

# COORDINATING CASH MANAGEMENT AND MONETARY POLICY: INTERNATIONAL EXPERIENCE

GOVERNMENT CASH MANAGEMENT  
PRACTICES IN SOUTH AFRICA

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**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

A **NATION**   
THAT **WORKS**



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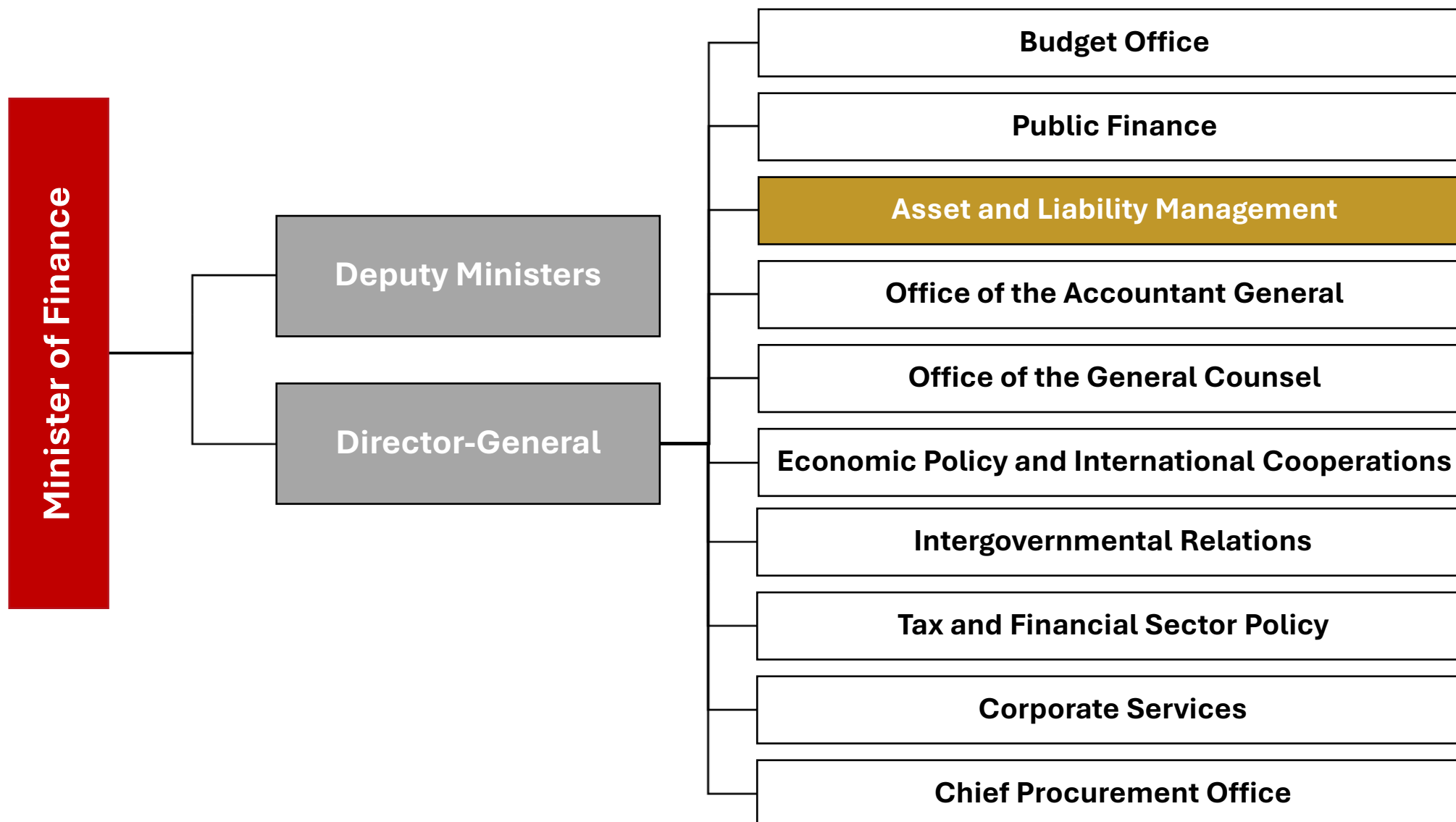
**PRIMARY OBJECTIVES**

