



PEMPAL TCOP workshop in Tirana

Group 2

Management of Commitments and Arrears

Albania, Azerbaijan, Georgia, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Turkey

May 22, 2015



Why We Recognize Commitments and Accounts Payable

- In order to have reliable information for cash management and forecasting and to ensure the needed liquidity
- Monitoring of the budget execution
- To ensure payments for liabilities in due time
- Expanding the horizon of commitments registering to prevent accumulation of arrears over the years including large multi year commitments
- Increase of the certainty of the cash flow forecasting
- Contributes to development of supplementary budgets



Challenges in Recognition of Commitments and Accounts Payable

- Tension between traditional budget execution controls and commitment registration sometimes forces the latter outside of the system
- There are items which are difficult to plan/register - improve planning methodologies or address policy issues?
- Forecasting should show real picture (!)



Recognition of Due Date and Budget Arrears

- Differences in definitions do exist
- Proper recognition of due date and budget arrears helps to monitor budget execution, as well as provides information for the audit
- Budget institutions should be held accountable for managing their budgets - if you allow institutions to avoid controls the risk of arrears accumulation could arise
- Integrated controls over all stages of the payment process decreases the need for cash rationing