

TREASURY MANAGEMENT PRACTICES IN LATIN AMERICA

-Results of a Survey of State Treasuries-

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1. Survey Participants

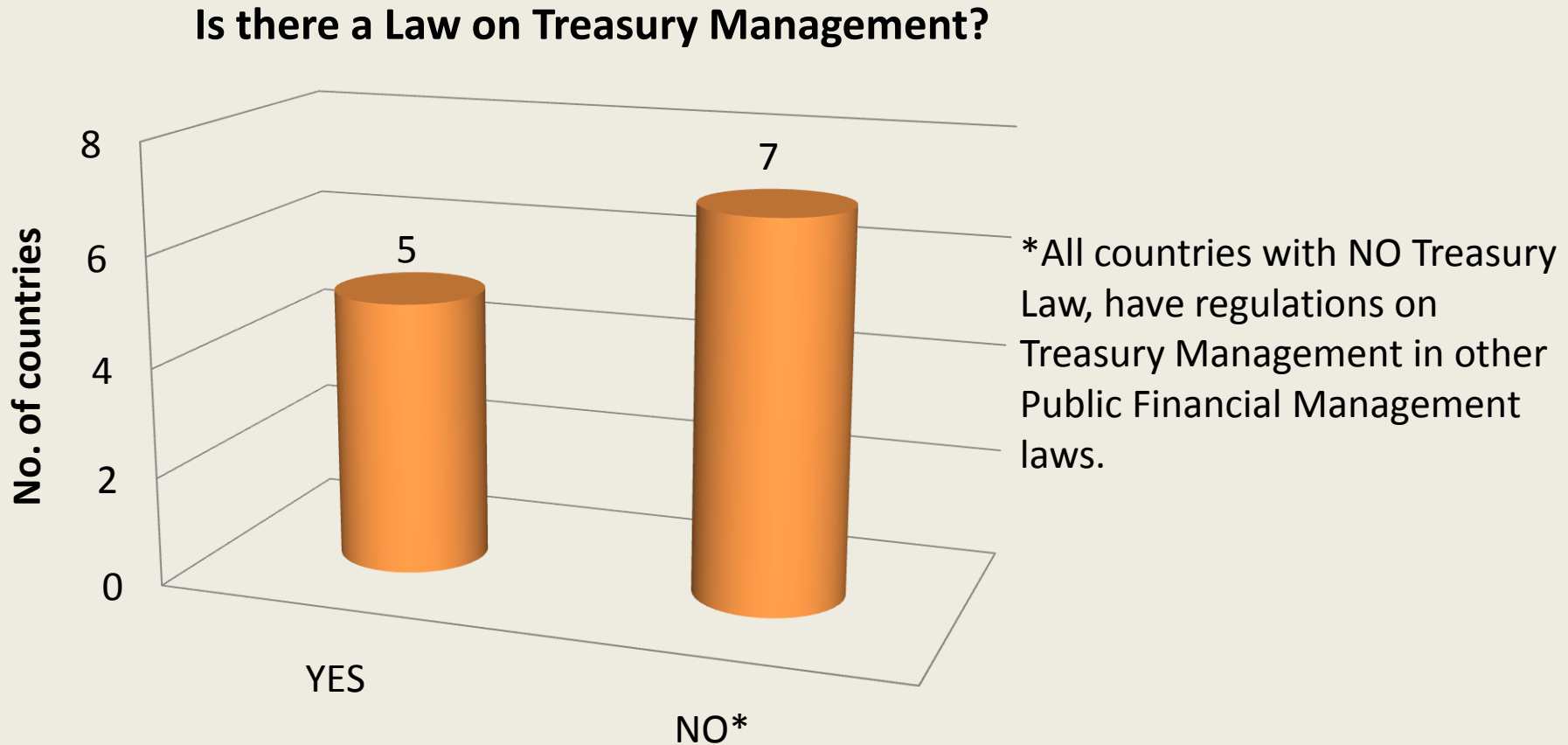
- Argentina
- Chile
- Colombia
- Costa Rica
- Ecuador
- Brazil
- El Salvador
- Guatemala
- Mexico
- Nicaragua
- Panama
- Peru



12 Countries*

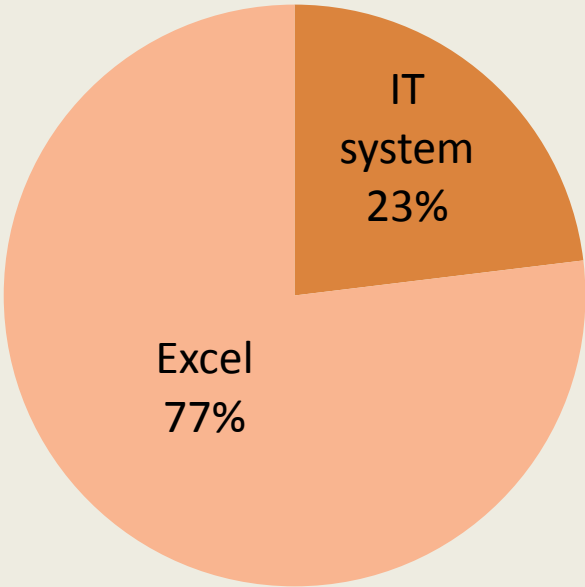
*Data in charts not adding up to 12 is due to missing answers or non-applicable questions

2. Legal Basis for Treasury Management

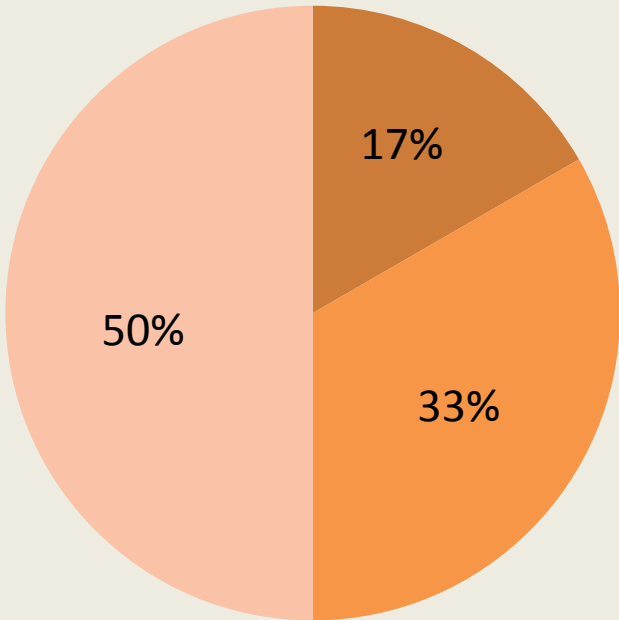


3. Cash Flow Forecasting

Monthly cash flow plans are prepared with..



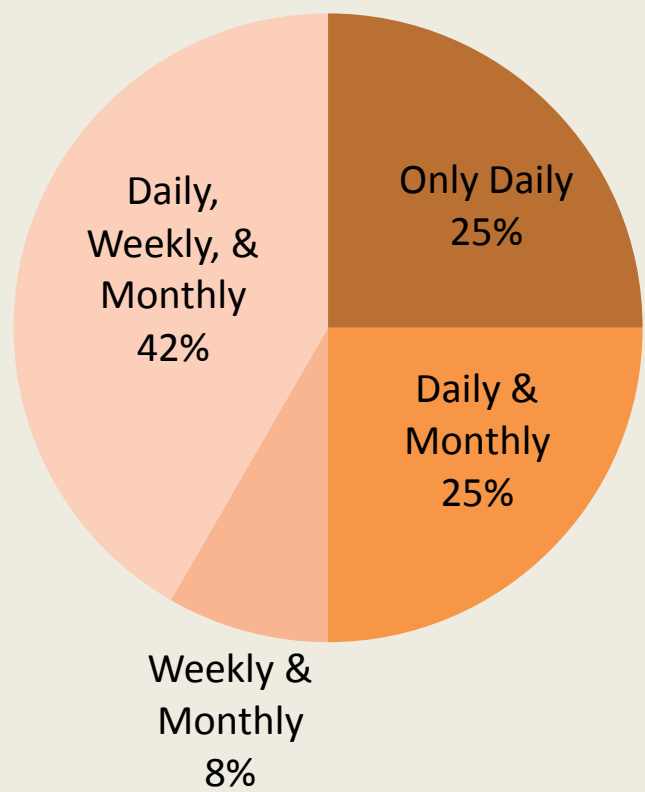
Month-by-month revenue projections are provided by..



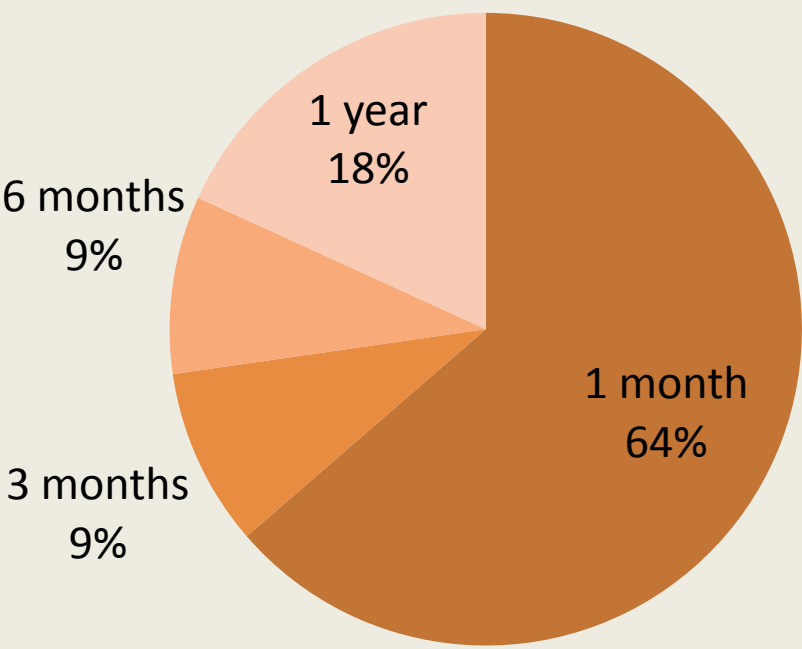
- Agency in charge of tax administration
- Office at the Ministry of Finance (or Economy)
- Jointly

