****

Technical Assistance Consultant’s Report

Project Number: SC-111018 ARM

July 2018

Armenia: Liquidity Management

Final Report

Prepared by: Mike Williams

Date: August 26, 2018

For: Asian Development Bank

This consultant’s report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents. (For project preparatory technical assistance: the views expressed herein may not be incorporated into the proposed project’s design).

**CURRENCY EQUIVALENTS**

(as of 24 August 2018)

Currency Unit: Dram (AMD)

AMD 1.00 = USD 0.002

USD 1.00 = AMD 482.9

**ABBREVIATIONS**

|  |  |  |
| --- | --- | --- |
| ADB |  | Asian Development Bank |
| BPMD |  | Budget Process Management Department |
| Bps |  | Basis points |
| CBA |  | Central Bank of Armenia |
| CCC |  | Cash Coordinating Committee |
| EBF |  | Extra-Budgetary Fund |
| EFD |  | Expenditures Financing Department |
| EPFPD |  | External Projects Financial Programming Division |
| FMIS |  | Financial Management Information System |
| IMF |  | International Monetary Fund |
| PDMD |  | Public Debt Management Department |
| MoF |  | Ministry of Finance |
| PIU |  | Project Implementation Unit |
| SLA |  | Service Level Agreement |
| SRC |  | State Revenue Committee |
| TA |  | Technical Assistance |
| T-bills  |  | Treasury bills |
| T-bonds  |  | Treasury bonds |
| TOD |  | Treasury Operations Department |
| TSA |  | Treasury Single Account |

**CONTENTS**

[Cash Management: the Workplan 1](#_Toc523069452)

[This Report 1](#_Toc523069453)

[Conclusion 2](#_Toc523069454)

[Annex A. Interim Report: Summary of recommedations 3](#_Toc523069455)

[Annex B: WORK PLAN 4](#_Toc523069456)

[Appendix: Active Cash Management: Outline Project Plan 7](#_Toc523069457)

[Annex C: Commentary on Recommendations 8](#_Toc523069458)

[Treasury Single Account 8](#_Toc523069459)

[Cash Flow Forecasting 9](#_Toc523069460)

[Active Cash Management 12](#_Toc523069461)

[ANNEX D: Workshop Presentation 15](#_Toc523069462)

[Annex E: Cash Buffer presentation 26](#_Toc523069463)

Cash Management: the Workplan

This Report

1. The Asian Development Bank (ADB) is supporting the Government of the Republic of Armenia (Government) with a Technical Assistance (TA) Program SC 111018 ARM on Liquidity Management as part of its Public Efficiency and Financial Markets Program. Under this program, the Ministry of Finance (MoF) is committed to submit to the ADB a time-bound action plan to improve the cash management framework.
2. Against this background, the consultant visited Yerevan from July 11-17, 2018, and from August 20-24, 2018. Following his first visit, he prepared a report[[1]](#footnote-1) discussing the current arrangements against the three pillars of modern cash management: the development of the TSA; cash flow forecasting to support the budget execution processes and to ensure that liquidity is available when required; and more active cash management that aims to smooth cash flows across the TSA. That report made a number of recommendations, summarized at Annex A of this report.
3. The consultant’s first report was explicitly identified as an interim report, with recommendations that would need to be reviewed and elaborated in further work. This report covers this further work. It has been based in large part on discussions with Mr Artur Hambardzumyan, Head of Strategy and Risk Management Division in the Public Debt Management Department (PDMD), and with others in the PDMD. The consultant also met with Mr Arshaluys Margaryan, Director PDMD.
4. The outcome of this further work is a proposed workplan, which includes more specific proposals under each of the previous recommendations, also identifying deliverables. That is attached at Annex B. The PDMD will discuss with the ADB how this workplan will support further improvement in the cash management framework in line with the MoF’s commitments.
5. This report does not repeat the policy discussions set out at some length in the interim report. Instead it focusses on how the recommendations can best be taken forward in practice, i.e. the workplan. However, in developing this workplan, some of the previous recommendations have been modified somewhat, or it became clear that they could be taken forward only in part or to a somewhat different timetable (recognizing also that the fourth quarter of the year will be busy with the budget preparations). Some prioritization has also been incorporated. Where the recommendations have been shaded or developed, the relevant considerations are recorded here in Annex C, which thus provides the link between the previous recommendations, summarized in Annex A, and the proposed workplan in Annex B. It should be noted that the final workplan represents the consultant’s recommendations, albeit ones drawn up on consultation with the PDMD; they are put forward without prejudice to the MoF’s/PDMD’s formal right to propose amendments in its discussions with the ADB.
6. During the consultant’s visit, he also facilitated a half-day workshop on government cash management, for a range of officials in the MoF, setting out both international best practice and some of the implications arising in Armenia. The consultant’s slides are attached as Annex D. He also give a presentation to a small group in PDMD on the calculation of a target cash buffer. The slides are at Annex E.[[2]](#footnote-2)
7. As before, the consultant would like to thank all those with whom he met for the useful and constructive discussions; and in particular Mr Hambardzumyan and his team.