# KEY POLICY OBJECTIVES

- Ensure effective management of government cash so that sufficient liquidity is always available to meet all obligations when they fall due.
- Maximise returns on surplus cash by investing funds efficiently.
- Mitigate the impact of government cash flows on the domestic banking sector by ensuring the following:
  - Liquidity conditions in the banking system remain stable without large or unpredictable fluctuations.
  - Monetary policy implementation is not disrupted or undermined.
    - Government cash flows are centrally managed and forecast in advance, with large movements planned and coordinated with the South African Reserve Bank (SARB).

**CASH MANAGEMENT FUNCTION IN SOUTH AFRICA**

# NATIONAL TREASURY'S STRUCTURE



# INSTITUTIONAL ARRANGEMENTS

## **National Treasury:**

- Debt and cash management housed in a single division

## **South African Reserve Bank:**

- Government's banker
- Coordinate and process domestic and foreign currency government payments
- Manage foreign deposits and reserves (including US\$ holdings)
- Administers Treasury bill and domestic bond auctions on behalf of NT

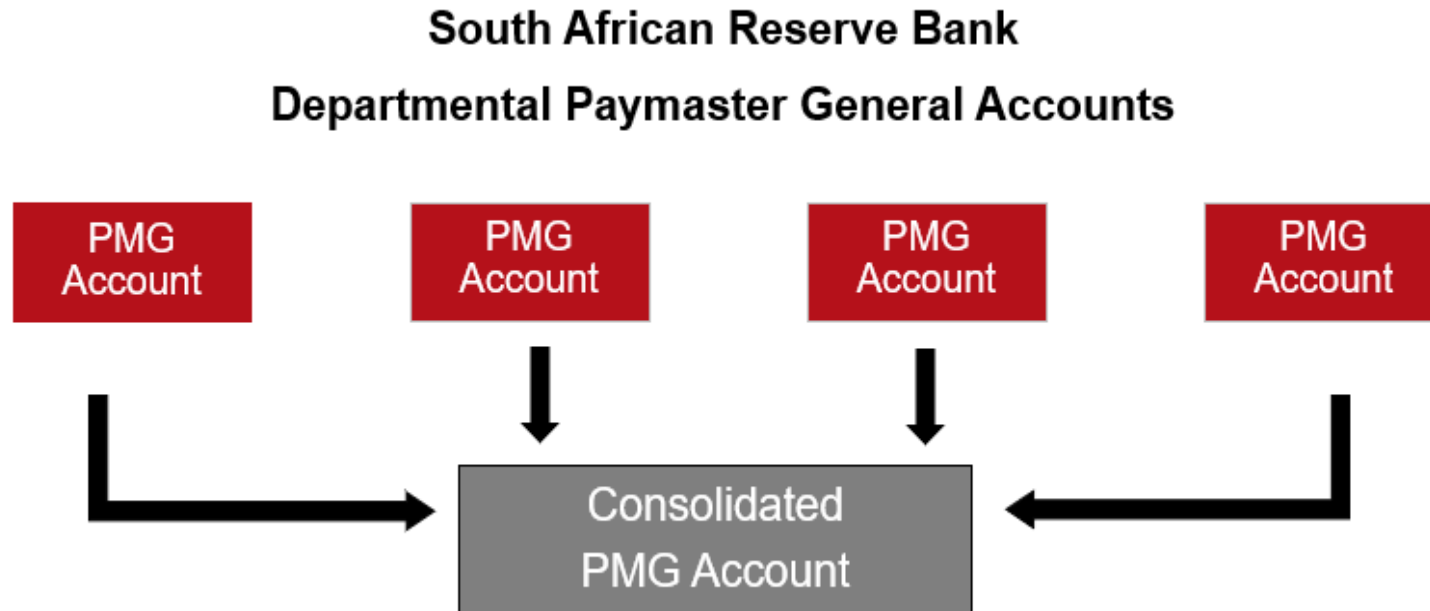
## **Commercial banks:**

- Collect and transfer tax and non-tax revenue
- Primary dealers in fixed-rate domestic government bonds
- Lead or co-lead managers for international bond issuances