Projecting Inflows

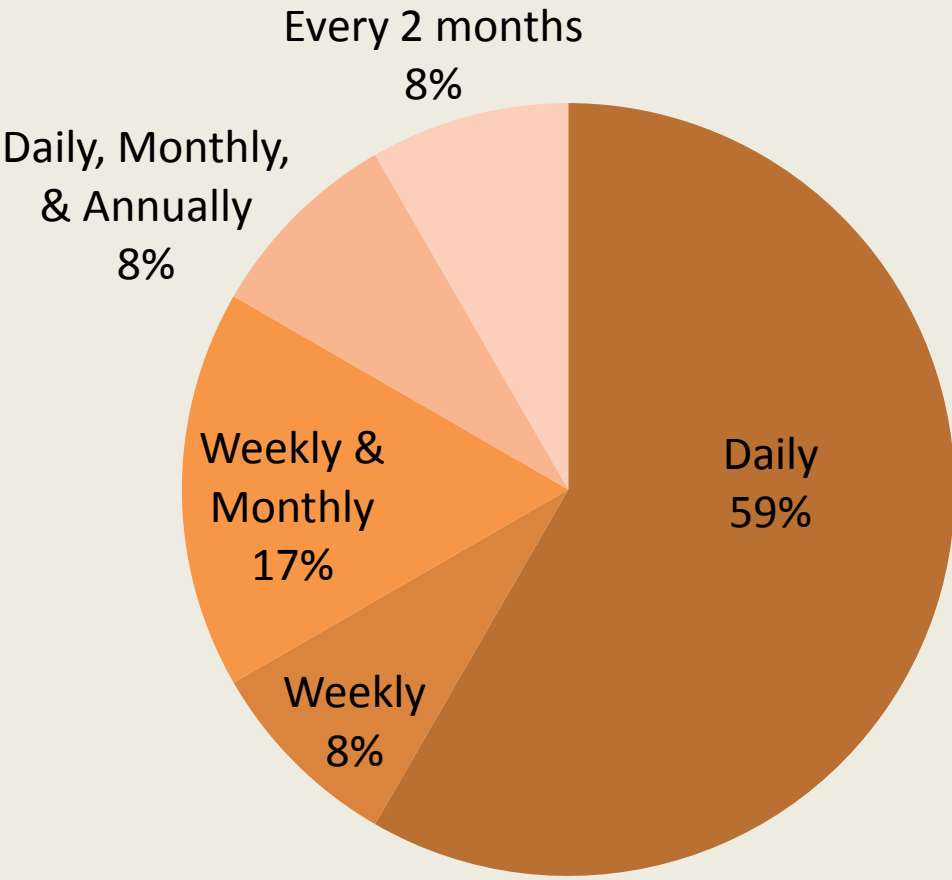
Revenue projections are prepared..



Daily revenue projections are prepared for a time-horizon of..

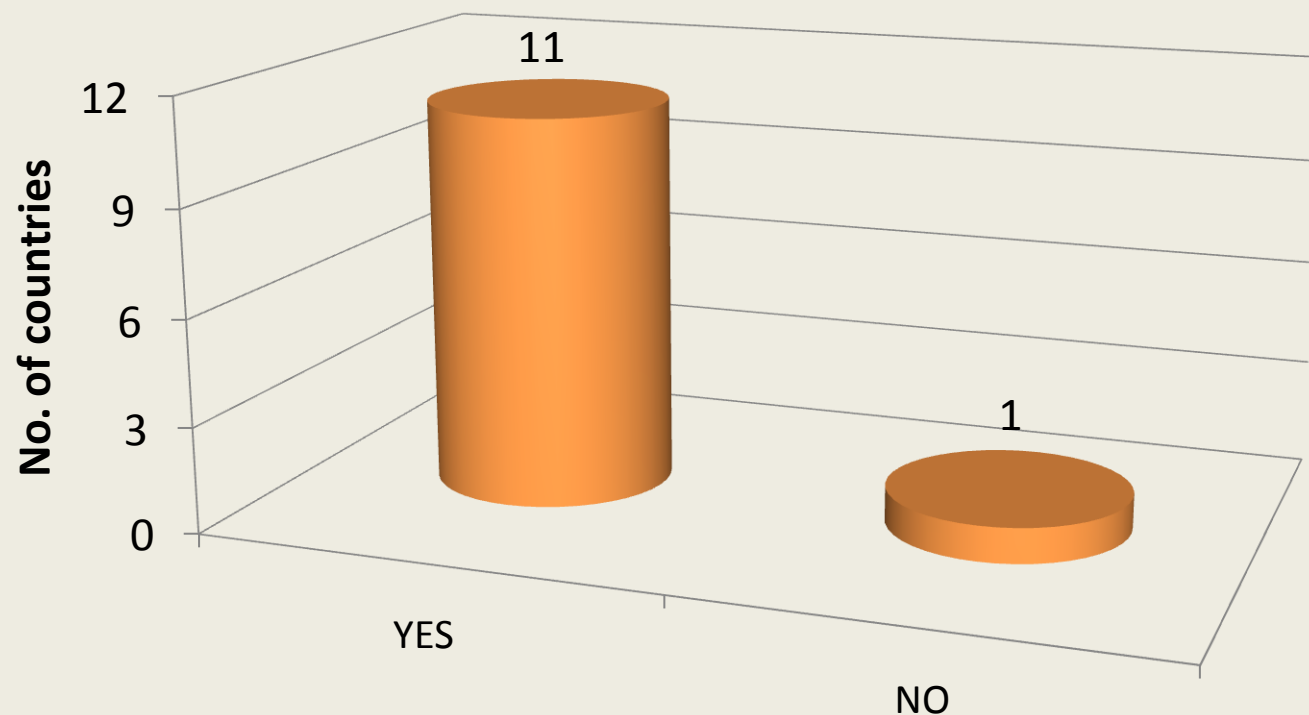


Cash Flow Plan Revision



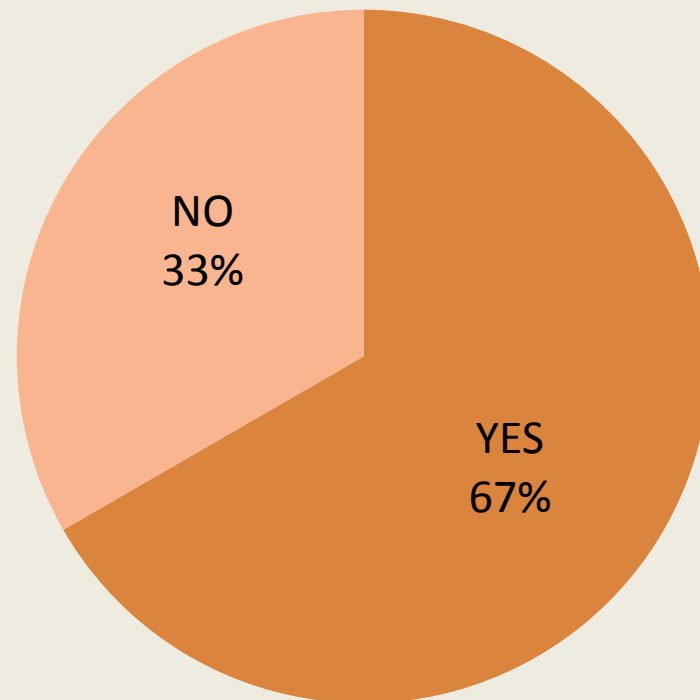
Cash Management Responsibility

Is there a unit/division within the Treasury with responsibility for cash management?



Cash Flow Policy Making

Is there a committee for policymaking on cash management issues?

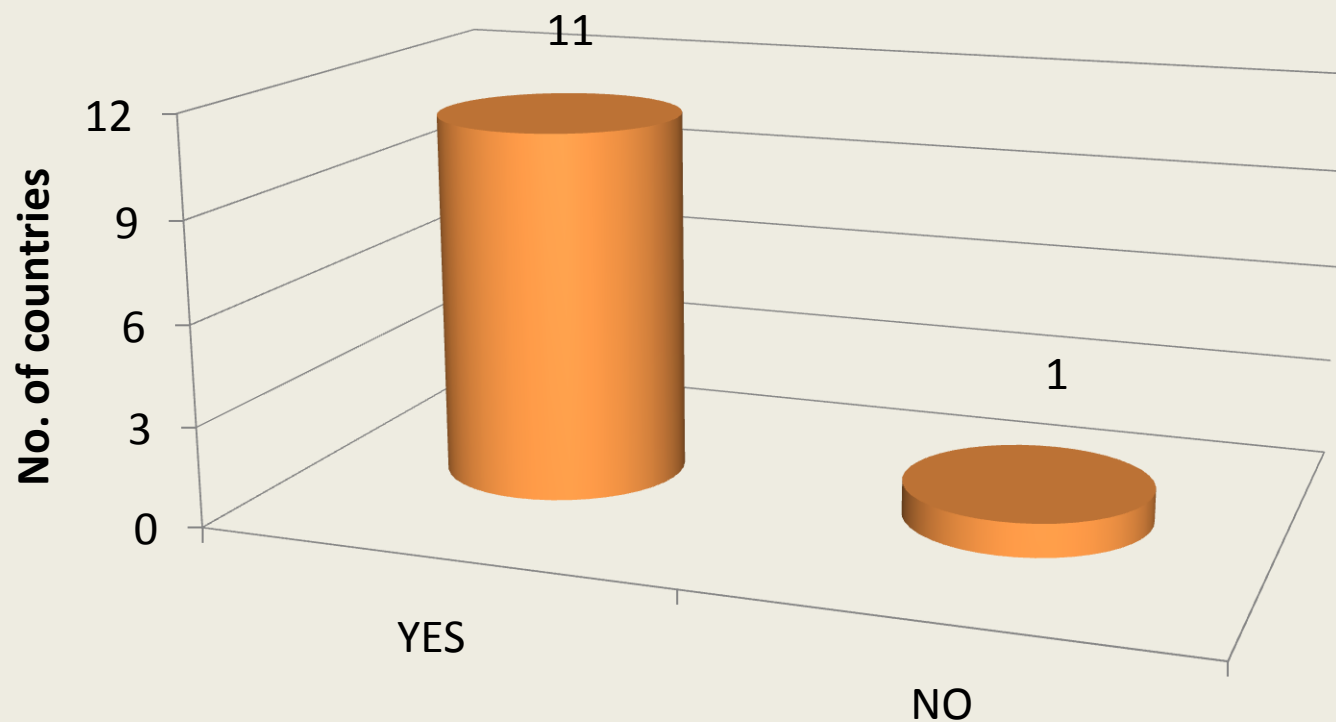


Policy Making Committees

| Country | Members |
|------------|---|
| Argentina | Secretaries of Finance and Economy |
| Colombia | Sub-directors of Treasury, Internal Finance, External Finance, Multilateral Finance, Risks, and Sub-Director of Operations |
| Chile | Budget Directorate, General Treasury, and Central Bank |
| Costa Rica | Treasury, National Sub-Treasury, Coordinator of the Account Programming Unit, Manager of Debt Management |
| Peru | Vice Ministers of Hacienda and Economy, Director of Budget Directorate, General Managers of the Central Bank, and <i>Banco de la Nación</i> |
| Ecuador | Sub-Secretary of Budget and Treasury |
| Brazil | Budget Execution Board: Ministry of Economy and Finance, Planning and "Casa civil" |