Conclusion

1. As previously reported, the Government of Armenia has made considerable progress in developing the cash management function. A modern Treasury Single Account (TSA) has been established; and a substantial cash flow forecasting infrastructure is in place. The PDMD has been able to ensure that cash is available to meet the MoF’s commitments without any recourse to cash rationing – the first objective of any cash manager. However, cash management is still somewhat passive, and more attention could be given to cost-effectiveness, and the interaction between cash management and other financial policies.
2. The proposed workplan at Annex B elaborates that general recommendation. Armenia is arguably already one of the best among its peer group. Achievement of the further recommended improvements would take it still closer to best international practice and, moreover, put it in a stronger position to cope with future challenges when it may no longer have the luxury of a substantial cash buffer.

Annex A. Interim Report: Summary of recommedations

This summary was included at the end of Executive Summary of the Interim Report. That report included a more extensive discussion of each of the recommendations.

|  |
| --- |
| **Summary of Recommendations** |
|  | **Short-term (before end 2018)** | **Longer-term (extending beyond 2018)** |
| **Treasury Single Account** | MoF to review the requirement to balance the state budget account at the end of each year, with a view to drawing more heavily on the balances in the TSA both within the year and across the year end. |  |
| PDMD to review the chosen level of its “current account” cash buffer. |  |
| **Cash Flow Forecasts** | CBA to discuss with the PDMD the information that is available with a view to building forecasts with a long horizon (with a monthly breakdown) that might best meet the CBA’s requirements.  | PDMD and CBA to review their existing Service Level Agreement covering the flow of information and other interactions |
| PDMD to identify the nature of the constraint on information flows from the SRC with a view to recommending internally that the forecasts passed to CBA should take account of all information available.  |  |
| PDMD to establish processes for preparing weekly forecasts that extend at least 3 months ahead | PDMD to build processes for the systematic analysis of forecast errors |
| PDMD to request (through Ministers) the Tax and Customs Services to complete a simple template each month, setting out their best forecasts for the next 3 months.  | PDMD to request the tax services to provide forecasts weekly extending at least 3 months ahead |
| PDMD to request the EPFPD to put in place arrangements whereby each month it updates the monthly profile for the budget year of expected donor flows. | PDMD to develop its operational-level contacts in the major line ministries, and potentially also in major EBFs and communities, to develop a flow of forecast information. |
| **Active Cash Management** | PDMD to develop an outline action plan to move to more active cash management |  |
| PDMD to establish a Cash Coordinating Committee |  |

Annex B: WORK PLAN

This table takes as a starting point the recommendations in the consultant’s interim report. It then seeks to identify the main actions under each of these recommendations, taking account of the further discussions with the PDMD, with deliverables where they can be clearly identified.