## **Governance and coordination:**

- A regulatory framework and data exchange between the National Treasury, Government departments, and South African Revenue Services (SARS) ensure transparency

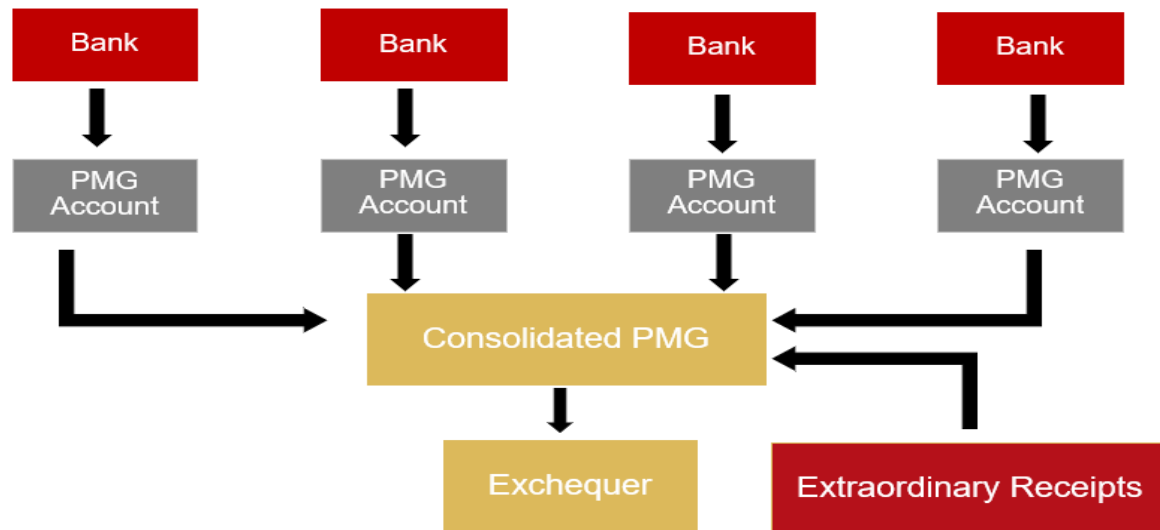
# TREASURY SINGLE ACCOUNT: PAYMENT CYCLE



- PMG accounts are departmental current accounts held at the SARB, used to pay expenditure and record departmental revenue, and they interface with government's transversal accounting systems.
- Account balances are consolidated at the end of each business day, with the consolidated position funded by Cash Management.

# TREASURY SINGLE ACCOUNT: RECEIPT CYCLE

Departmental (Non-Tax Revenue) Receipt Cycle

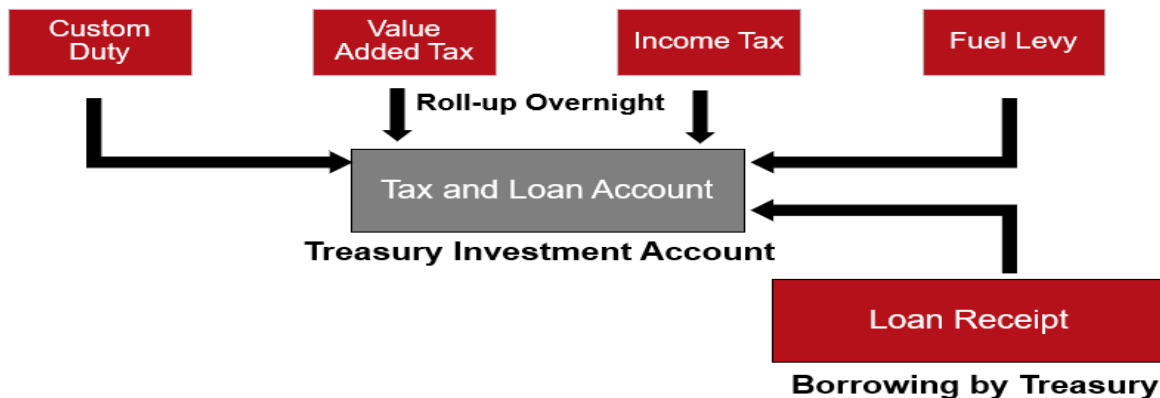


## Departmental (Non-Tax Revenue) Receipt Cycle

- Departmental revenue is deposited into commercial bank accounts and automatically swept as Cash Management Deposits (CMDs) into PMG accounts, reported by banks to the SARB and incorporated by DCM into daily funding decisions.
- Funds flow through the PMG and Exchequer accounts into Tax and Loan accounts, with National Treasury drawing from these accounts to cover funding shortfalls when projected expenditure exceeds daily revenue.