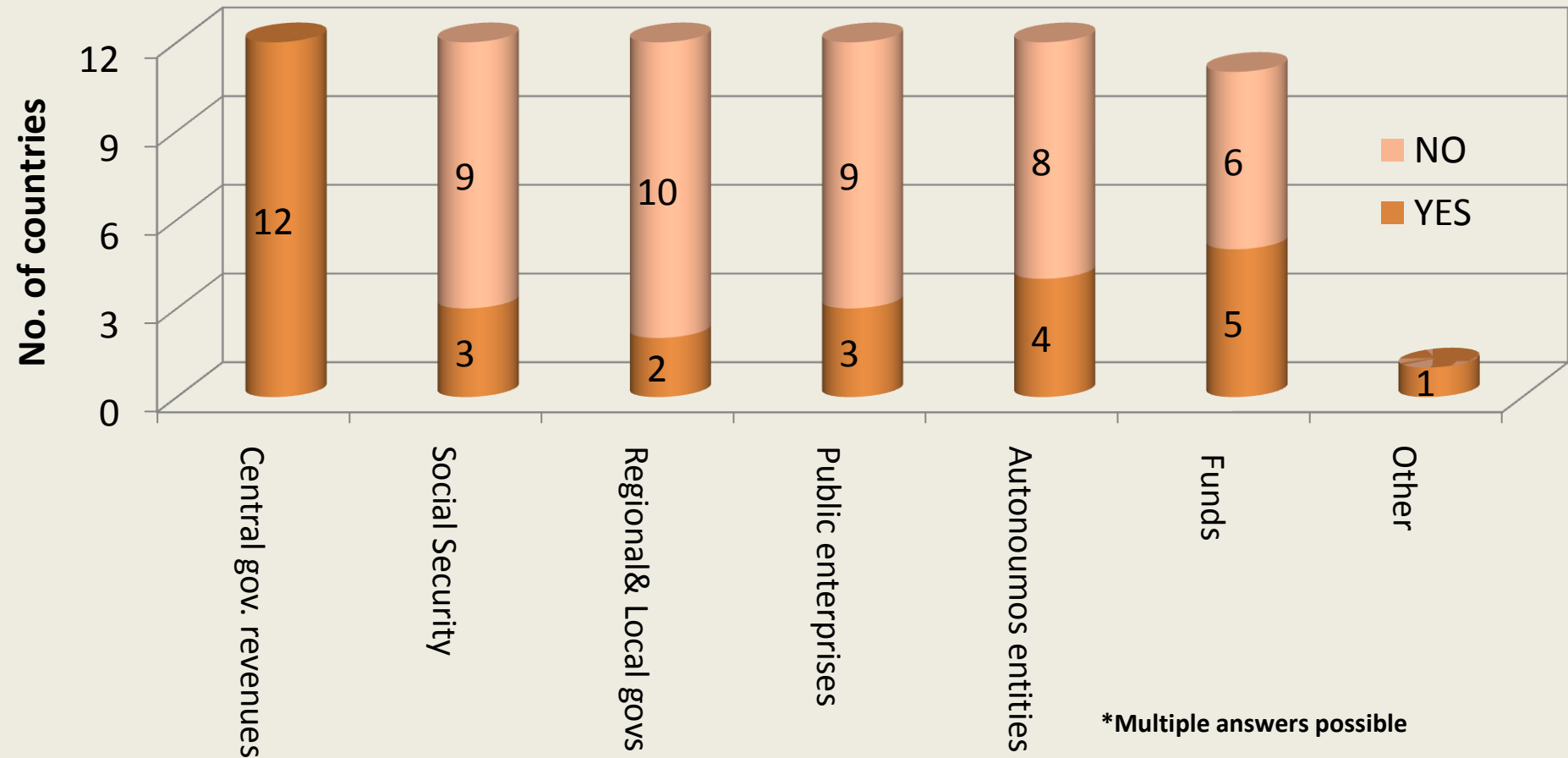
4. Treasury Single Account (TSA)

Is there a TSA that consolidates all resources at c.o.b.?



Resources Included in the TSA

The TSA includes the resources of*



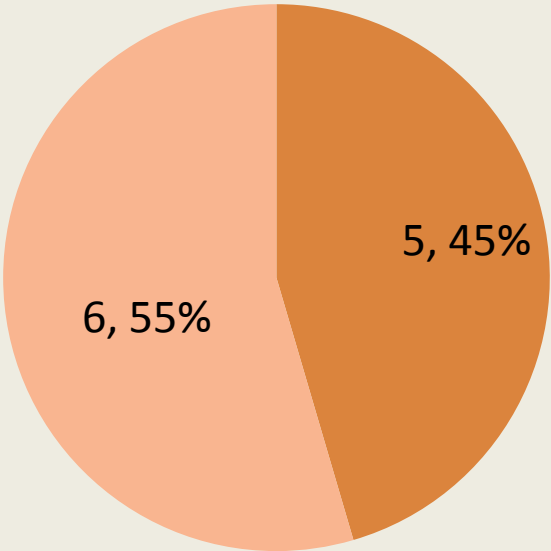
Central Government Resources NOT Included in TSA

(other than mentioned before)

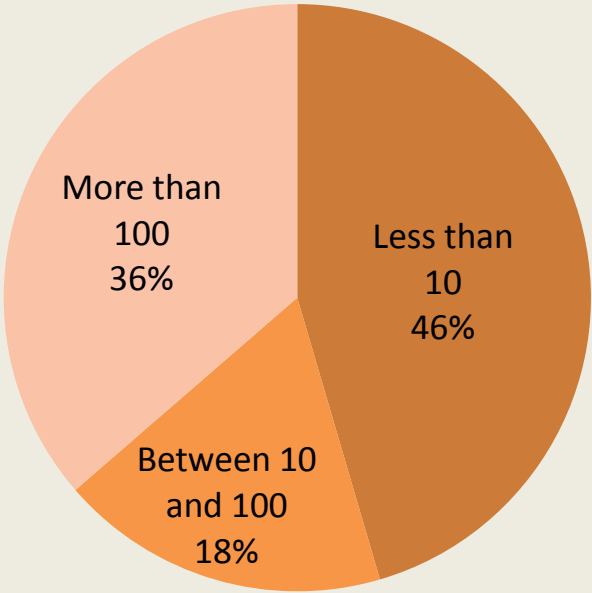
| Country | Other resources | % of budget |
|-------------|--|-------------|
| Argentina | Fiduciary Funds | 40% |
| El Salvador | N/A | 30% |
| Colombia | Public-Private Joint Ventures | |
| Chile | Funds not included in the budget | |
| Panama | Universities, Public Financial Entities, and Hospitals | 35% |
| Costa Rica | N/A | 60% |
| Peru | Directly collected resources (own revenues), Resources from official credit operations, Donations, and Transfers | 20% |
| Mexico | Legislative and Judiciary, autonomous entities | 35% |
| Ecuador | Financial Institutions | 22% |
| Brazil | Independent Public Enterprises, other funds that by law are authorized to have separate budgets | |

Structure of TSA

The TSA is comprised of..