It will be for the MoF/PDMD to discuss with the ADB which deliverables are realistic for the purposes of the ADB’s requirements.

|  |  |  |
| --- | --- | --- |
| **Recommended Action** | **Timing** | **Deliverable** |
|  |  |  |
| **Treasury Single Account** |  |  |
| **Recommendation:** MoF to review the requirement to balance the state budget account at the end of each year, with a view to drawing more heavily on the balances in the TSA both within the year and across the year end. |  |  |
| 1. Agree internally (with PDMD, then Budget Process Management Department, BPMD) scope for drawing on stabilization fund and other cash balances as part of financing of 2019 budget, taking account of risks [Views of CBA to be sought?]
 | Sept 2018 |  |
| 1. Formal recommendation [to BPMD and then to Ministers as relevant]
 | By end Sept | [Internal paper] |
| 1. Review (further) scope in 2019 in light of assessed robustness of cash flow forecasts
 | Sept 2019 |  |
| PDMD to review the chosen level of its “current account” cash buffer. |  |  |
| 1. Agree analytical framework, internal discussion
 | Sept-Nov 2018 |  |
| 1. Target buffer agreed within the PDMD
 | By end 2018 | Record of decision |
|  |  |  |
| **Cash Flow Forecasts** |  |  |
| **Recommendation:** CBA to discuss with the PDMD the information that is available with a view to building forecasts with a long horizon. In longer-term review of Service Level Agreement  |  |  |
| 1. PDMD meet with CBA to identify requirements and how they might be met, and to what timescale
 | By end Sept 2018 | Agreed protocol, MoU or exchange of letters |
| 1. PDMD to review coverage of SLA with a view to making proposals to CBA
 | By end June 2019 |  |
| **[Recommendation:** PDMD to identify the nature of the constraint on information flows from the SRC with a view to recommending internally that the forecasts passed to CBA should take account of all information available. [In light of subsequent discussion, there is no need for separate action under this recommendation; it will be subsumed within other discussions with SRC, below.]] |  |  |
| **Recommendation:** PDMD to establish processes for preparing weekly forecasts that extend at least 3 months ahead; and to build processes for the systematic analysis of forecast errors. |  |  |
| 1. Building of spreadsheets, identification of data sources and issues arising
 | Sept-Oct 2018 |  |
| 1. Presentation of 13 week (3 months) forecasts
 | By end Oct for rest of 2018; with full 13 weeks (3 months) in early 2019  | Forecast presentation |
| 1. End-year review of forecast performance identifying areas for improvement with recommendations
 | By end March 2019 | Paper for senior officials with action plan for recommendations |
| **Recommendation:** PDMD to request (through Ministers) the Tax and Customs Services to complete a simple template each month, setting out their best forecasts for the next 3 months; and subsequently to provide forecasts weekly extending at least 3 months ahead |  |  |
| 1. Recommendation to Ministers, with letter to Chair/SRC proposing technical-level discussions
 | By end Sept 2018 | Letter sent from Minister |
| 1. Discussion with Customs and Revenue Services; agreed template
 | Oct-Nov 2018 |  |
| 1. SRC submitting 3-month forecasts, based on PDMD template
 | By end Jan 2019 for Feb-Apr 2019, then monthly roll forward | Receipt of SRC forecasts |
| 1. SRC submitting 13 week (3-months) forecasts based on PDMD template
 | [to be established] |  |
| **Recommendation:** PDMD to request the EPFPD to put in place arrangements whereby each month it updates the monthly profile for the budget year of expected donor flows. |  |  |
| 1. Discussions with EPFPD
 | Oct-Nov 2018 to establish for 2019 |  |
| 1. Updates of monthly profile
 | Feb 2019 | Receipt of updates |
| **Recommendation:** PDMD to develop its operational-level contacts in the major line ministries, and potentially also in major EBFs and communities, to develop a flow of forecast information |  |  |
| 1. Prepare a prioritized list of actions, including identifying main potential contacts, main target series (e.g. capital expenditure, goods and services), trade-off between full and partial coverage, and suggested timetable
 | By end March 2019 | [Internal PDMD Document] |
|  |  |  |
| **Moving to More Active Cash Management** |  |  |
| **Recommendation:** PDMD to develop an outline action plan to move to more active cash management |  |  |
| 1. Initial discussions within PDMD and with CBA to develop action plan
 | Nov-2018 – Q3 2019 |  |
| 1. Completion of action plan [See outline draft attached at appendix below]
 | By end Q2 2019 | Agree internal PDMD document |
| **Recommendation:** PDMD to establish a Cash Coordinating Committee |  |  |
| 1. Discussions by PDMD with CBA, Budget Dept, SRC (and others) decided on role and membership of CCC
 | Q1 2019 |  |
| 1. CCC established with agreed ToR and membership
 | By end Q2 2019 | Formal terms of reference |

