**PEMPAL – TCOP – Cash Management and Forecasting Working Group**

***Video Conference, 9 April 2015***

On 9 April, 15 participants from 7 countries took part in a three-hour video conference on cash management. This was the fourth event for the working group, with three video-conferences taking place in May, September and November of 2014. TCOP Program Coordinator, Elena Nikulina, and TCOP advisors, Ion Chicu and Mark Silins, also participated. Mr Chicu facilitated the session, ensuring a strong focus on questions and answers from participants. The videolink was centred around a presentation by TCOP member-country, Azerbaijan, on their existing system for cash management and forecasting. The videoconference agenda is embedded below.



**Ms. Nailea Salaeva** delivered what proved to be an interesting and thought-provoking presentation on the Azerbaijan system of cash management. The PEMPAL Chair, Vugar Abdullayev, who is also the Deputy Director of the State Treasury Agency of Azerbaijan, provided additional comments on arrangements, and fielding questions from other participants. Azerbaijan demonstrated that it has focused on ensuring the underlying PFM systems and processes are in place to support cash management. Unlike many other PEMPAL countries, Azerbaijan challenges have been more on the side of optimizing its cash investment opportunities rather than concerns with cash deficits and cash rationing. The key messages of the presentation were:

* The TSA covers most government resources, including extra budgetary funds, state security and social protection funds, along with some revenues from the state oil fund – the state oil fund also maintains additional revenues and is largely responsible for managing the government’s foreign currency balances;
* The TSA is held at the central bank and there are clear links electronically between Treasury and the CB including automated bank clearing and SWIFT systems;
* Azerbaijan has a Treasury Management Information System which ensures integration of information for all cashflows; and
* PFM processes and flows are very integrated ensuring that both the cashflow position of the budget and the targeted balance of the TSA can be monitored.

Azerbaijan also had two features which proved to be of great interest to the VC and generated extensive supplementary questions from participants. Firstly, a related component of cash management is the VAT deposit account. Each taxpayer has a virtual sub-account that allows its payment to be tracked by the Tax Authority within the deposit account. It is also possible to have payments between taxpayers. This approach allows a more integrated VAT system, both in terms of receipts, but also in terms of refunds. A minimum balance is maintained for this account.

The second area of interest was the State Oil Fund, which is responsible for managing revenues from the sale of oil and also Fund investments in foreign currency. The treasury also utilizes this body for other state investments in foreign currency.

Mr Silins, PEMPAL Treasury Advisor, was asked to comment on the presentation. He indicated that it is clear that Azerbaijan has all of the core elements in place for strong cashflow forecasting and management, including mechanisms for dealing with a more cash constrained environment despite not yet being in such a position. He did comment that it is important for countries to distinguish between those elements and processes relating to cash management from those relating to taxpayer compliance and record keeping. The former is more strategic and is only concerned with actual cashflows into and out from government, while the later focuses at a much more detailed level, transactional level. Mr Silins suggested that Azerbaijan provide further details on both its VAT account and oil fund arrangements at a future event of PEMPAL and the working group.

The next event for the Working Group is scheduled for 20-22 May in Tirana, Albania. The last part of the agenda for the VC was devoted to discussing this event and agreeing the final agenda.