

# CASH COORDINATION COMMITTEES: Country Experiences

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# The Context

Resource team preparing a note on Cash Coordination Committees (CCCs) – follow up to discussions in Tirana and since on more active cash management



There is a diversity of purposes, functions and membership of CCCs in different countries, reflecting different policy priorities and different institutional arrangements



Current aim: to give an overview of international experience – supported by results of Survey of PEMPAL members

Note: in this context: Cash Coordination Committees, Cash Management Committees, Liquidity Committees are the SAME

# Coordination

Efficient cash management needs the right tools

Managing cash actively requires drawing on a range of financial instruments

Implies different functions need to coordinate – especially when they are organizationally separate

Certainly the case for cash & debt management (next slide)

- Also for treasury/budget dept depending on budget execution responsibilities
- Some countries have cash forecasting unit (CFU) within budget dept – particularly if require control over pace of spend

# Debt and Cash Management Coordination

## Coordination requirements independent of Active Cash Management

- Instrument choices made in context of Debt Management Strategy & Annual Financing Plan, taking account of market appetite, market volatility, interest rate prospects
- From supply perspective, the financing choices must be made with a good understanding of the profile of the financing requirement
- Treasury bills are the key instrument – of both debt management & cash management [and sometimes monetary policy]
- Day to day coordination requirements (linking Issuance and maturity dates to cash flow; handling large maturities with LMOs, etc)

## Integrated Debt Management Office (DMO)

- Internalizes many decisions (still need a formal process)
- A CCC is really needed where there is organizational separation
- Process should be structured – for reasons of audit, accountability & clarity

# Governance Structures

## Integrated DMO

- As in many European countries (and few PEMPAL countries)

## High-level Public Debt Committee (PDC) or similar

- With strategic debt management responsibilities, extending to financing decisions, including cash management policy framework
- But tends not to focus on daily operational decisions – a PDC on its own is usually insufficient

## CCC reviewing cash forecasts, deciding on policy responses

- Potentially supported by technical committee; may report directly to PDC

In practice these roles may be elided, or overlaid

# What does a CCC do?

In its simplest form

- Reviews recent market developments and forecast performance
- Reviews the cash flow forecasts for the period ahead
- Decides on action necessary to ensure cash availability or meet the cash buffer target
  - Tbills, Tbonds, investment of cash surplus, FX swaps or draw down, borrowing from SOEs...

In practice

- ToR may be general or specific
- Budget execution often main role in cash constrained countries

# Membership

## Chair

- Depends whether advisory or decision-making
- Examples: Minister; senior official (State Secretary); DG/Treasury; DG/Debt Management
- Other examples (budget director, chief economist, central bank)
- May be joint

## Members

- Core
  - Treasury
  - Debt
  - Budget and/or Macro-fiscal
  - Tax authorities
- Other
  - Wealth funds where relevant (Oman, Indonesia)
  - Large spending Depts (Türkiye)
  - IFMIS team (Mozambique)

## Central bank?

- On CCC as Observer
  - May have relevant input on market developments
  - Esp. if fiscal agent
- CB should also receive forecasts

## Other Issues

- Degree of delegated authority
- Cash Forecasting Unit (CFU) usually Secretariat
  - Both presenting forecasts and recommendations
- Meets monthly or weekly
  - Technical ctee meets before CCC – may meet more frequently

# PEMPAL Countries

## Some examples of CCCs

- But not as many as expected in view of separation between Treasury and Debt functions in many countries

6 examples in response to survey (out of 13 replies).

- 4 of those have also integrated many cash and debt management functions – in a debt office (**Hungary**) or in a wider MoF/treasury function (**Romania, Türkiye, Croatia**). But still chosen to have a CCC to ensure policy interests are aligned
- **Albania** – debt and cash in sperate DGs => recognised need for a CCC at Deputy Minister/State Secretary level; supported by Treasury chaired working group to develop forecasts (see example at annex)
- **Georgia** – a Treasury chaired CCC with focus on identifying surplus cash for investment

# Some Characteristics

## Two tier structures

<p>In Hungary, Romania, Türkiye, Albania, Croatia a high-level Committee (Minister or very senior official) established by law or Order</p> <ul style="list-style-type: none"> <li>• Focus on cash/debt decision varies, but important part of their role</li> </ul>	<p>Lower-level committee – often not formally established (allows greatly flexibility) – stronger focus on the forecast and making sure it is complete and understood.</p>	<p>Similar lower-level committee in Georgia (also a high-level macro committee, but agenda goes much wider than other examples)</p>
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Internationally, CCCs when there is an integrated office less frequent (UK example) – may still be a PDC or high-level macro committee (eg Switzerland) but not making operational decisions

# Conclusions

Active cash management implies day to day operational decisions and interactions between debt & cash managers

Organizational separation requires some form of systematic coordination structure, for accountability and clarity. There is no one template CCCs internationally operate at different levels, different degrees of formality, different executive powers

Some core characteristics

- CCC brings together debt and cash functions (and others, potentially also CB)
- Main purpose is to consider the cash forecasts and how to respond
- Must also meet regularly,  $\geq$  once a month, to have operational salience

Some PEMPAL countries have a CCC; provides guidance for those moving to manage cash more actively

# Next Steps

<h2>Completing the survey</h2>	<p>Grateful if all PEMPAL countries could respond to survey, even with a nil return – by 13 June please</p> <hr/> <p>Clear that some countries interpreted the survey request too narrowly (e.g. with a focus only CCCs established by law). If anyone wants to change the response / add example in light of discussion today, please do so</p>
<h2>Exchanging Information</h2>	<p>Some countries contemplating a CCC have asked for details of ToRs.</p> <hr/> <p>Countries willing to share relevant documents are welcome to do so, resource team is ready to facilitate the exchange</p>
<h2>Next Steps</h2>	<p>Resource team’s paper will be completed later in summer</p> <hr/> <p>Envisage a VC to discuss it in the fall</p>

# Annex: The Example of Albania

## Debt and Cash Management Committee

- Established by Ministerial Order 2017
- Chaired by the Deputy Minister (co-chaired by Secretary General of MoF)
- Members: heads of departments of: budget, debt, treasury, fiscal and macroeconomic issues, also heads of borrowing and treasury operations; head of cash management unit is Secretariat. Representative of central bank also attends
- Meetings every month; main issues for discussion are
  - ▶ Flows & liquidity for current month and forecast for next period;
  - ▶ Borrowing progress in domestic market and expectations for borrowing in the coming periods;
  - ▶ Other issues related to liquidity & debt management (eg cash buffer).
  - ▶ The decisions taken mainly relate to the approval of the issuance calendars of government securities in the internal market.

## Cash Flow Forecasting Working Group

- [Current plans]
- Objective to support efficient decision making by compiling information on the cash flow forecasts of general government units
- Chaired by DG/Treasury and includes representatives of line ministries (together covering ~80 percent of expenditure), of DG/Taxation, DG/Customs, and Municipality of Tirana.
- Group will meet, at the notice of the chair whenever necessary, to compare aggregate cash flow forecasts, assessing also risks and identifying possible policy responses, reporting its conclusions to the DCMC.
- Draft regulation also specifies materials to be submitted before committee meetings

**THANK YOU!**