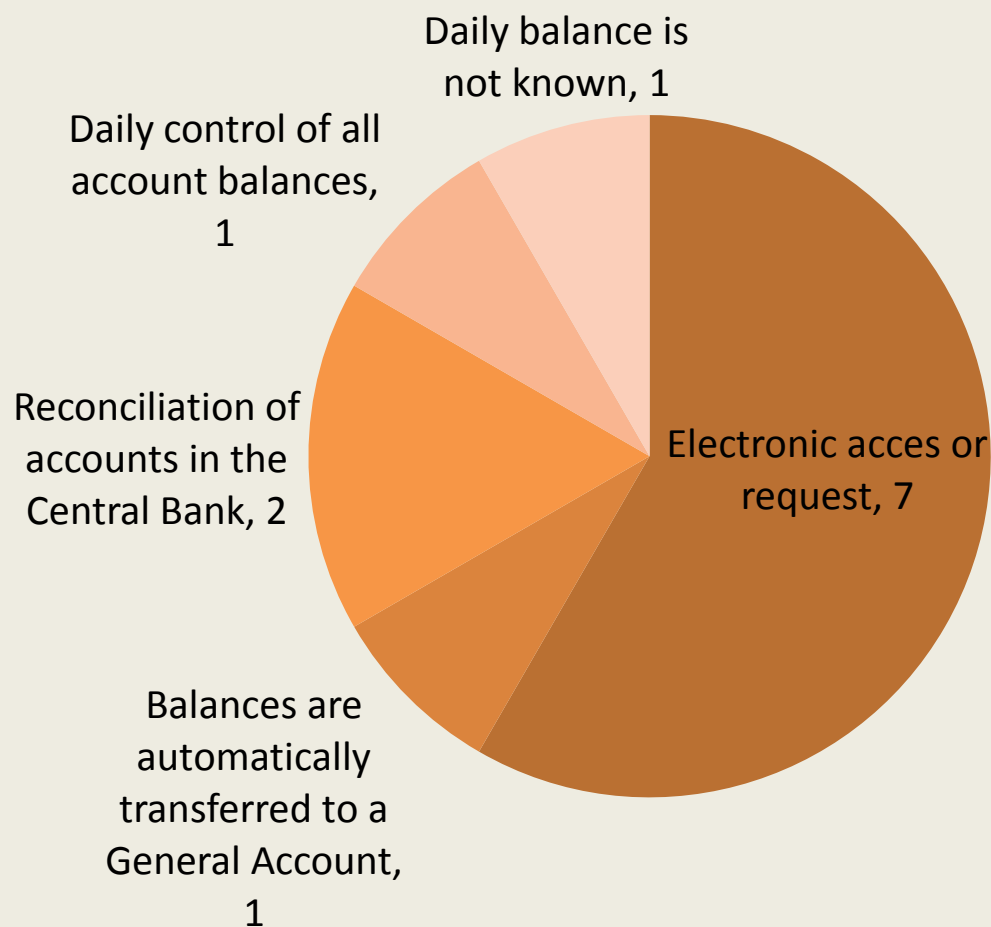


No. of banking/ledger accounts belonging to the TSA



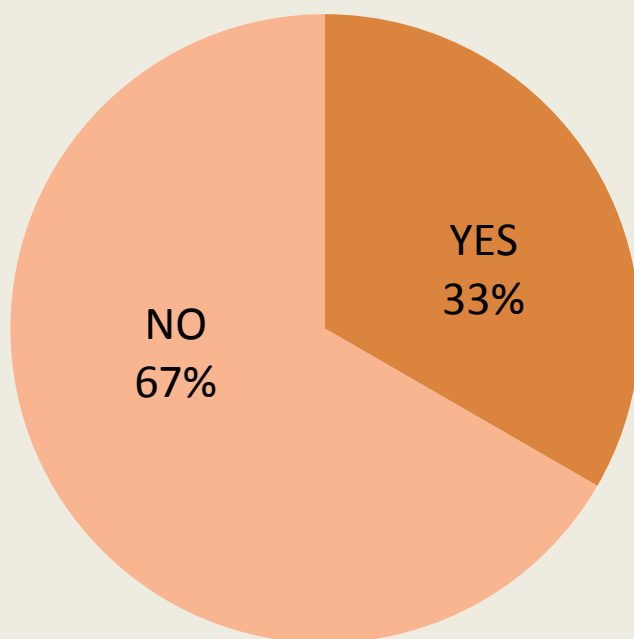
- Multiple bank accounts & one principal account
- One single bank account & multiple ledger account

Determination of Daily TSA Balances



Reconciliation of TSA

Automatic reconciliation of the TSA?

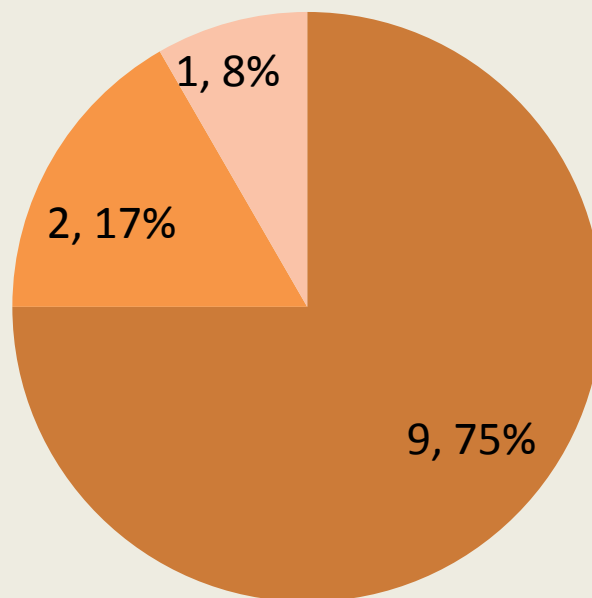


- Mainly manual reconciliation of the accounts
- Task mainly performed by Treasury and/or Central Bank

Tax Collection

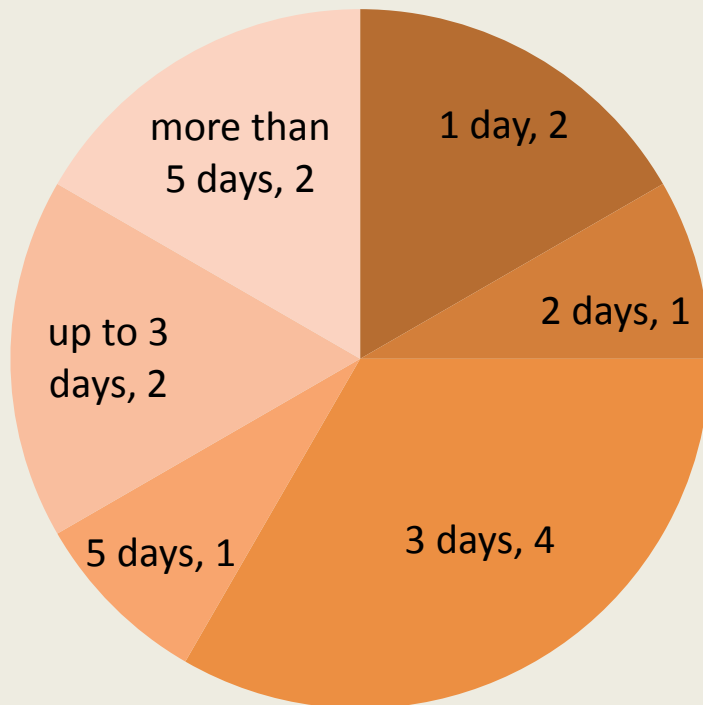
Tax Collection is done by..

- Only Commercial Banks
- Commercial Banks & Regional Treasury offices
- Commercial Banks & Regional Treasury offices & Others



Speed of Transfer of Tax Revenues

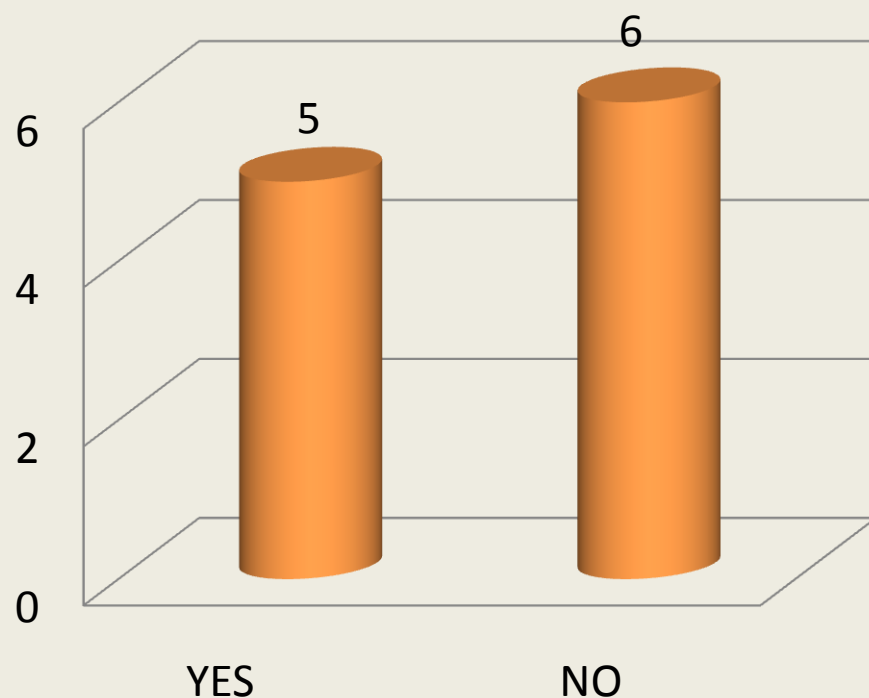
How many days do tax revenues stay at banks before being remitted to the Treasury?



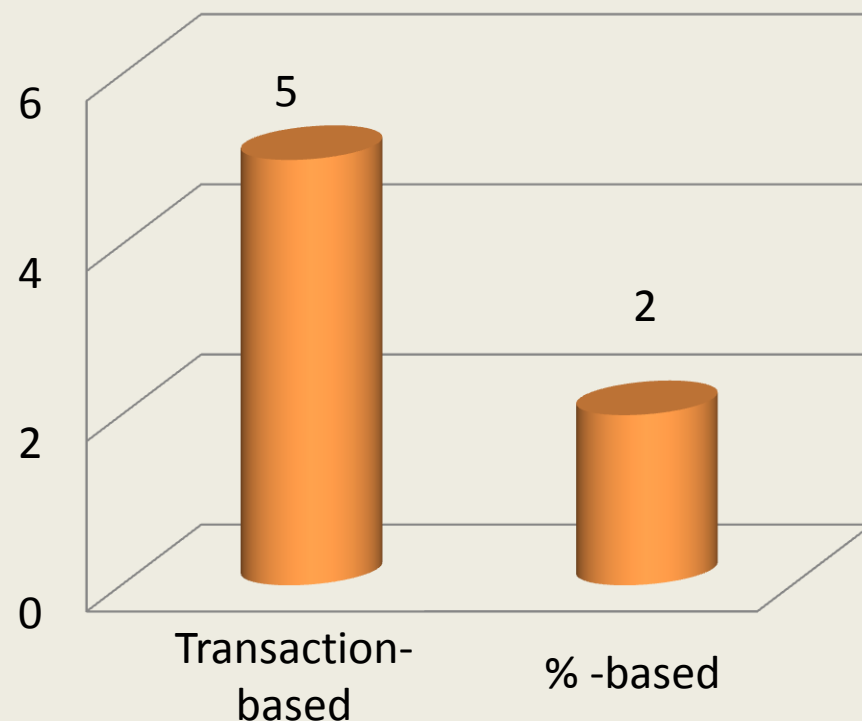
- Most countries have formal agreements with commercial banks
- Regulates time and fees of transfers

Fees for Collection and Transfer of Tax Revenues

Does the Treasury pay banks a fee for collecting and transferring tax revenues?