Appendix: Active Cash Management: Outline Project Plan



Annex C: Commentary on Recommendations

1. The interim report made a number of recommendations which were summarized in a table at the end of the executive summary.
2. This annex provides an additional commentary on each of the recommendations. The conclusions of these discussion are reflected in the workplan at Annex B.

Treasury Single Account

### Previous Recommendations

|  |
| --- |
| **Summary of Recommendations** |
|  | **Short-term (before end 2018)** | **Longer-term (extending beyond 2018)** |
| **Treasury Single Account** | MoF to review the requirement to balance the state budget account at the end of each year, with a view to drawing more heavily on the balances in the TSA both within the year and across the year end. |  |
| PDMD to review the chosen level of its “current account” cash buffer. |  |

### Commentary

1. The PDMD accepts that the State Budget could include a run down in cash balances as an element of the planned financing of the year. Provided that the drawdown was included in the State Budget approved by Parliament, and to that extent only, it was possible under existing regulations to draw more heavily on the balances in the TSA across the end of the year as well as within the year.[[3]](#footnote-3) Indeed, the annual budget for 2018 included a run down of the stabilization fund of AMD 40 billion among the financing transactions to meet the expected deficit of AMD 157 billion. To date (mid-August 2018), there has been no recourse to the stabilization fund in the light of strong revenue performance.[[4]](#footnote-4)
2. The PDMD is nevertheless reluctant to draw on the stabilization fund, or the other cash balances in the TSA, across the end of the year. It notes:
* Use of the balances would be one-off; although it is the case that there would be continuing cost benefit (because the T-bond stock would be lower), the balances would no longer be available to cope with a time of greater financial stress.
* Some components of the balances (those of the local communities, the extra-budgetary funds and for donor-financed projects) were not only outside the direct control of the MoF, the PDMD had no information on when they were likely to be drawn down.
* In practice there tended to be a substantial net inflow in December associated with budget support grant and loan disbursements which would offset any in year use of the balances.
1. The stabilization fund is large; and although there is a case to retain a cash flow buffer, the fund was not specifically designed with that in mind. As noted previously, it comprises the balance of loans taken by the government following the financial crisis; its size does not reflect any calculation about future risks, and it is not explicitly aimed e.g. to smooth cash flows across the economic cycle.[[5]](#footnote-5) In the absence of any such objective, it is not clear that the full amount of the fund is required (see also below). It should also be possible to make an assessment of the extent to which the balances are likely to be drawn on by other holders.
2. There is nevertheless a political judgement to be made about the use of cash buffers. As discussed with the PDMD, cash buffers have to take account of market risks as well as uncertainty of transactions flows. It may also be the case that, as the moment, the CBA might prefer that the full balances were retained to avoid adding to the structural excess of liquidity. But it is important that the relevant considerations are brought to Ministers’ attention: there is a clear trade-off being cost and caution which should be explicitly addressed. The workplan is phrased in this sense: i.e. that the use of the cash balances should be explicitly considered in the formulation of the borrowing plan for 2019 (and in due course for 2020).
3. The PDMD agrees that the “current account” cash buffer should be reviewed. The safety net provided by the stabilization fund and other cash balances is one of the considerations in deciding the size of the buffer (were the stabilization fund even completely run down, no doubt the “current account” buffer might need to be somewhat higher). The PDMD noted that the buffer might better be defined, not as a nominal sum, but as a ratio of one of the fiscal aggregates.

