



Ministry of Finance of the Republic of Azerbaijan

The State Treasury Agency

**Strengthening and Measuring Treasury
Performance in Cash Management
and Forecasting**

*Albania
November 2024*





Cash Management Outcomes

Situation in Azerbaijan:

1

All payments in Azerbaijan are made on due date thanks to efficient budget management and sufficient cash availability. No instances of payment arrears as a result of the lack of liquidity, - this is confirmed by the indicator "Percentage of payments that are not made on the due date" which is absent. Thus, financial management ensures a stable meeting of all commitments.

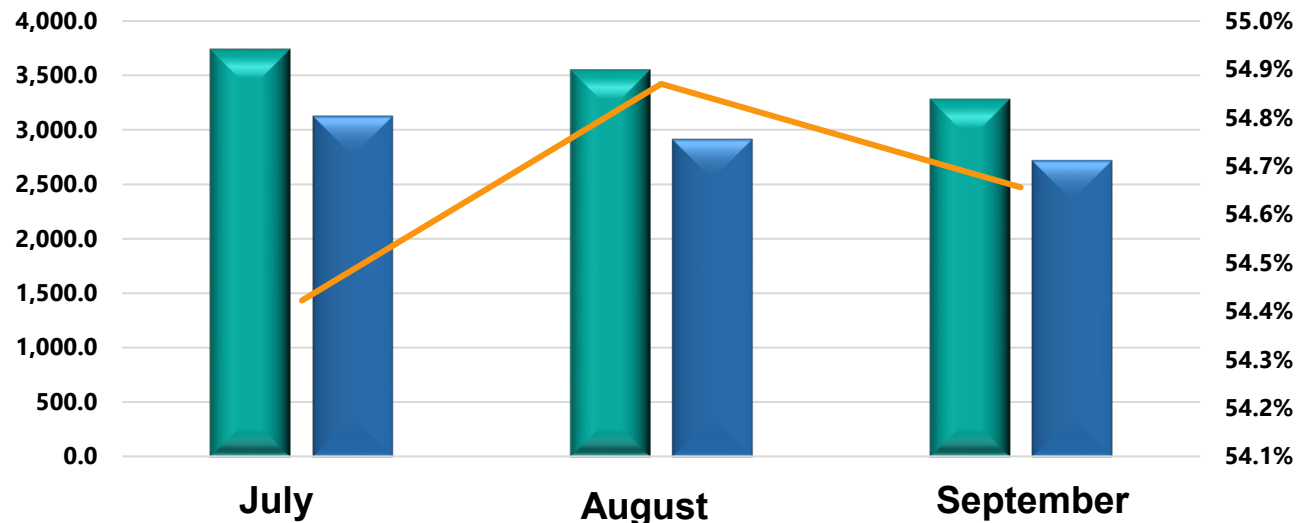
2

The Treasury of Azerbaijan does not borrow from the Central Bank to finance immediate commitments, as the national budget provides necessary liquidity. Therefore, the indicator "Ratio of outstanding advances or other borrowing from the central bank to total monthly expenditure, %" is not used either.



TSA Coverage

TSA coverage (mln manat)



- A.** Cash balances in the TSA under control of the Treasury and available to meet commitments (in local currency)*
- B.** Total of other general government balances in the banking system (in local currency) **
- C.** = $A/(A+B) \times 100\%$

Over three months TSA balances have remained stable at around 3500 M manat.

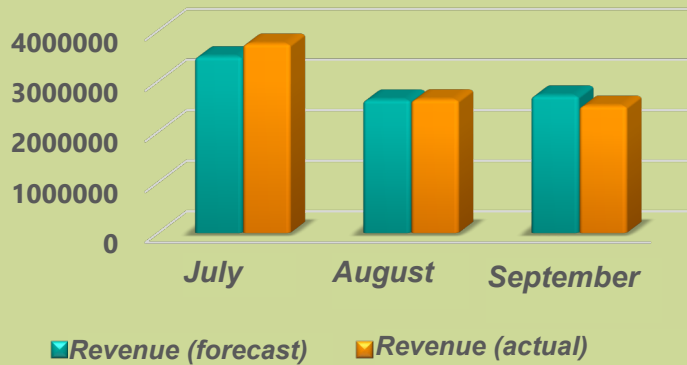
The value for B also remained stable between 2700 - 3100 M manat.

