

Leveraging IT and Data Supporting Cash Management & Forecasting

Presentation for Small Group Discussion

MONTENEGRO

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1. Current Approach to Cash Flow Forecasting



☐ **Scope & coverage of cash flow forecasts:**

- Cash management centralized within the State Treasury Directorate (MoF)
- Treasury Single Account (TSA) held at the Central Bank of Montenegro
- Close coordination with: Budget Directorate, Directorate for Macroeconomic Projections; Public Debt Directorate Tax Administration Customs Administration and others
- Central Government Budget Social Funds (Pension, Health, Employment Fund); All budget users operating through the TSA; Excludes local governments (separate accounts)

☐ **Main aggregates forecasted:**

• **Revenues**

- VAT (largest and most volatile source)
- Excises (fuel, tobacco, alcohol)
- Personal Income Tax & Corporate Income Tax
- Customs duties
- Non-tax revenues & EU/other grants

• **Expenditures**

- Public sector wages
- Pensions and social transfers
- Health sector payments
- Capital expenditures
- Debt service (principal & interest)

☐ **Forecast granularity**

- Daily liquidity monitoring (TSA balance control)
- Weekly short-term forecasts (1–4 weeks)
- Monthly rolling forecast (12-month horizon)
- Annual framework aligned with Budget Law

☐ **Forecast update/rollover frequency**

- Daily liquidity monitoring
- Weekly short-term forecast updates
- Monthly rolling forecast revision

2. Data & Models Used for Cash Flow Forecasting



Data used for cash forecasting:

- SAP, BMIS, REES
- Daily TSA statements from Central Bank
- Tax Administration revenue collection data
- Customs revenue system
- Public Debt Management system (debt calendar)
- Budget users' commitment and payment plans
- **Data sources:**
 - Centralized SAP, BMIS, REES database with interfaces to external systems
 - Excel-based analytical tools

Where is data stored?

- SAP, REES, BMIS database
- Tax and Custom Administration, Debt Management
- Significant use of Excel-based models for liquidity forecasts

Does the data need cleaning/adjustment?

- Data need adjustments; changing of monthly payments and revenues
- Manual adjustments for:
 - Large one-off transactions
 - IFI disbursements
 - Pre-financing of capital projects
- Seasonal adjustment for VAT and excise revenues
- Alignment with updated macro assumptions

Software used for cash forecasting

- Excel

Model(s) used for cash forecasting

- Excel

3. Future Plans & Challenges



❑ Areas for improvement in cash forecasting and cash management

- Strengthening real-time integration with Tax & Customs IT systems
- Better forward visibility of capital spending
- Improved coordination with budget and debt department; monthly plan of payments
- Expanding TSA analytical dashboards
- Reducing reliance on manual Excel consolidation

❑ Plans for further automation of cash forecasting and cash management functions (including the use of advanced IT, such as AI)

- Dedicated cash forecasting module
- Automated data feeds from:
 - BMIS
 - Tax and Custom Administration
 - Debt Management system
- Development of BI dashboards for: Daily liquidity position; Revenue tracking vs forecast;
- Exploration of: AI-supported revenue and expenditure forecasting; Automated liquidity risk alerts

❑ Key Challenges

- Revenue and Expenditures unpredictability
- Capital expenditure unpredictability
- External financing risks and refinancing needs
- Capacity constraints in advanced analytics
- Data timeliness from spending units

THANK YOU!