Commercial Bank

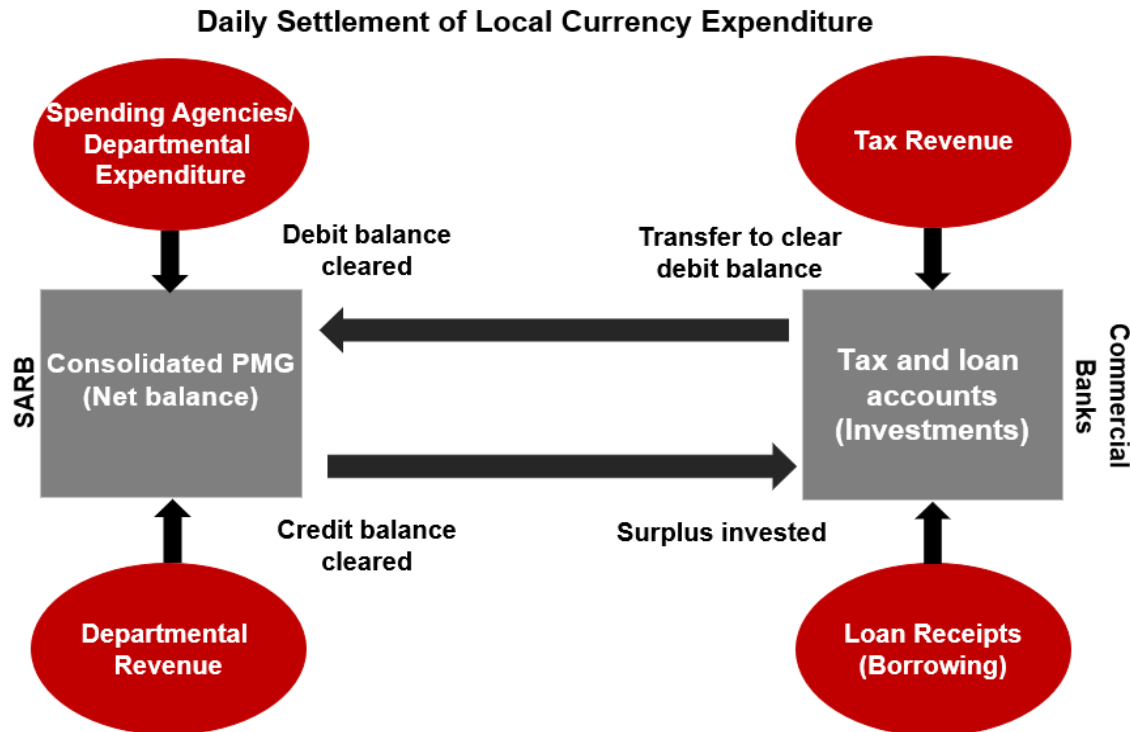
Tax Collecting Agency's Deposit Accounts



## Tax revenue Cycle

- Revenue collected by SARS is transferred daily into the National Revenue Fund (NRF) via Tax and Loan bank accounts, which are also used to fund the NRF's daily cash requirements through transfers to the Exchequer and PMG accounts.
- There are six Tax and Loan banks: Four major commercial banks holding government investment accounts for surplus cash, while two banks only collect taxes on behalf of government.

