippines
DEPARTMENT OF FINANCE
Roxas Boulevard Corner Pablo Ocampo, Sr. Street
Manila 1004

DEPARTMENT ORDER NO. 032.2015

TO : All Heads of Departments/Agencies and Other Offices of the National Government, NGAs Disbursing Officers, Chief Accountants, Treasury Regional Directors/Provincial Heads, and All Other Concerned.

SUBJECT : Guidelines on the Report of Cash Forecast from National Government Agencies (NGAs)

1.0 BASIS

1.1 This DOF Circular is issued pursuant to Executive Order No. 55 Series of 2011 mandating the Bureau of the Treasury (BTr) to implement and adopt a Treasury Single Account (TSA) that will allow the National Government (NG) consolidate its cash resources on daily basis and provide a more effective way of managing cash and rationalizing agency bank accounts.

2.0 OBJECTIVES

- 2.1 To prescribe the procedural guidelines on the preparation and submission of the Cash forecast by NGAs to the BTr.
- 2.2 To ensure predictability in the availability of daily cash balance with Authorized Government Disbursing Banks (AGDBs) and Authorized Agent Banks (AABs) to cover the daily expenditures of the National Government (NG).
- 2.3 To support the government reforms in the settlement of the payables in a timely and transparent manner.

3.0 GUIDELINES

3.1 Coverage

3.1.1 The following top spending NGAs are enjoined to implement the provisions of this Department Order starting **1 March 2015**:

- 3.1.1.1 Department of Agriculture (DA)
- 3.1.1.2 Department of Education (DepEd)

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DOF Department Order 032.2015



3.1 Coverage

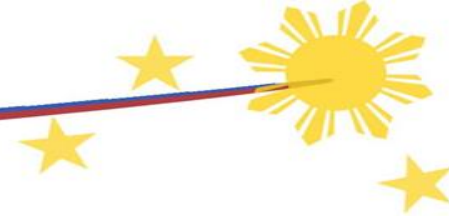
3.1.1 The following top spending NGAs are enjoined to implement the provisions of this Department Order starting **1 March 2015**:

Club of 10

- 3.1.1.1 Department of Agriculture (DA)
- 3.1.1.2 Department of Education (DepEd)
- 3.1.1.3 Department of Environment and Natural Resources (DENR)
- 3.1.1.4 Department of Health (DOH)
- 3.1.1.5 Department of Interior and Local Government (DILG)
- 3.1.1.6 Department of Labor and Employment (DOLE)
- 3.1.1.7 Department of National Defense (DND)
- 3.1.1.8 Department of Public Works and Highways (DPWH)
- 3.1.1.9 Department of Social Welfare and Development (DSWD)
- 3.1.1.10 Department of Transportation and Communication (DOTC)

3.1.2 All other NGAs not included in 3.1.1 hereof shall implement this Circular starting January 1, 2016.

DOF Department Order 032.2015



3.2.2 The amounts indicated in the NGA CFR shall represent the forecasted cash expenditures which shall be forwarded to Annex "B" of this Circular based on corresponding calendar dates and type of expenditures/allotment classification.

Annex "B"

SUMMARY OF DAILY FORECAST FOR DISBURSEMENT

Department _____

For the Period _____

(All values in millions of pesos)