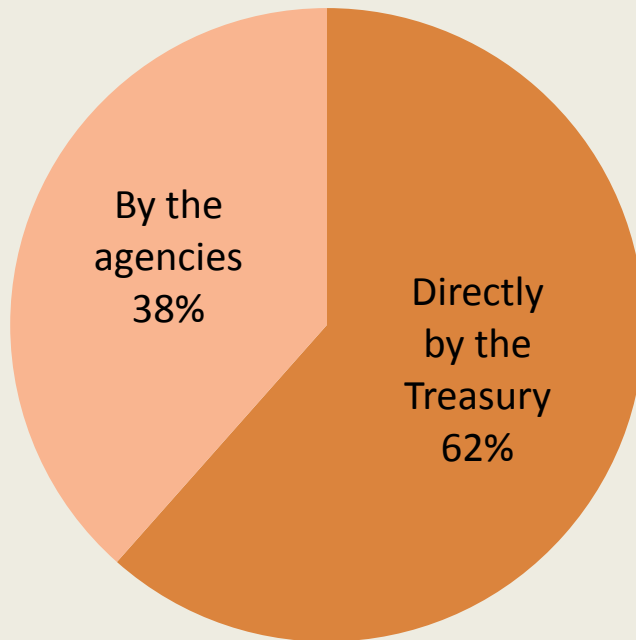


How is this fee set?

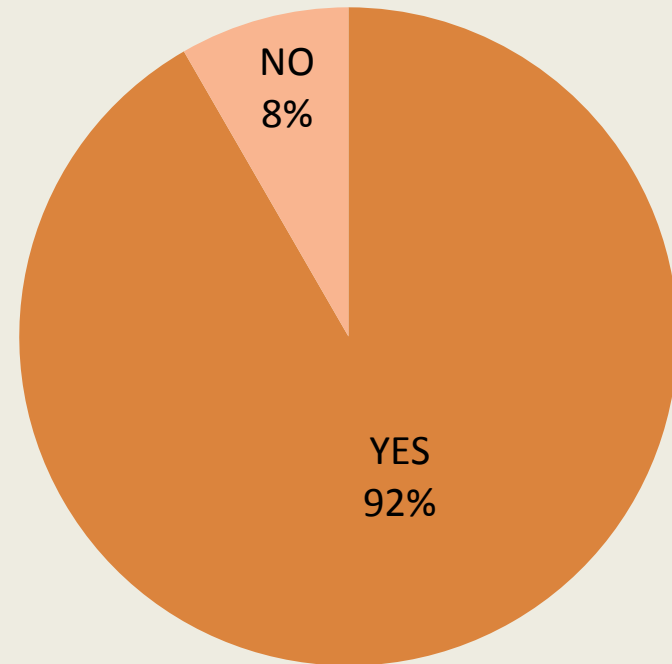


Payment Arrangements

Payments to employees and suppliers are made



Is electronic payment used for (some) payments?



Extent of Electronic Payment

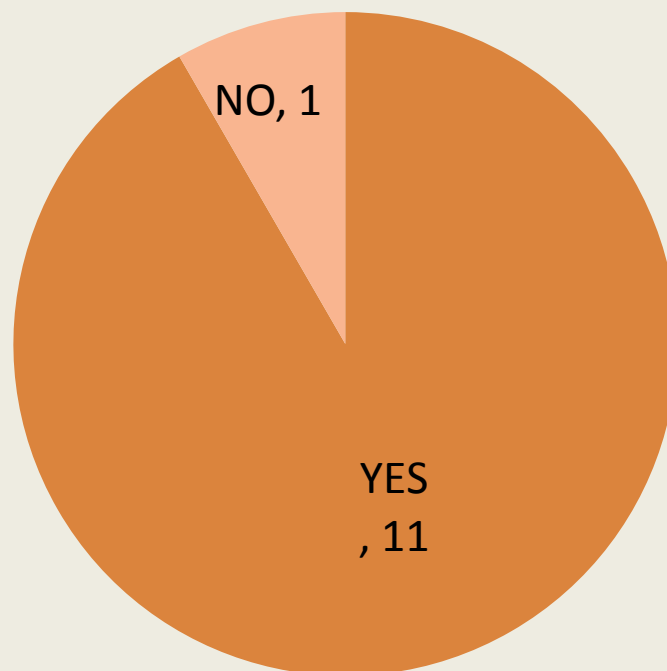
| Country | % of Expenditures | % of Agencies |
|------------|---|---------------|
| Argentina | 90% | |
| Colombia | 98% | 100% |
| Chile | 100% of payroll, payment system for suppliers in test | |
| Panama | 56% of private suppliers | 80% |
| Guatemala | 99.99% | |
| Costa Rica | 100% | |
| Peru | 28% (excluding Regional Governments) | |
| Mexico | 100% to suppliers, 71% of payroll | |
| Ecuador | 100% | |
| Nicaragua | 30% of payroll, and suppliers financed through external resources | |
| Brazil | 100% of Federal Government | |

Accounts Outside of the Treasury Control

| Country | Accounts outside of the TSA |
|---------------------------------------|---|
| El Salvador/Colombia/ Brazil/Chile | None |
| Ecuador | Central Government: None; decentralized governments have own accounts |
| Panama | Approx. 6150 |
| Guatemala | All decentralized and autonomous entities and the implementing agencies of the central government |
| Peru | The 1834 local governments have accounts outside |
| Mexico | 3368 |

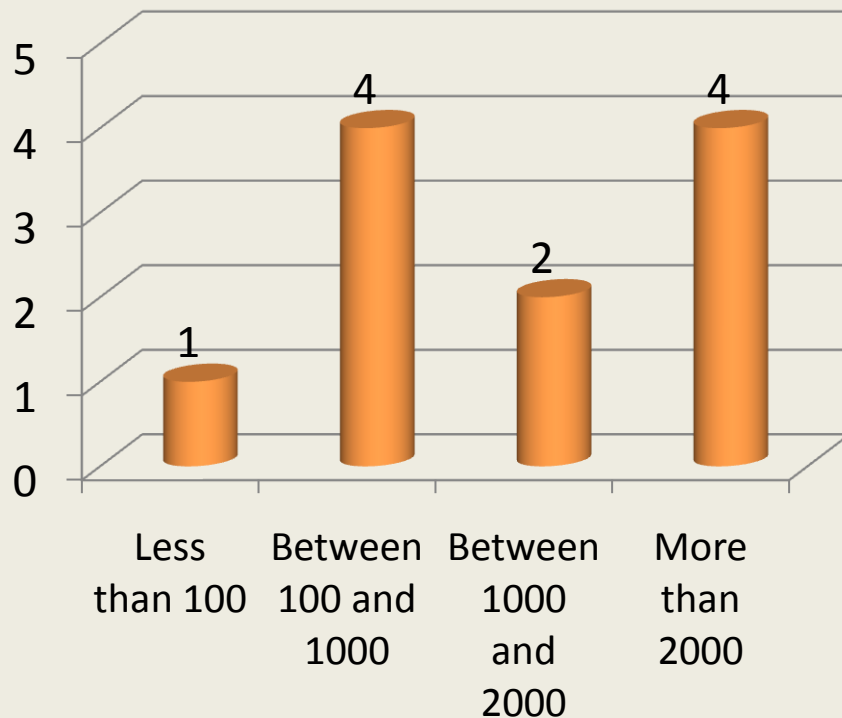
5. Commercial Bank Accounts

**Do central government agencies
hold accounts at commercial banks?**



No. of Commercial Bank Accounts and Government Agencies

No. of Central Government Agency accounts in commercial banks



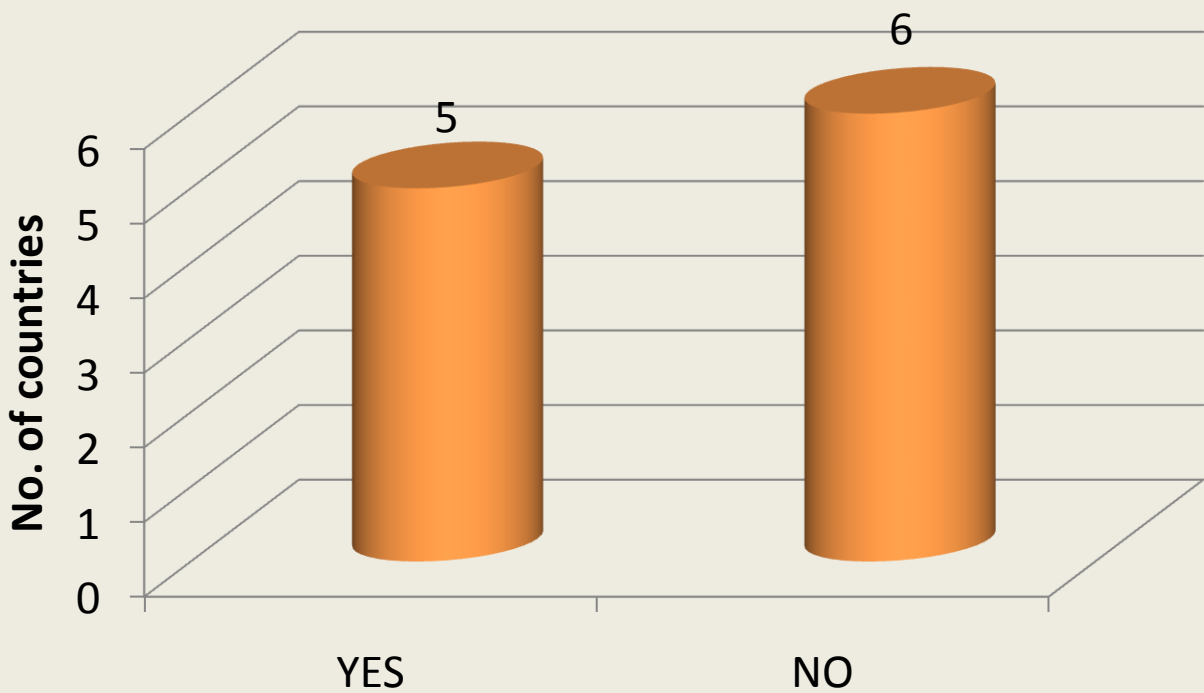
- Ministries and associated institutions/dependencies (4x)
- Entities part of the general budget
- Ministries and Municipalities
- Agencies in the TSA (ministries, universities, etc.)
- Agencies of the Federal Public Administration
- Health, Education, Police, Defense, and Cultural Institutions

Purposes for Holding Commercial Accounts

- Petty cash (3)
- Receive funds from the Treasury (2)
- General Budget execution (2)
- Payroll Expenses (3)
- Management of certain Financial Funds (Trust Funds, Fiduciary & Revolving Funds, Donations, Loans, Subsidies etc.) (5)
- Manage revenues of services and goods sales (1)