Cash Flow Forecasting

### Previous Recommendations

|  |
| --- |
| **Summary of Recommendations** |
|  | **Short-term (before end 2018)** | **Longer-term (extending beyond 2018)** |
| **Cash Flow Forecasts** | CBA to discuss with the PDMD the information that is available with a view to building forecasts with a long horizon (with a monthly breakdown) that might best meet the CBA’s requirements.  | PDMD and CBA to review their existing Service Level Agreement covering the flow of information and other interactions |
| PDMD to identify the nature of the constraint on information flows from the SRC with a view to recommending internally that the forecasts passed to CBA should take account of all information available.[[6]](#footnote-6)  |  |
| PDMD to establish processes for preparing weekly forecasts that extend at least 3 months ahead | PDMD to build processes for the systematic analysis of forecast errors |
| PDMD to request (through Ministers) the Tax and Customs Services to complete a simple template each month, setting out their best forecasts for the next 3 months.  | PDMD to request the tax services to provide forecasts weekly extending at least 3 months ahead |
| PDMD to request the EPFPD to put in place arrangements whereby each month it updates the monthly profile for the budget year of expected donor flows. | PDMD to develop its operational-level contacts in the major line ministries, and potentially also in major EBFs and communities, to develop a flow of forecast information. |

### Commentary

1. The PDMD will meet shortly with the CBA to discuss the CBA’s data requirements. However, the envisaged protocol or MoU with the CBA agreement will have to be subject to the approval of Ministers. There is an existing Service Level Agreement covering many of the services that the CBA supplies. But in view of the identified gap in relation to information flows, it would be sensible to review the current SLA for its comprehensives and effectiveness; hence the recommendation for such a review for mid-2019.
2. The PDMD will start to prepare forecast extending 13 weeks (3 months) ahead. However, it noted that it would be unable in, say, November to prepare forecasts for the next 3 months, since there would be no approved State Budget for the following year. Moreover, even though a budget might have been prepared within the MoF it would always be subject to change in Parliament. For this reason, the first full 13-week/3-month forecast will not be available until the end of January 2019 at the earliest, i.e. after approval of the Parliament and the subsequent submission of profiles by the agencies.
3. Although this constraint is recognized in the suggested target for the immediate future, as active cash management develops in future years, it will be essential that there is always a 3-month rolling forecast available, however uncertain, to underpin the forthcoming T-bill (and T-bond) issuance program. Thus the forecasts prepared towards the end of 2019 should always extend 3-months ahead even if some of the future months are highly uncertain.
4. The PDMD has noted that it regularly reviews forecast errors during the year, taking them into account in the forecasts for the period immediately ahead. The suggested recommendation therefore focuses on the need for an annual review (by the end of the first quarter) of forecast performance over the previous year as a whole, with a view to feeding lessons learnt into future forecast procedures.
5. The PDMD is content to propose that Ministers write to the SRC to initiate discussion on the flow for forecast information, although the PDMD noted that it may be decided to approach the SRC through some other route.[[7]](#footnote-7)
6. The PDMD will discuss with the EPFPD the scope for additional in-year updates of profiles.
7. The PDMD is skeptical of the scope for receiving useful additional information from line ministries, even if the exercise focused only on the larger or more competent ones. It notes:
* Previous experience suggests that ministries do not in practice give sufficient thought to such requests, and will only repeat their expenditure plans.
* Building personal contacts with the line ministries potentially very resource intensive for uncertain gain. It may also be preferable to ask all agencies to complete a return rather than focusing only on the larger ones.
* Program budgets are to be introduced in 2019; it will take time for the new arrangements to settle down.
* The Expenditures Financing Department (EFD) within the MoF is already in touch with the spending units and often learns of forthcoming unusual or exceptional transactions. It can pass that information to the PDMD.
1. Against this background, the consultant agrees that the previous recommendation should be pushed back by a quarter; and framed in terms of developing a plan to secure an improved information flow from spending units in support of the forecasts. If information is available from the EFD, it should certainly be used, albeit with caution.[[8]](#footnote-8) The envisaged study would identify the main sources of expenditure uncertainty or volatility (whether in relation to generic expenditure categories, e.g. capital investments, or ministries, e.g. defense); and whether there are potentially other sources of information that could be availed to reduce that uncertainty. At this stage, the consultant is not seeking to prejudge the outcome of that work, only recommending that it be done.

