



# COVID-19 impact on public finances

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# PFM – Georgian Context



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## PFM

Chain of rules, systems and processes, the strength of which is limited to that of its weakest link

### Primary Ingredients:

- Comprehensive, Effective and Transparent Tools and Processes
- Efficient and Safe Investment of Public Funds

# Treasury: Mission and Vision



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**Ensure Comprehensive, Effective and Transparent Public Financial Management**



- Provide simple, user-friendly and transparent systems for budget users to perform budget operation
- Accurate and timely accounting and reporting on budget and related operations
- Implement International Public Sector Accounting Standards

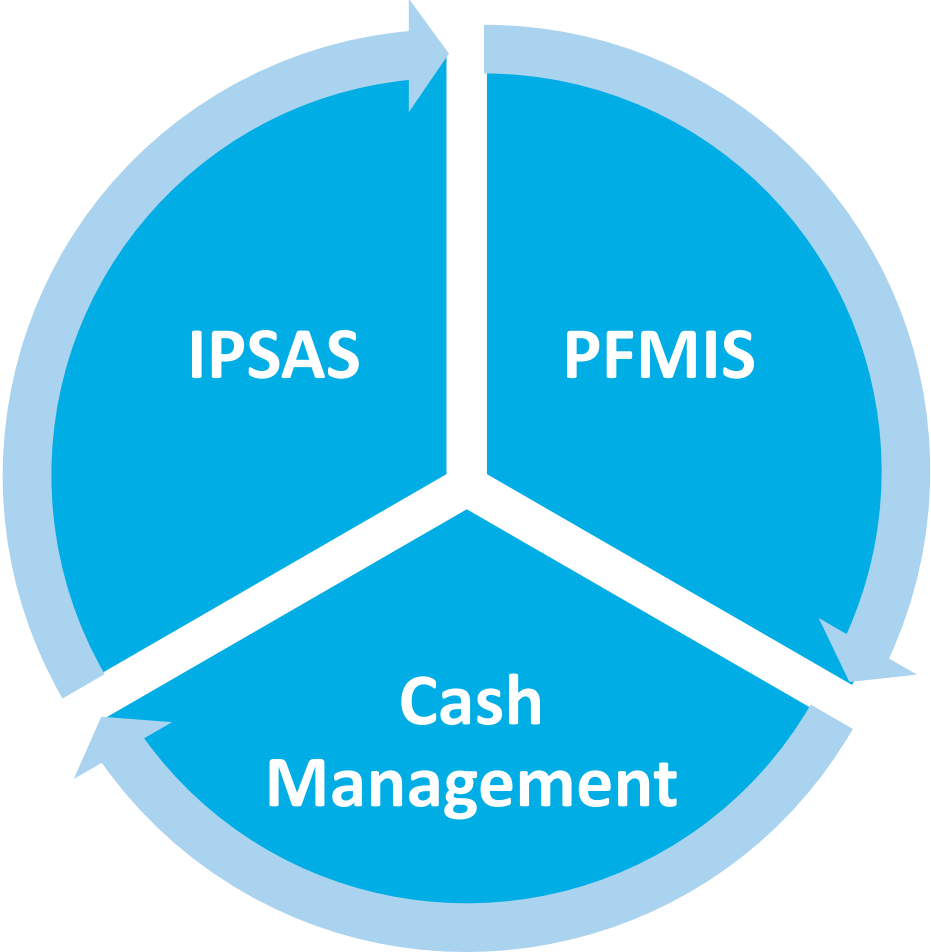


**Ensure Efficient and Safe Investment of Public Funds**



- Manage and Operate Treasury Single Account
- Develop reliable and appropriate mechanisms and instruments for Public Cash Management

# Treasury: PFM Key Areas & COVID-19 Implications



# COVID-19 Implications: Cash Management



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- “Cash is the king”
  - Corporate vs Government sector
  
- Cash management has four major objectives:
  - Adequate cash is available
  - Borrow only when needed
  - Maximize returns on idle cash
  - Manage risks

# COVID-19 Implications: Cash Management



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<b>Objective</b>	<b>Utilize all available and potential sources of liquidity in the best possible way to keep smooth functioning</b>	
<b>Considerations</b>	<b>Cash Preservation</b>	<b>Cash Generation</b>
<b>Challenges</b>	<p>Cash Preservation is highly dependent on credible cash forecasts, which in turn is affected by volatility in revenue and expenditure. Thus, producing the reliable forecasts becomes very challenging;</p>	<p>Difficulties to generate money internally - In times of crisis, when businesses close down and employees are laid off, governments struggle to collect planned amounts from taxation;</p>
	<p>Many countries struggle to have sound cash forecasting tools and process even during ordinary stable times. Thus, it is twice more difficult for them to assess cash needs properly during the crisis;</p>	<p>Difficulties to generate money internationally - High uncertainty and rush into cash resources makes it difficult for governments to access enough cash on stressed financial markets;</p>

# COVID-19 Implications: Financial Reporting



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- Changes in assets and liabilities
- Recording provisions
- Recording contingent liabilities and assets
- Assessment of an Entity's ability to continue as a Going Concern
- Potential write-offs
- Human resource management issues

## COVID-19 Implications: Actions



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- Evaluate the impact of the emergency situation
- Develop scenarios containing key variables
- Reprioritize and adjust cash spending plans
- Coordinate internally & externally
- Establish statutory framework for new budget funding
- Examine the opportunity of having credit line facilities
- Use debt service funds, if any, to safeguard liquidity position



# Conclusion



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## Main Takeaways

- Need of proper mechanisms for managing government cash resources
  - Forecast flows, identify and manage idle money, set up cash buffers
  - Implement appropriate institutional arrangements and technical processes
  
- Need for Cash+Accrual based information:
  - Improve quality and reliability of accounting data
  - Ensure continuity and comparability of the financial statements
  - Enhance macroeconomic analysis and forecasting abilities

# State Treasury: Future Plans



## IPSAS

- Accomplishing IPSAS Implementation
- Involving Local Governments

## PFMS

- TSA Coverage
- Treasury General Ledger

## Cash Management

- Automating processes
- Coming up with New Instruments

## Other

- Budget Accounting and Reporting
- Continuous Development

# Thank you for your attention!

[www.mof.ge](http://www.mof.ge)

[www.treasury.gov.ge](http://www.treasury.gov.ge)