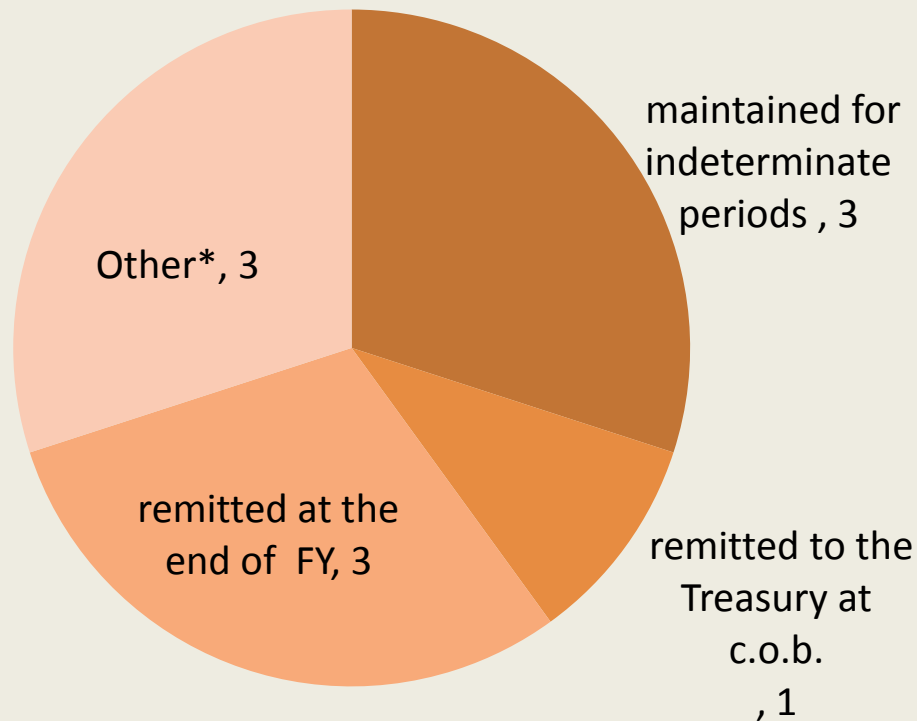
Monitoring of Commercial Accounts

Treasury continuously monitors balances on current accounts maintained by government agencies at commercial banks?



Transfer of Balances to Treasury

In the bank accounts of central government agencies, balances are..

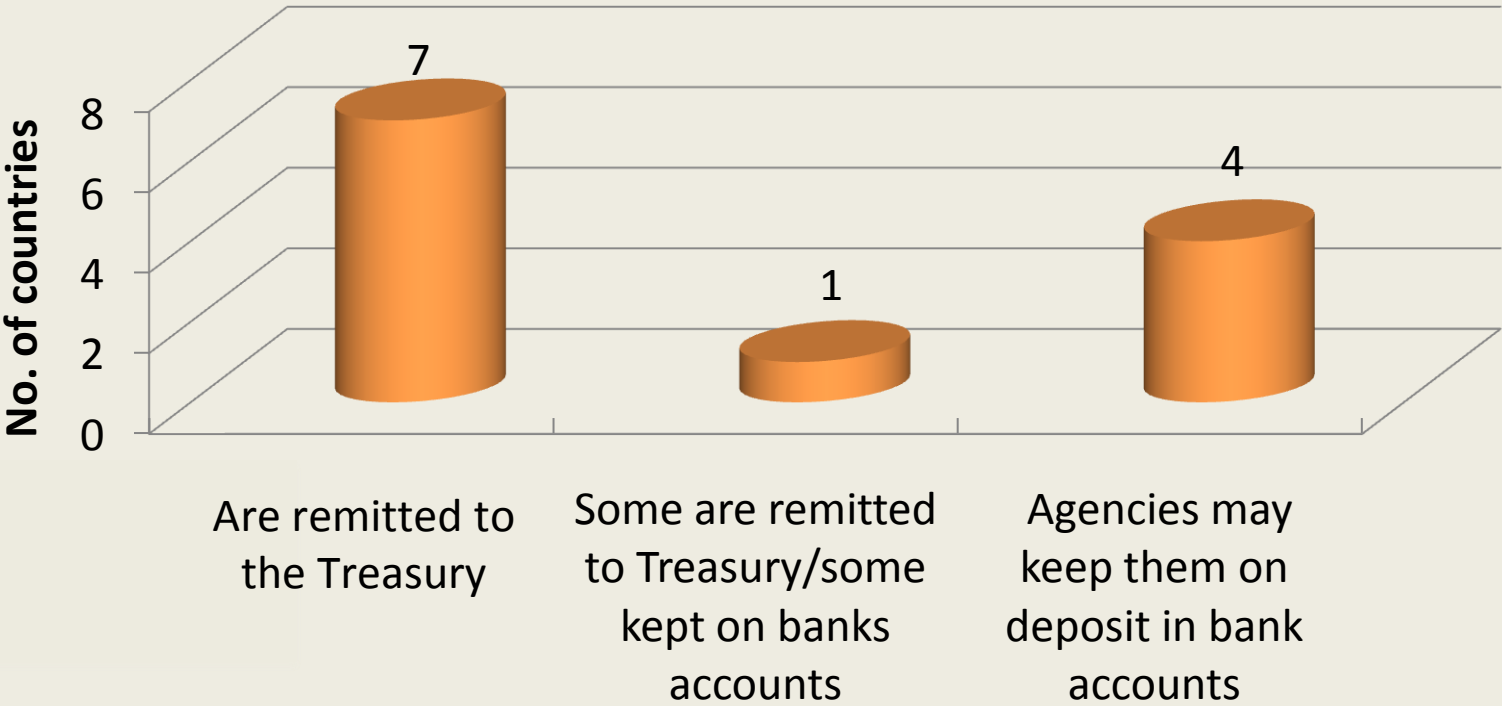


***Other:**

- Transferred after 2 months of excess funds
- Transferred if not executed after 5 days
- Balances (petty cash) are never transferred back, but fixed amount can be reduced

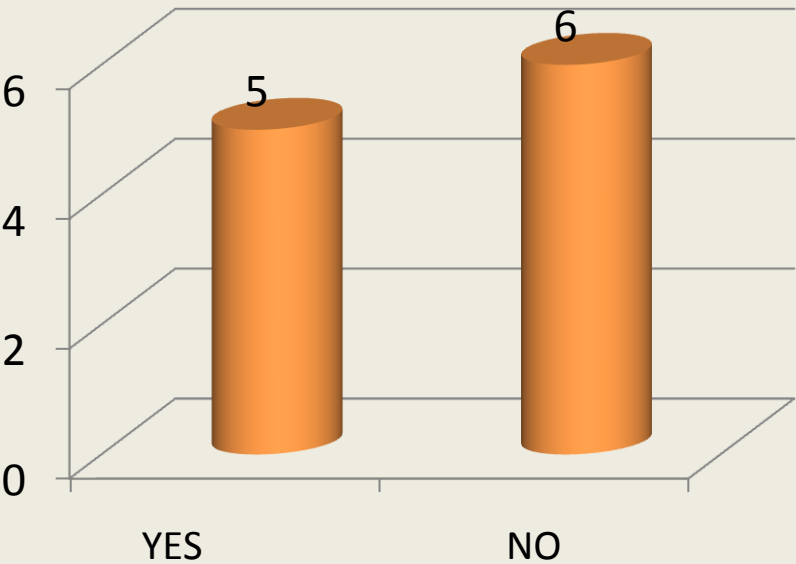
Government Institutions' Own Revenue

Own revenues of Central Government institutions..

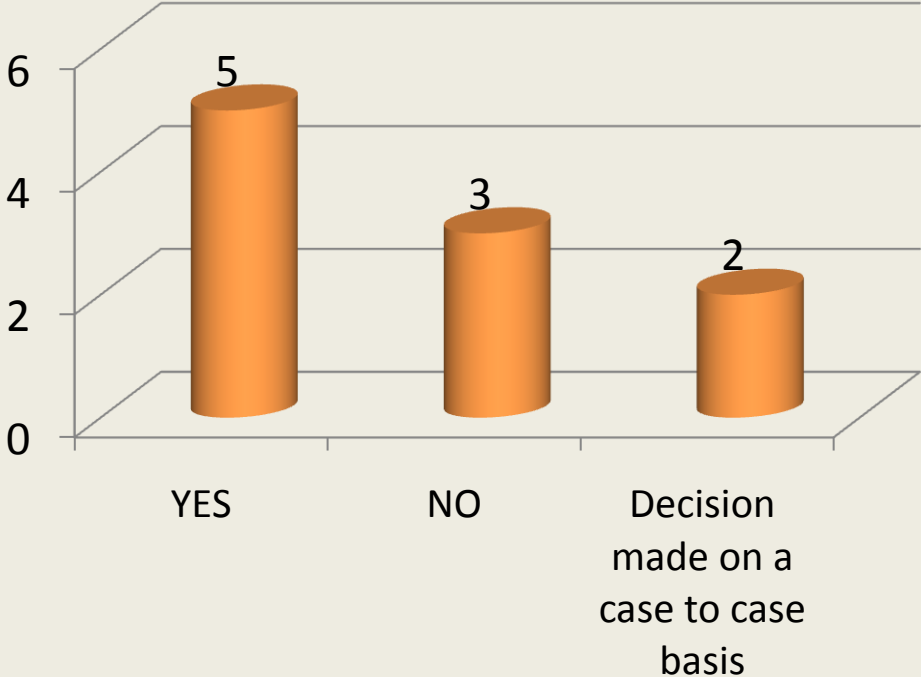


6. Active Cash Management

Is a target set for the daily balance of resources in the TSA?