Active Cash Management

### Previous Recommendations

|  |
| --- |
| **Summary of Recommendations** |
|  | **Short-term (before end 2018)** | **Longer-term (extending beyond 2018)** |
| **Active Cash Management** | PDMD to develop an outline action plan to move to more active cash management |  |
| PDMD to establish a Cash Coordinating Committee |  |

### Commentary

1. As outlined in the previous report, it is clear that the move to more active cash management will be a lengthy process. In some respects, it will have to be developed over a somewhat longer period than previously envisaged, a point emphasized in discussion by the PDMD.
2. The fluctuations in the TSA are very large compared with the volumes of T-bills issued at auction. The difference between the lowest and highest cash balance within the month is typically of the order of AMD 50 billion, with a net outflow preceding a net inflow. That is huge compared with a typical T-bill issue of AMD 1 billion; and there is no way that in current circumstances sufficient additional T-bills (e.g. 2-week bills in the first half of the month, redeemed in the second half of the month) could be issued to close that gap. There is a case for increasing the stock of T-bills somewhat; at less than AMD 30 billion it is only some 5 percent of the total stock of domestic securities. But there is arguably also a strong case for more frequent issuance of short-term T-bills (e.g. 1- and 3-month); that would bring greater activity to the money market and make it easier for the banks’ to accommodate themselves to fluctuations in their balance sheets.[[9]](#footnote-9) Regular weekly or bi-weekly issuance of short-term T-bills is a characteristic of all developed money markets.[[10]](#footnote-10) Longer T-bill maturities might be issued less frequently. Only when there is regular issuance of somewhat larger sums than currently will it be possible to start varying the issuance in ways to offset the fluctuations in the TSA.[[11]](#footnote-11)
3. There are also very large movements in the TSA across the year. As previously shown, it peaked at about AMD 200 billion in 2017, falling to AMD 50 billion at one point before rising again towards the end of the year. Fluctuations off this order cannot be managed through T-bills. However, the T-bond issuance program can be designed in such a way as to reduce the extent of the fluctuations. That is already done in part; most redemptions are planned for April and October which are the months of greatest inflow from tax receipts. But there has otherwise been little attempt to design the issuance program in such as way as to smooth the TSA across the year. Recent experience is illustrated in Figure 1 which shows the monthly TSA flows as forecast at the start of the year before and after allowing for domestic debt issuance (both net and gross issuance for 2018). The forecast issuance program in 2017 did nothing to smooth TSA flows (i.e. keep them close to zero each month; the charts show monthly changes); and that in 2018 seems to have made the profile if anything worse (the green and blue series compared with the red series).