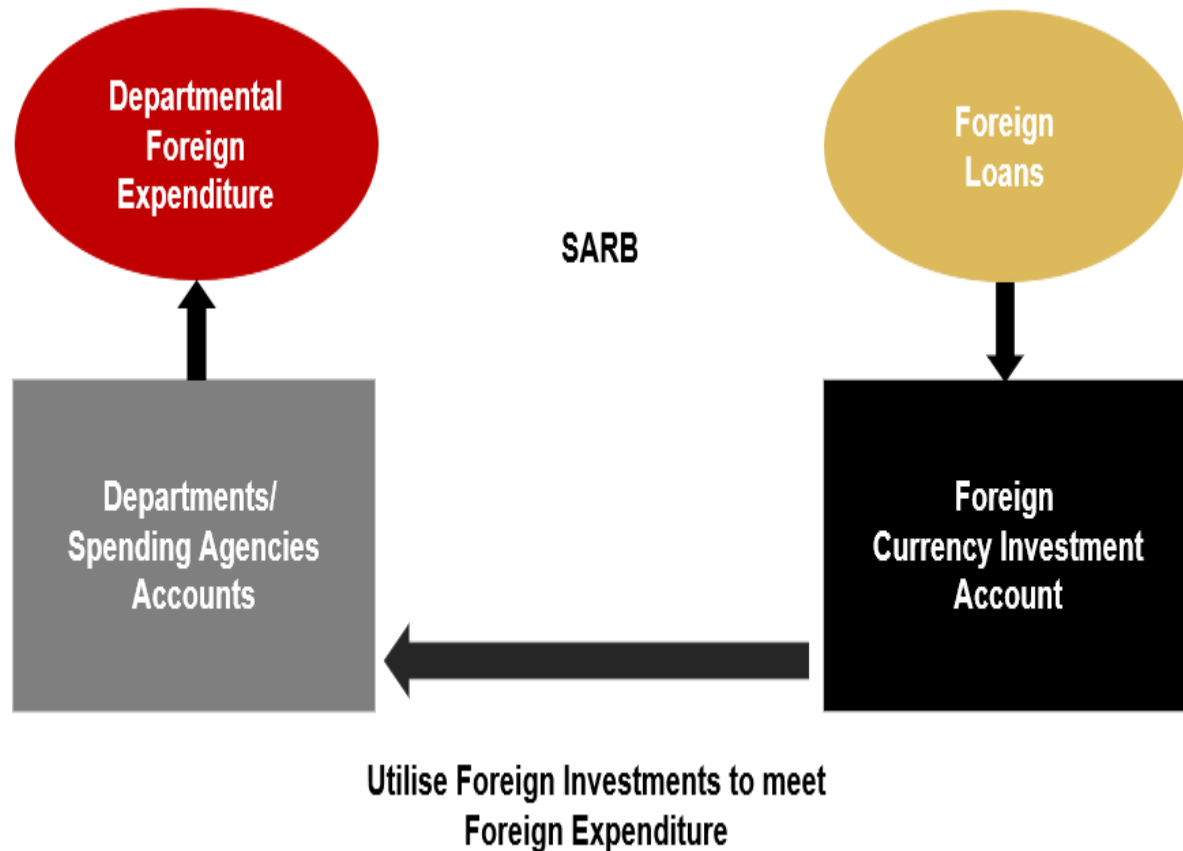
# TREASURY SINGLE ACCOUNT: DAILY SETTLEMENT OF LOCAL CURRENCY EXPENDITURE



## Daily Settlement of Local Currency Expenditure

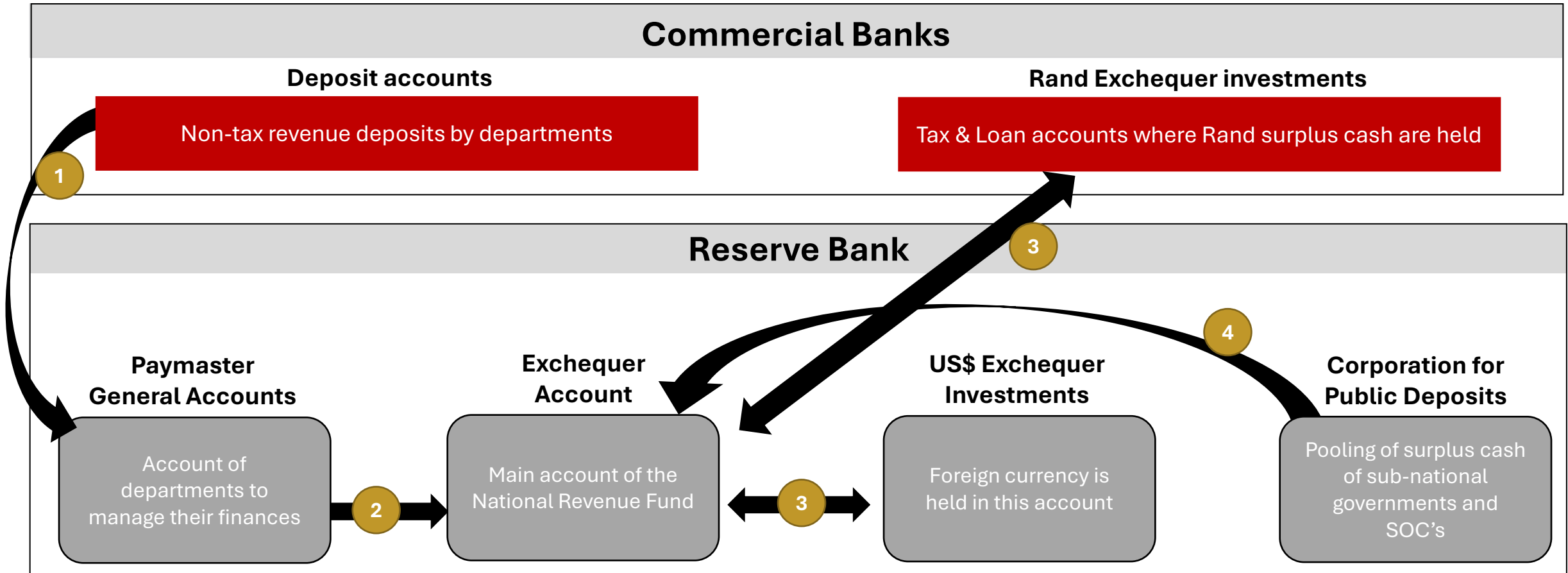
- The domestic payment cycle operates through departmental PMG accounts, the consolidated PMG account, and the Exchequer account at the SARB, with PMG accounts used for all departmental payments and closed to a zero balance daily as funds are swept to the Exchequer.
- DCM manages daily liquidity by transferring funds between the Tax and Loan accounts and the Exchequer account each morning, topping up for funding needs or returning surplus cash when revenue exceeds expenditure in the afternoon.

# TREASURY SINGLE ACCOUNT: DAILY SETTLEMENT OF FOREIGN CURRENCY EXPENDITURE



- The foreign payment cycle includes the government's Foreign Investment Account (USD), departmental PMG accounts, the consolidated PMG account, and the Exchequer account.
- Foreign currency payments initiated by national departments are processed by the SARB.
- The SARB withdraws the required USD from the government's foreign investment account to settle foreign obligations.
- The SARB simultaneously deposits the equivalent Rand (ZAR) amount into the Exchequer account to reflect the payment in the domestic system.

# TREASURY SINGLE ACCOUNT: STRUCTURE FOR THE NATIONAL GOVERNMENT



**1** All non-tax revenue received by departments transferred to their PMG accounts 2 days later

**2** PMG accounts go in overdraft during the day. End of day consolidated balance cleared to Exchequer account

**3** Exchequer account funded to meet PMG Rand/foreign exchange commitments

**4** Borrowing of bridging finance from Corporation for Public Deposits

**CASH MANAGEMENT, FUNDING AND BRIDGING FINANCE INSTRUMENTS**

# SOUTH AFRICA'S DEBT INSTRUMENTS

## Debt Instruments

### Short-term

- Treasury bills (6-, 9-, 12-month maturity bills)
- Weekly auctions of Treasury bills
- Corporation for Public Deposits