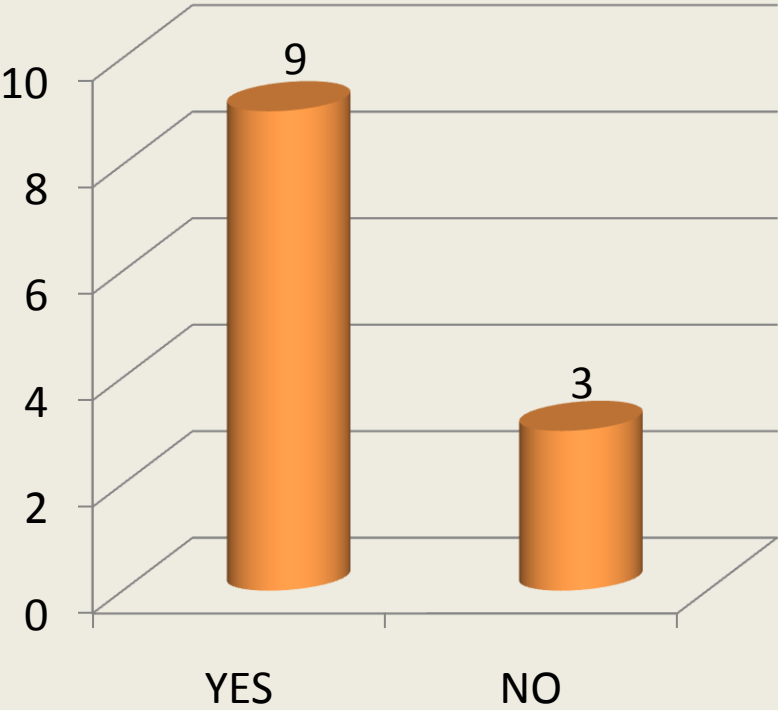


Are surplus resources temporarily invested?

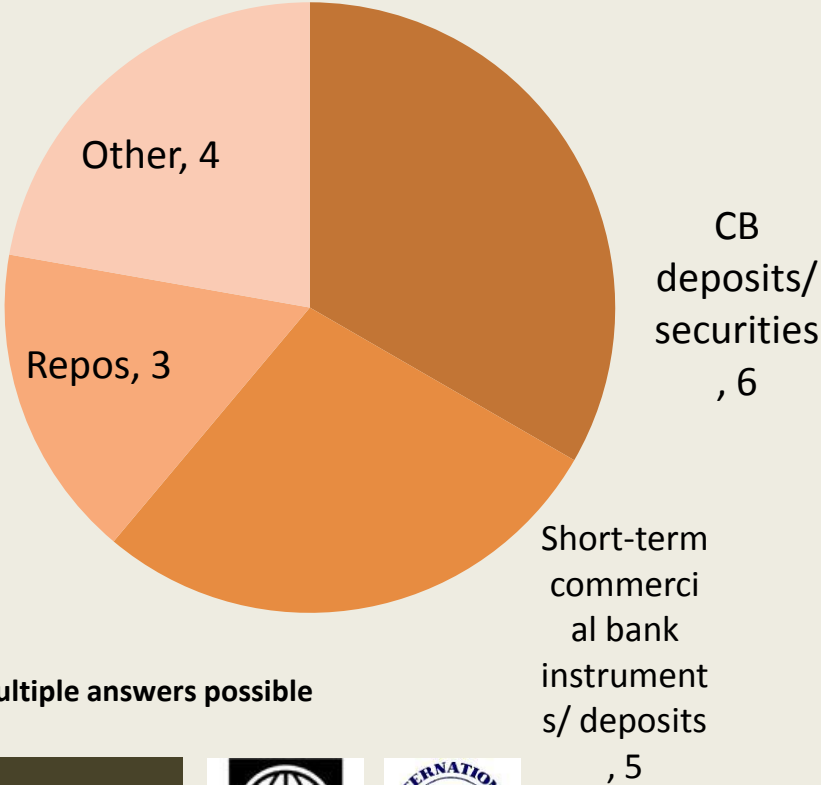


Short-term Investments

Does the Treasury make short-term financial investments?

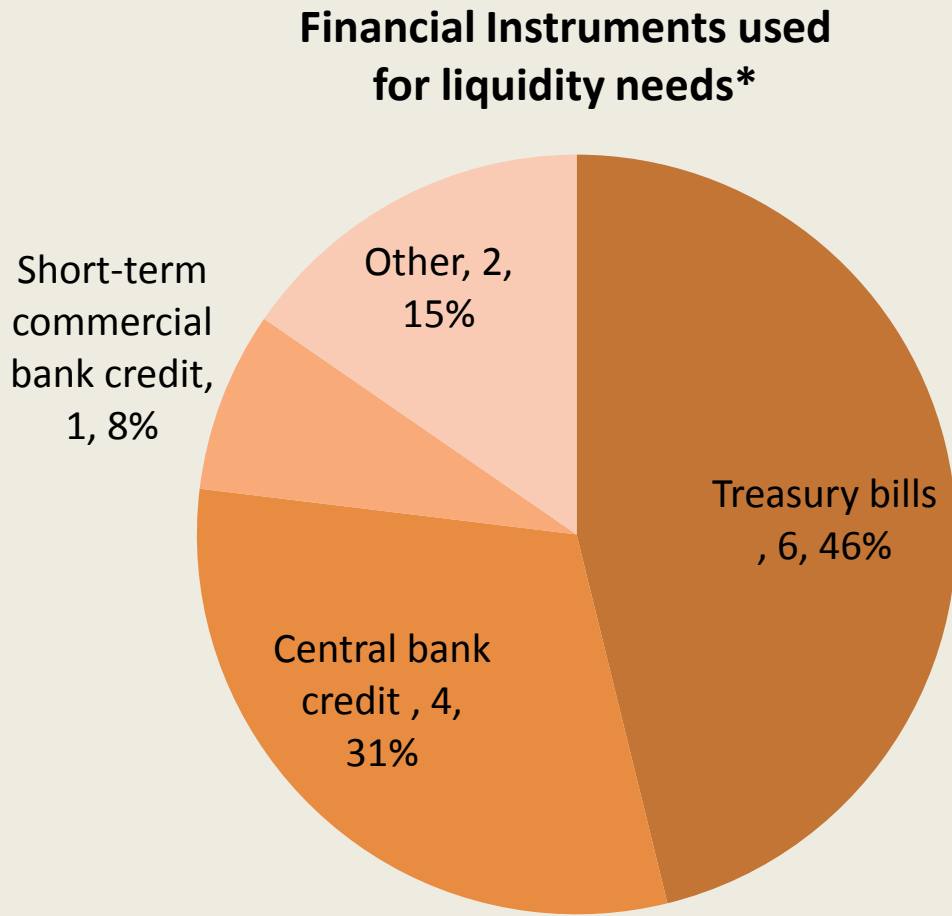


Short-term investments are made as*..



*Multiple answers possible

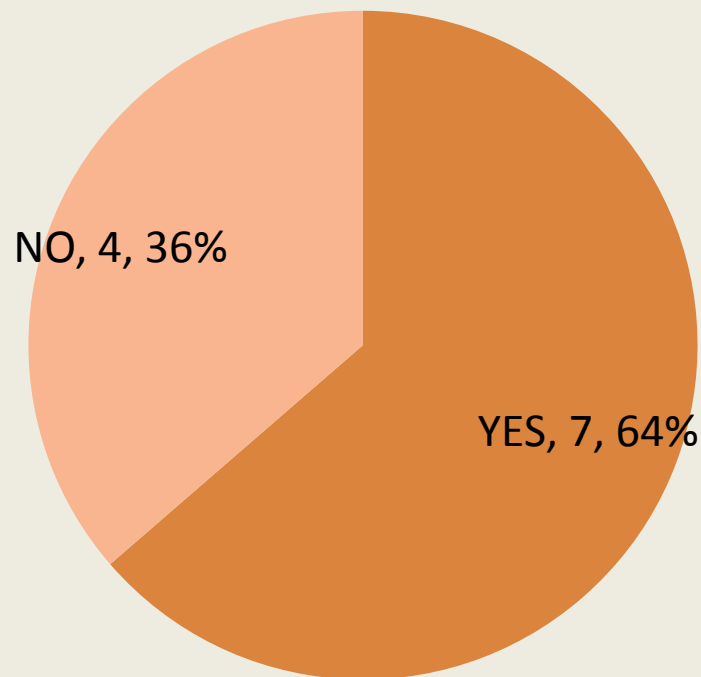
Short-term Borrowing Instruments



*Multiple answers possible

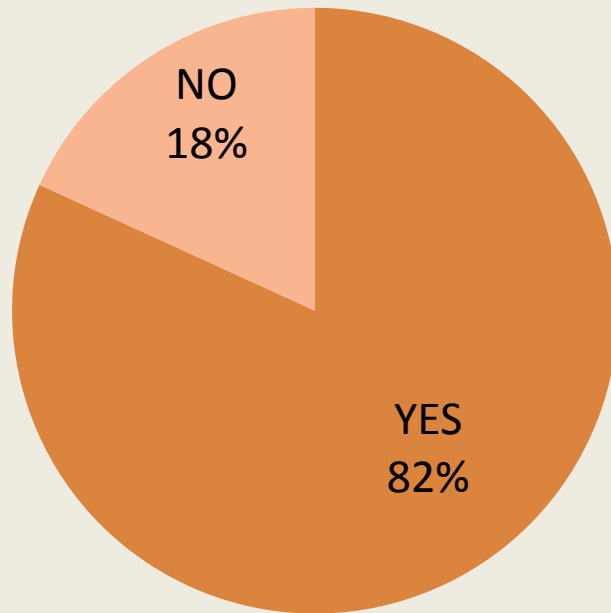
Payment of Government Obligations with Government Securities

Has the Treasury on some occasion paid Government obligations with Government securities?



