

Role and Functions of State Treasury

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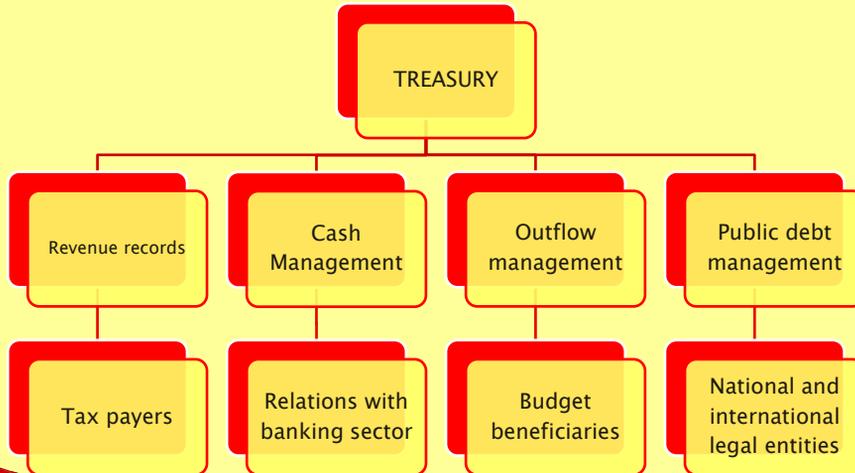


Role and Functions of the State Treasury

- ▶ State Treasury of Montenegro was established on 1st January 2002;
- ▶ Today it provides services to more than 100 budget beneficiaries (not including collective users – 260 educational and 50 health care institutions).



Treasury System



State Treasury Functions

- ▶ Managing liquidity of the Consolidated Treasury Account;
- ▶ Management of public debt, donations and aid;
- ▶ Managing accounting system of state receipts and outflows, keeping Treasury General Ledger and financial reporting;
- ▶ Setting accounting policies;
- ▶ Financial management of aid in line with IPA implementation decree;
- ▶ Financial reporting to European Commission;
- ▶ Processing of payment orders and payments based on relevant data of spending units;

IT support to treasury operations.



Organisation of the State Treasury

- ▶ Budget execution Directorate;
- ▶ Public debt directorate;
- ▶ Directorate for budget accounting and reporting;
- ▶ Directorate for National Fund;
- ▶ Directorate for Information Technologies.



Budget Execution

- ▶ The goal of budget execution is to implement policies and plans set by the budget, it to ensure its efficient implementation by means of efficient system of execution and control of the costs.
- ▶ Budget execution is a phase of use of budget funds with the objective of implementing policies planned by the budget.
- ▶ Efficient budget execution requires: implementation of the budget in accordance with the authority set by law, efficient adjustment of the budget to significant changes in macroeconomic environment, addressing technical problems arising during implementation and efficient use of funds.



Budget Execution

- ▶ Spending dynamic during the annual budget period is approved by Ministry of Finance, while the spending units are responsible for monthly and quarterly allocation of funds within units they are in charge of.
- ▶ When entering into commitments budget beneficiaries may not exceed the amount approved by the annual plan, and/or monthly or quarterly quotas.
- ▶ New Law on Budget and Fiscal Responsibility adopted in 2014 stipulates monetary penalties.



Information Technologies

- ▶ The State Treasury Information System supports the following business processes:
 - ▶ Collection of public revenues from institutions in charge of collection and their allocation to budget beneficiaries by means of Revenue module;
 - ▶ Processing of payment transactions from all accounts managed by the Ministry of Finance by using the payment system of the central Bank – RTGS;
 - ▶ Reporting on all categories listed above;
- ▶ SAP system as a support to treasury business processes was introduced in 2003.



Information Technologies

- ▶ A lot has been done on improving the SAP system's functionalities and ensuring safety and security and the IT System;
- ▶ Currently underway is the introduction of a new SAP module for public debt management, SAP TRM (SAP Treasury and Risk Management), while introduction of a SAP module for Asset Accounting, and recording of contracts is in preparation phase;
- ▶ The objective of all these IT system upgrades is creation of appropriate conditions for gradual transition of the public sector to accrual based accounting.



Debt and Liquidity Management

- ▶ Debt management comprises two key aspects: issuing state bonds and borrowing for funding of fiscal deficit, usually by issuance of bonds and bilateral loan agreements;
- ▶ Initial steps in formulating the borrowing policies relate to coverage of budget deficit which must be aligned with the fiscal policy goals;
- ▶ Borrowing policy includes strategy for selection of instruments, exchange rate, market and other relevant parameters which are based on the needs of investors, risk factors, improvement of liquidity and development of the market.



Managing IPA Funds

- ▶ National Fund acts as Central Treasury and is in charge of financial management of pre accession assistance fond (IPA) as a part of responsibilities of National Authorisation Officer;
- ▶ In the previous period, National Fund has worked intensively with European Commission auditors and relevant directorates, on coordination of activities for addressing the findings relating to establishment of a system that can absorb the transferred responsibility for management of pre accession funds in Montenegro;
- ▶ Several audit missions were conducted and the final result of these was receiving positive final reports which clearly indicate that Montenegro succeeded in establishment of an adequate system for decentralised management.



Role and Functionalities of State Treasury

Thank you for your attention!

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