### Long-term

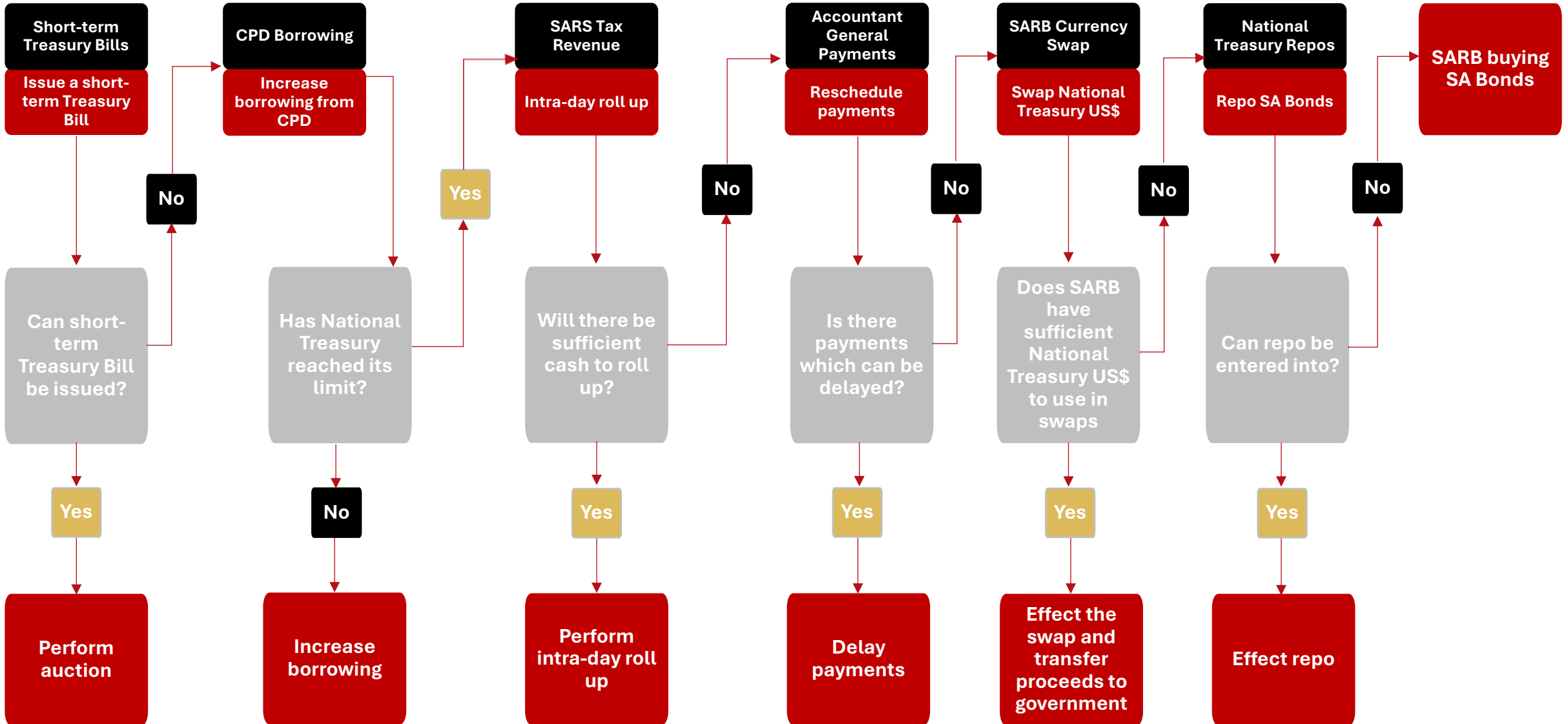
- Fixed-rate, up to 32 years
- Inflation-linked, up to 35 years
- Weekly auctions in fixed-rate and inflation-linked