Coordination of cash and debt management

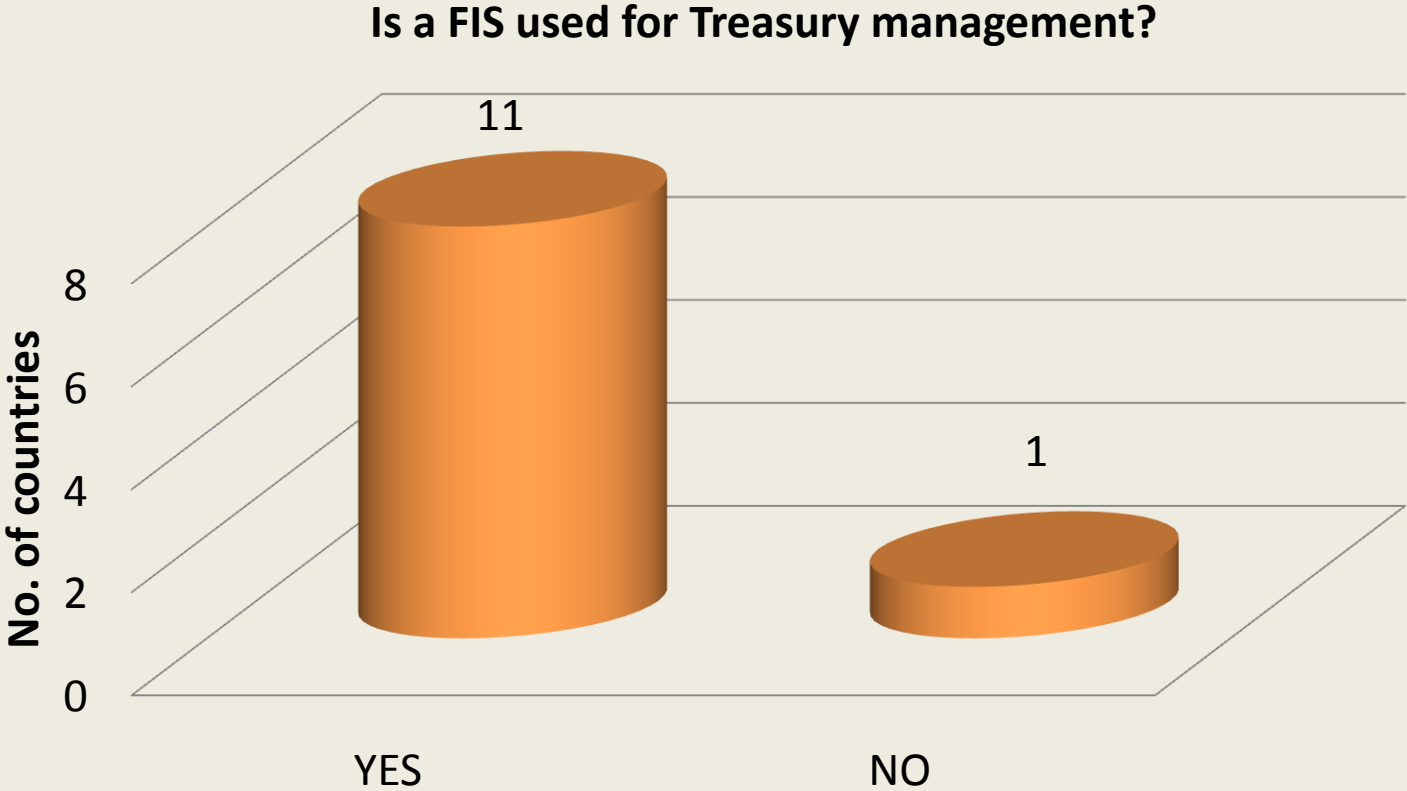
Short-term securities issues are coordinated with the placement of debt instruments at >1 year by the debt office



Maturity of Treasury Bills:

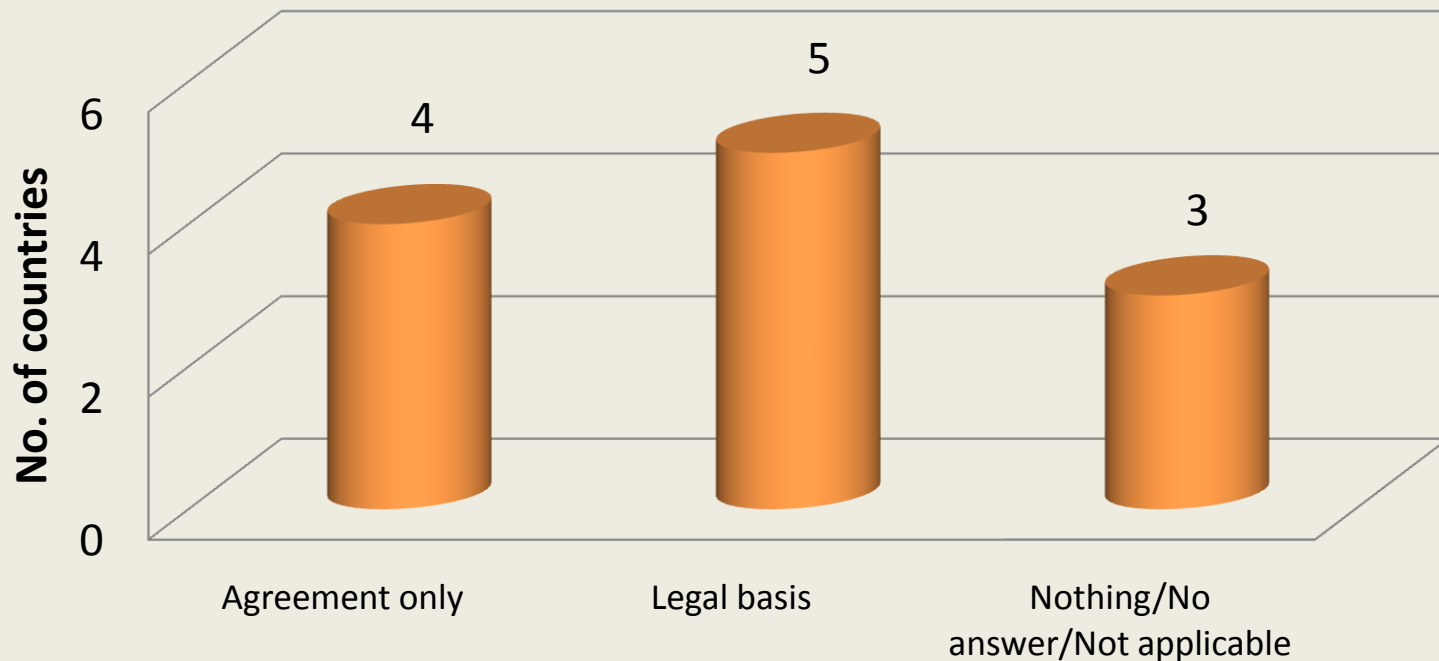
- 360 days (5) (AR, SV, GT, NI, EC)
- 90, 180 and 360 days (CO)
- 3 and 6 month (PA)
- Less than 3 months (CR)
- Less than 1 year (PE)
- 28, 91, 182 and 364 days (MX)
- 6 months (BR)

Financial Information System

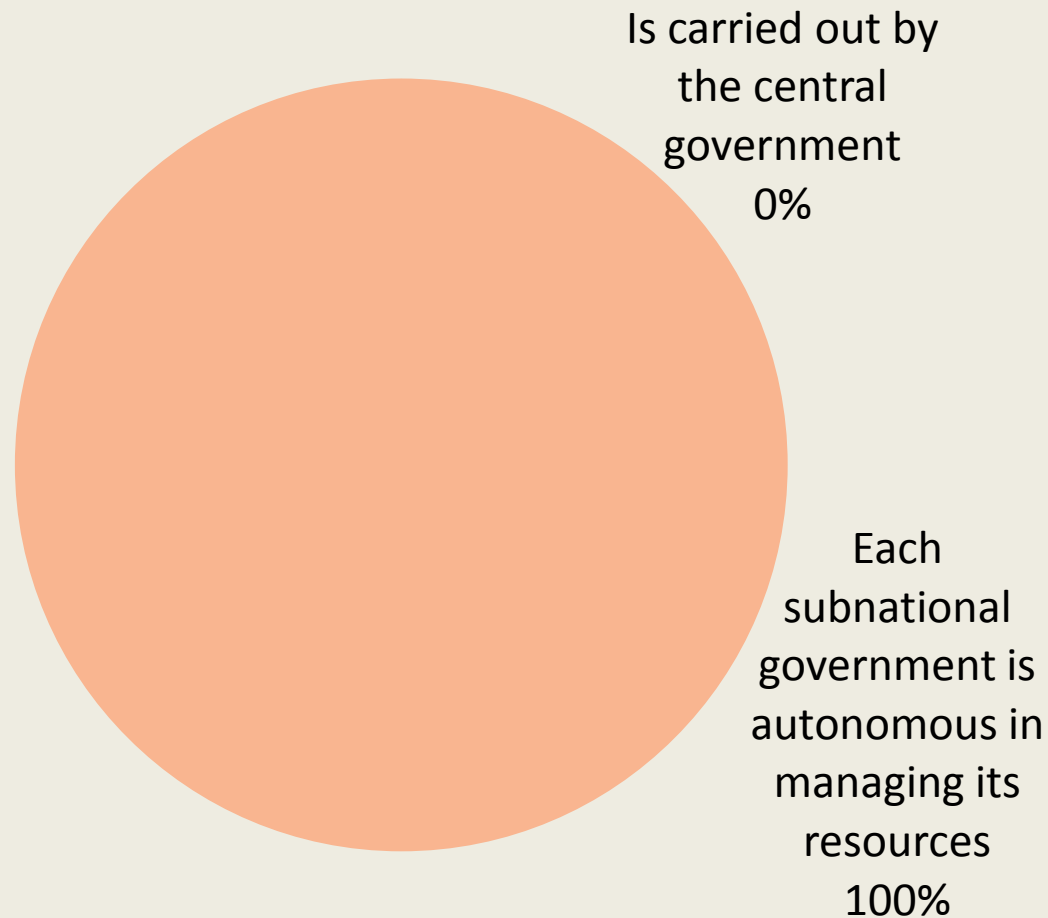


7. Relationship Treasury and Central Bank

The relationships between Treasury and the Central Bank are defined through



8. Treasury Management at the Subnational Level



9. Tentative Conclusions - for Discussion (I)

1. The legal basis for Treasury Management can be strengthened - would clarify role, enhance powers
2. TSAs have been established but coverage and Treasury control needs to be increased
3. Progress has been made in centralizing payment mechanisms and introducing electronic transfers
4. Integration of commercial bank accounts in TSAs is just starting (daily zero-balancing needs to be introduced)
5. Monitoring and control over central government liquidity still needs to be further enhanced (requires connectivity, IFMIS systems, and forecasting capacity)

Tentative Conclusions - for Discussion (I)

6. Payment for banking services needs to be made more transparent (tax and other revenue inflows need to be accelerated, the float reduced)
7. Cash rationing still part of cash management in quite a few countries
8. Active cash management still in phase of “rough-tuning” (further money and capital market development is needed) – institutional role not always clearly assigned to Treasury
9. Issuance of IOU needs to be discontinued – bad for credit rating and for payment terms government
10. Relationship with Central Banks can be made more structured, transparent and communicative

Thank you very much for your attention!

Muchas gracias por su atención!

Comments

Discussion

Preguntas

Questions

Discusión

Comentarios