



“FINDING A HOME FOR THE CASH MANAGEMENT UNIT IN MALAWI”

Presentation Prepared for the CABRI Policy Dialogue on Strengthening Co-ordination Between Debt and Cash Management- Accra, Ghana

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 - Would the existence of the CMU have limited the extent of the Cashgate Scandal and limited the occurrence?

BACKGROUND OF CASH MANAGEMENT IN MALAWI

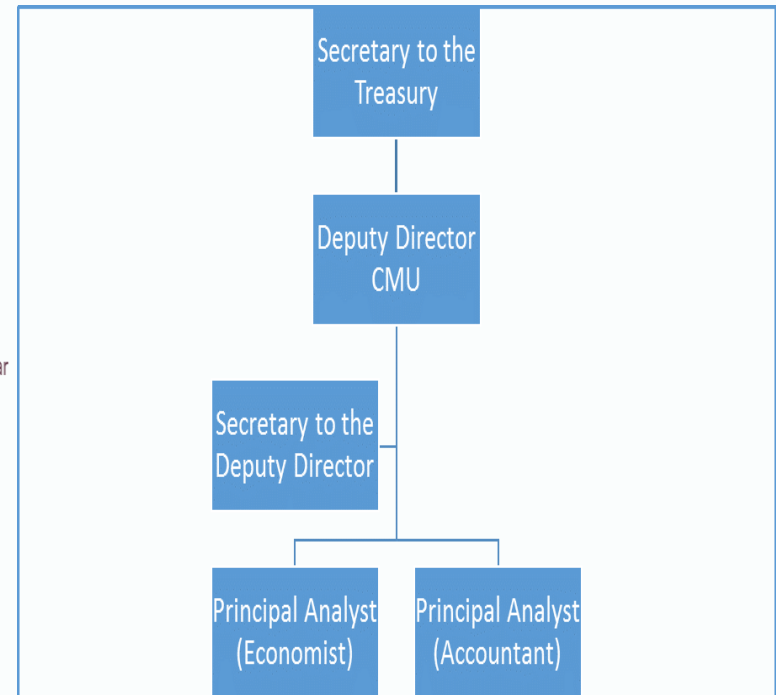


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- Cash management function existed before the establishment of the Cash Management Unit (CMU).
 - Two cash management committee's (technical-CMTC and steering-CMC) oversaw the process
 - Chairmanship of the committees:
 - Technical Committee -Accountant General (CMD renamed to Banking and Asset Management Division)
 - Steering Committee -Secretary to The Treasury
 - Secretariat to the two committees moved around from Budget, Accountant General and Economic Affairs Division.
 - The Cash management functions were disaggregated in different division responsible for forecasting specific categories in the cashflow forecast like revenue, grants. Expenditure, debt servicing.
 - Forecast were limited to the month and nothing longer.

ESTABLISHMENT OF THE CMU



- CMU established on 29th October 2016.
- Three members of staff assigned:
 - Head of the Unit
 - Two analysts (Economist and Accountant)
- Functions Assigned to the CMU were as follows:
 - Analyze and consolidate the annual cash flow forecast
 - Using the annual cashflow forecast collaborate with Central Bank and Debt Management on the development of the issuance calendar
 - Undertake cashflow forecast for the year, quarter, and progress to month, week and day.
 - Develop periodic spending limit and submit to CMTC and CMC for consideration
 - Monitor Daily Government operations and the Central Bank
 - Target short term borrowing Advances from Central Bank and use information for forecasting
 - Serve as Secretariat for both CMTC and CMC.
 - Develop policies and procedures for cash management, manual, guidelines, templates etc



DECISION ON PLACEMENT OF THE UNIT



- Due to the fragmentation of the cash management function the decision on placement of the unit took long, over a year
- Several extra-ordinary combined CMTC and CMC took place to deliberate on the placement of the unit.
- Accountant General and Budget Division were the two contenders
- Eventually, it was agreed that this be placed under the ST's office to have regular updates on the cash position and transactions at RBM and given the much needed prominence.
- This was a good decision at that time as at the Accountant General's Department they were contending with other PFM reforms and thus the unit would not have taken off.
- The prominence given to the CMU allowed for better coordination with the CM external stakeholders like MRA, RBM
- Given the current level of collaboration placement of the unit would have been better at Debt and Aid Management Unit
- Formal establishment of the unit, awaits the Government procedures on functional review which is currently underway

COORDINATION BETWEEN CASH AND DEBT MANAGEMENT



- Better coordination between cash and debt was realized
- The 2017-18 financial year borrowing calendar was informed by the consolidated annual cashflow forecast
- Agreed on the instruments to finance the budget deficit and monthly cashflow gaps.
- A sub- committee on Short Term Borrowing Requirements (SBR) was established, reports to the DMTC but also draws on input from CMC decisions.
- The SBR meets every Monday's to consider the liquidity requirements for the week and overall impact on debt.
- Stakeholders are active and have found the SBR useful, EAD-Chair, AGD-Vice Chair, RBM, DAD-Secretariat, CMU and Budget.
- Due to the weekly meetings, there has been better collaboration and monitoring of domestic debt between DAD and RBM.

CMU INFLUENCE ON TIMING OF DEBT ISSUANCES AND REPAYMENTS



- At the time the issuance calendar was being developed the general agreement was to try and issue debt to finance the deficit alongside the time the MDAs will require the financing
- Efforts made to minimize cashflow gaps in the months where there large debt maturities were expected
- Considered longer term instruments to assist in market development at the request of RBM
- CMU does not have access to view debt recording systems but has been given maturity profiles for the different instruments like Treasury Notes and Treasury Bills that are included in the cashflow forecast

EXTENT TO WHICH THE EXISTENCE OF THE CMU WOULD HAVE MINIMIZED THE CASHGATE SCANDAL



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- CMU weekly inflow and outflow forecast would have presented huge variations
 - CMU weekly reports would have probably uncovered the scandal faster but can not be entirely sure because currently Government is still using cheques like it was at that time and thus the time lag would not be have been definitive.
 - Regular monthly performance reports submitted to the ST by the Budget Division and Economic Affairs Division that alerted ST of the higher than released expenditures.

THANK YOU! ZIKOMO