## Cash Management Instruments

### Short-term

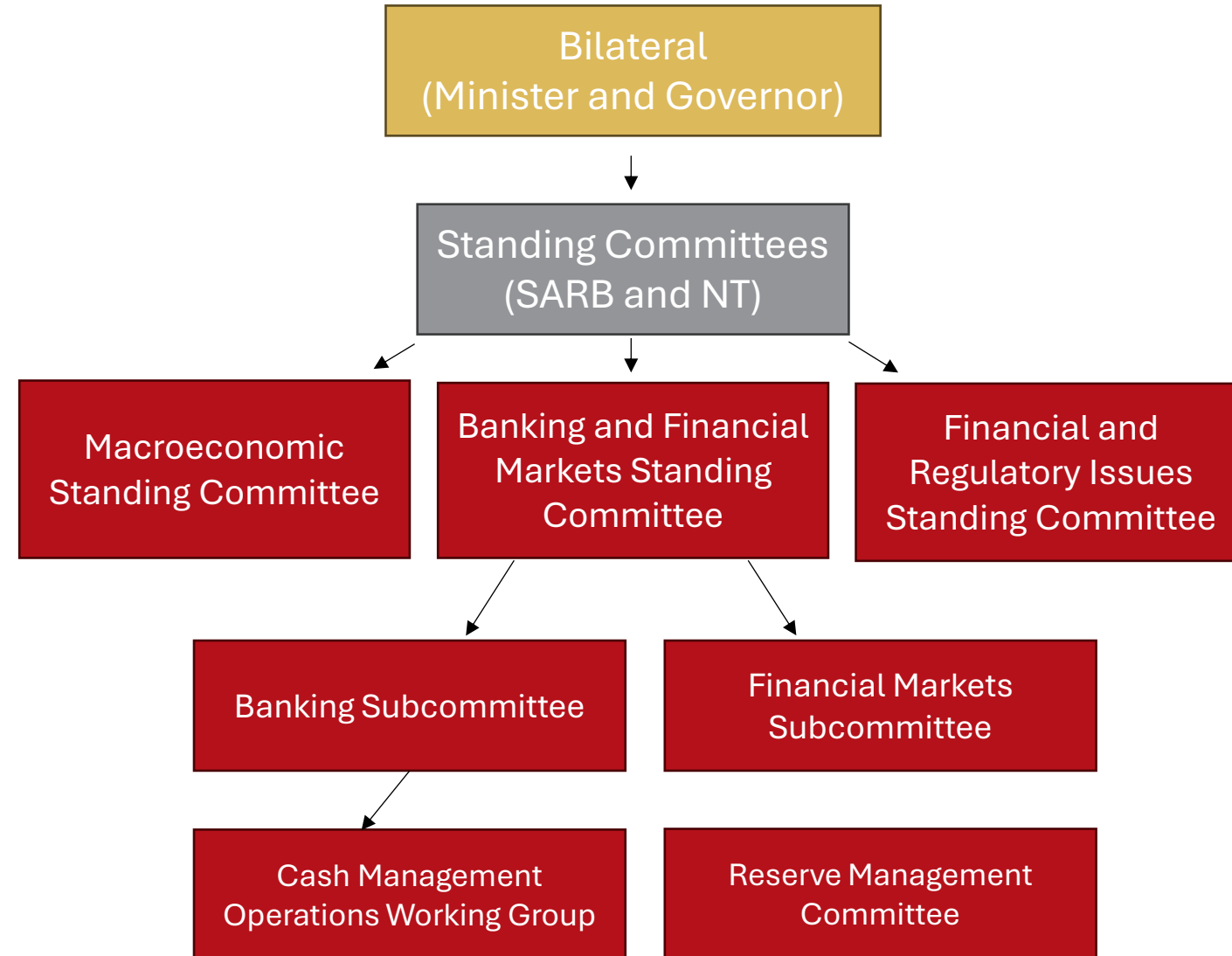
- Treasury bills 12-months and shorter
- Utilising surplus cash of wider Government (Provinces and State-Owned Companies)
- Converting US dollar into rand
- Intra-day roll up of tax revenue collections
- Rescheduling of large payments

# SOUTH AFRICA'S BRIDGING FINANCE MATRIX TO COVER SHORT-TERM CASH PRESSURES



**COORDINATION PROCESS BETWEEN NATIONAL TREASURY AND SARB**

# COORDINATION PROCESS BETWEEN SARB AND NT



## Formal consultative process between SARB and NT

- Ensures coordination between SARB and National Treasury on macroeconomic, banking, and regulatory issues.
- Provides structured channels for decision-making and information exchange.

## What the process achieves?

- Predictable and coordinated government cash and borrowing operations
- Early identification of macroeconomic and financial market risks
- Clear separation of fiscal decision-making and monetary policy implementation

## Why it matters?

- Protects the independence and effectiveness of monetary policy
- Enhances transparency and policy credibility
- Strengthens confidence in financial markets