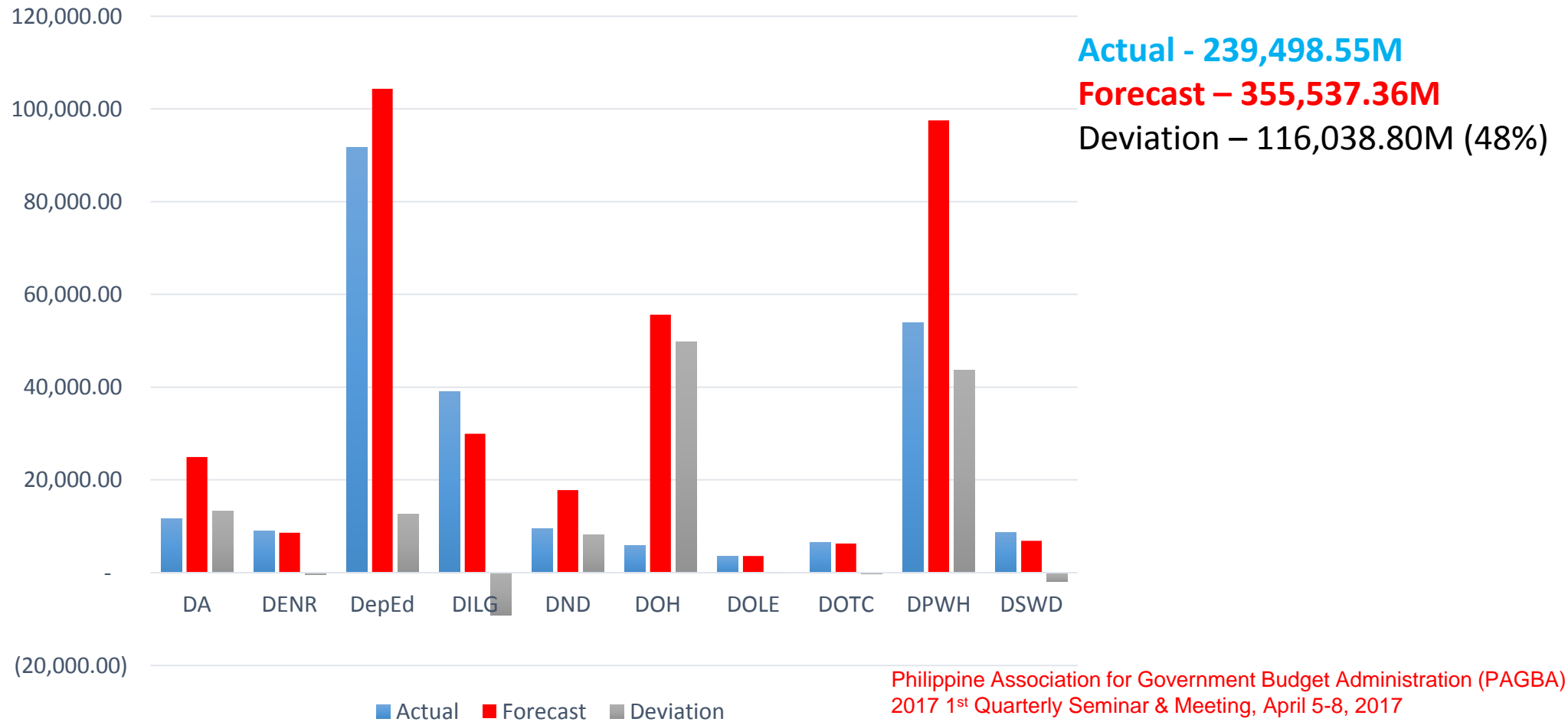
Date	Total	PS	MOOE	CO	FinEx
1/1/2015	571	262	251	58	0
1/2/2015	7	7	0	0	0
1/5/2015	308	8	0	300	0
1/6/2015	10	10	0	0	0
1/7/2015	5	5	0	0	0
1/8/2015	9	9	0	0	0
1/9/2015	30	30	0	0	0
1/12/2015	41	8	33	0	0
1/13/2015	1008	9	0	999	0
1/14/2015	0	0	0	0	0
1/15/2015	1	1	0	0	0
1/16/2015	8	8	0	0	0
1/19/2015	10	10	0	0	0
1/20/2015	4	4	0	0	0
1/21/2015	9	9	0	0	0
1/22/2015	6	6	0	0	0
1/23/2015	6	6	0	0	0
1/26/2015	1	1	0	0	0

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Actual vs. Forecast (CY 2015)



CLUB of 10 (NCR + REGION 1 – 13)



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Key Messages



- The TSA and Cash Management are NG-wide effort
- The BTr needs the full support and cooperation of all NGAs in the identification and classification of accounts particularly for consolidation to the TSA (all government bank accounts except Official Development Assistance (ODA) Funds and Revolving Funds)
- We need to reinstate these funds into the present disbursement framework to substantially improve BTr's cash management and transparency in public financial expenditure.
- The BTr will ensure that the funds are available to fund the operations of the NGAs
- Good cash flow forecast will reduce the negative carry freeing resources in the budget for more productive expenditure