

STRENGTHENING THE CO- ORDINATION BETWEEN DEBT AND CASH MANAGEMENT

THE CENTRAL BANK'S ROLE IN THE MANAGEMENT OF GOVERNMENT'S CASH BALANCES

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OUTLINE

- Liquidity Management
 - Objective
 - Cost of Liquidity Management
 - Impact of flow of Gov't Funds
- Coordination of Government Funds
- Challenges and Way Forward



LIQUIDITY MANAGEMENT

Objective

- The main objective of the Liquidity Management Unit is the management of liquidity within the banking industry through the conduct of Depos (Repos) and Reverse Repos for Open Market Operation purposes.



LIQUIDITY MANAGEMENT

COST OF LIQUIDITY MANAGEMENT

- The Central Bank is responsible for the cost of liquidity management
- Excess liquidity impacts on economic indicators such as interest rates, inflation, T-Bill rates, forex rates
- BOG would always mop via its monetary tools namely:
 - Repurchase Agreement (Repo)
 - BOG Bill Auction/Securities
 - PSBR Auction/GOG Securities

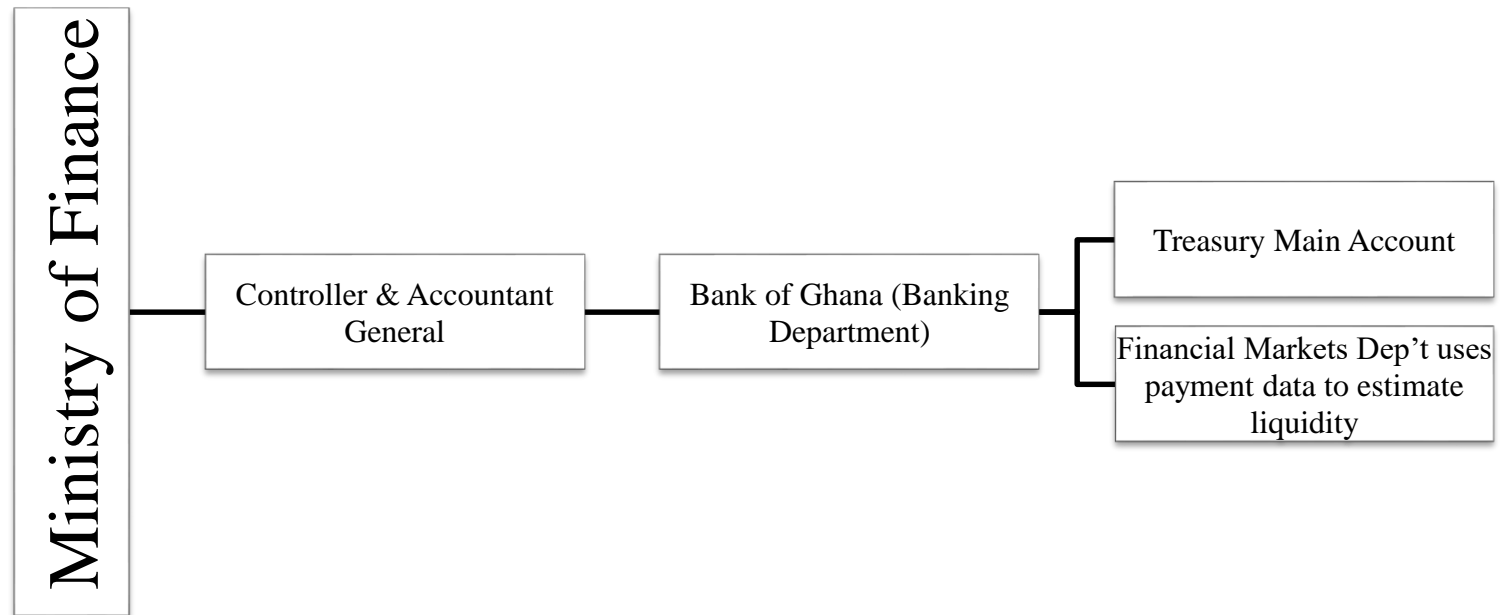
IMPACT OF GOV'T FUND FLOWS ON LIQUIDITY

- Government payments effected through the banks creates excess liquidity on the market
- Leads to increased interbank trades with the residual placed (repos) with the Central Bank at a cost to the latter.
- Examples of flows to the market :
 - COCOBOD Transfers
 - Salaries
 - Gov't Pensions
 - Road Fund
 - NHIA /NHIL
 - DACF Payments
 - GET-FUND Payments
 - NCA and EDIF Payments



Coordination of Government Funds

- Gov't issues instructions through the Controller & Accountant General's Department to Bank of Ghana (Banking Dept.) for transfer of funds to various banks for the credit of beneficiaries.



Coordination of Government Funds

- Auction proceeds are kept at the Treasury Main Account. The coordination flow between MOF and BOG is as follows:



- Issuance Calendar on a quarterly basis
- Calendar shows securities intended to be issued
- Developed based on net domestic financing of Gov't budget. Gov't agenda, etc.

- Standing Auction Committee
- Conduct weekly Auction to raise funds based on Issuance Calendar
- Electronic Bidding on CSD Platform
- Allotment of Bids through Auction system
- Process Successful Bids

- Through RTGS via GIS and T24
- CSD updates beneficiary holdings
- Debit payments and credit auction proceeds to the following:
 - Treasury Main Acct. or
 - Joint Book Runners Acct. or
 - MOF designated account



Challenges and the way forward

- Challenges
 - Auction Shortfalls
 - Late instructions for payments
 - Lack of funds to cater for instructions for payments
- Way Forward
 - Currently evaluating a new framework to improve on forecasting of liquidity.