#### Figure 1: TSA Forecasts before and after Domestic Debt Issuance

|  |  |
| --- | --- |
|  |  |

1. Liability management operations (LMOs), whether buybacks or switches, also have a potentially big part to play in smoothing cash flows. LMOs have a number of objectives, but smoothing the bond redemption profile, both within a year and across the years, is among the most important. LMOs that affect the redemption profile should be designed in such a way as to generate a monthly profile that acts to smooth the profile of the primary balance (potentially n future years, not only in the year or months immediately ahead), thereby also taking some pressure off the potential role of the T-bond issuance program to reduce changes in the TSA across the year.
2. The T-bond issuance program and LMOs are currently the main tools for smoothing cash flows. Their role will need to be considered in the further work on the debt management strategy and annual borrowing plan (ABP).[[12]](#footnote-12) A reference to them has been included accordingly in the Appendix to Annex B above. But a move to active cash management, making use of short-term borrowing and lending instruments, clearly needs also more discussion with the CBA than there has been to date. It is also suggested that there is a round of informal discussion with the banks. The potential benefits of more active cash management will need to be explained to them and their views should be explored on the possibility of more frequent issuance of short-term T-bills and on capacity or other considerations. It is suggested that there is a round of such discussion before any decisions made on the active cash management framework and the period over which it might develop. The framework includes both how T-bills will be used and the role of deposits in the banking sector. In relation to the latter, there are options for the techniques to be used, ideally reverse repo although collateralized deposits are also possible. In the longer-term repo will have a role as a borrowing instrument, but some countries have found it useful to start to use repo for lending before they do so for borrowing.
3. It was originally proposed that the PDMD should draft an action plan by the end of 2018. In the light of these further discussions, that is unrealistic, at least if the ;plan is to be well grounded. It is recommended instead that the plan should be prepared (as an internal document) by end Q2 2019, which would allow for a round of discussion with the CBA and the market. There would be further discussion before final endorsement of the Minister with a view to the publication of a Consultative Document at the end of Q1 2020.
4. The content of the action plan is to be decided. But an outline has been included above as an Appendix to Annex B; it is highly schematic and the PDMD will want to put more flesh on it. The timetable suggests that there could be more active T-bill issuance in early 2021; but again that will depend on future consideration. The emphasis here is on the need to undertake that consideration.
5. A cash coordination committee (CCC) is essential to support active cash management. But it is suggested that it be formed before cash is actively managed in the sense outlined here. That will help to bring more focus on the cash forecast and its use as a decision support tool. It is therefore recommended that the CCC be formally established also in the middle of 2019. The data presented to the CCC should be aggregated and summarized by the Secretariat before the meetings, ideally also with recommendations[[13]](#footnote-13) so that senior management can focus on the main messages and decisions to be made.
1. “Armenia: Liquidity Management: Interim Report” July 30, 2018. [↑](#footnote-ref-1)
2. In both cases there has been some loss of formatting; the presentations are available separately if required. [↑](#footnote-ref-2)
3. The requirement for the approved State Budget to balance (after financing) is reflected in regulations made under the Budget Systems Law, not in the primary legislation itself. [↑](#footnote-ref-3)
4. There seems to be a presumption that drawdown form the stabilisation fund is the marginal source of finance. In principle, strong revenue performance could be reflected in lower T-bond issuance, which would undoubtedly be more cost-effective given that the marginal cash deposit earns only a money market rate at the CBA (the published issuance plan would have to be adjusted, but that would not be a problem with due notice). [↑](#footnote-ref-4)
5. Arguably a fiscal stabilization fund or other structural fund of that kind should be managed separately from the government’s other short-term financial assets, with its own objectives and governance framework. [↑](#footnote-ref-5)
6. This recommendation is dropped in the light of further discussion; the substance will in any event be subsumed within the recommended work with the SRC. [↑](#footnote-ref-6)
7. The PDMD noted that there already exists a decree on information exchange, but it tends to be ignored by the relevant agencies. [↑](#footnote-ref-7)
8. Some caution is needed because, as emphasised in the interim report, there is a risk that information exchanged between spending units and those in the MoF responsible for budget execution is biased by game playing in relation to future budget approvals. [↑](#footnote-ref-8)
9. An increase in the stock would have an impact on the average term to maturity of the debt stock, but it need be only modest. Much more frequent issuance of short-term T-bills would have no impact on the average term when it is measured across the years. [↑](#footnote-ref-9)
10. The CBA has reportedly argued in favour of increasing the stock of T-bills somewhat. [↑](#footnote-ref-10)
11. Before that, it would be possible for the MoF to issue in, say, 2019 and 2020, short-term T-bills with odd maturities linked to cash inflow dates, as it has done in the past. The procedures are in place and the market should understand the concept. More use of this facility would be a useful lead in to more frequent and variable issuance of T-bills. [↑](#footnote-ref-11)
12. LMO policies, objectives and techniques are being addressed in the parallel workstream of Arindam Roy. [↑](#footnote-ref-12)
13. In the course of the workshop, the consultant presented two slides (close to the end of the presentation at Annex D) with a possible format for making recommendation to the CCC. The format includes the forecast projections, it identifies possible scenarios, sensitivities or contingencies, and makes recommendations for action. [↑](#footnote-ref-13)