TSA coverage (C) remains unchanged, at about 54.7%, suggesting stable control and use of resources.

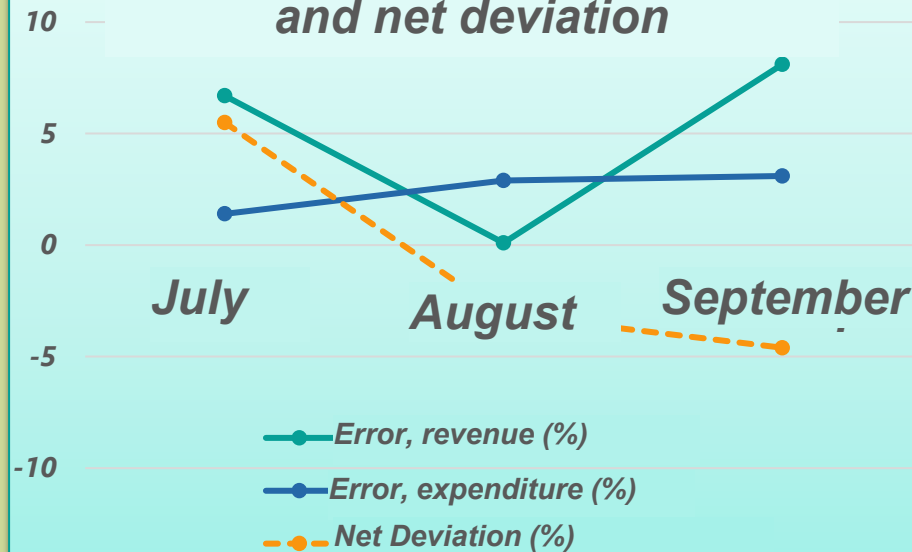


Cash Forecasting

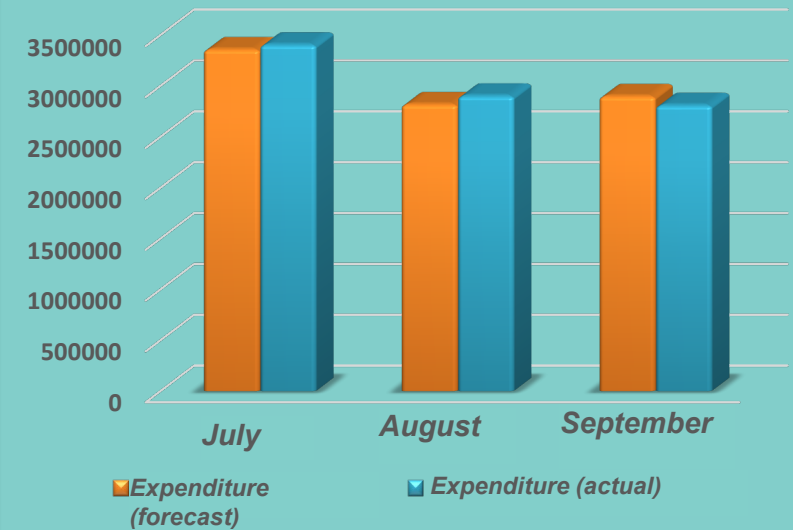
Revenue (forecast vs. actual)



Revenue and expenditure error and net deviation



Expenditure (forecast vs. actual)



In July actual revenue exceeded the forecast, while in August and September revenue was close to the forecast.

In July there was a major revenue error (6.7%) and moderate expenditure error (1.4%). In August both errors declined, and net deviation was negative (-3.1%), suggesting better management. In September revenue error climbed again to 8.1%, while expenditure error remained stable.

In July actual expenditure somewhat exceeded the forecast, while in August and September there was a slight deviation between the forecast and actuals.



General Comments and Recommendations

The treasury system of Azerbaijan implements reforms to improve cash management; two areas can be identified:

1. Determining short-term liquidity:

Organizations submit information on their cash needs for the current months within the first 5 working days. Based on this, cash analysis and allocation are made which ensures timely payments.

2. Determining long-term liquidity:

Organizations apply to the Treasury to assume commitments under contracts within 5 working days after the contracts become effective. Accounting of contracts and delivery schedule help plan long-term liquidity.

These measures support efficient cash management as well as better cash needs forecasting.

Currently Azerbaijan has no issues with liquidity; all payments are made on due date, no borrowing from the Central Bank is required.

