

# Leveraging IT and Data Supporting Cash Management & Forecasting

Presentation for Small Group Discussion

Azerbaijan

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# Introduction.

## Context in Azerbaijan:



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In Azerbaijan, all payments are made on time, thanks to effective budget management and sufficient cash flow. There have been no cases of late payments due to liquidity shortages, as evidenced by the "Share (%) of payments overdue" indicator, which is virtually nonexistent. Thus, financial management ensures the consistent fulfillment of all obligations.

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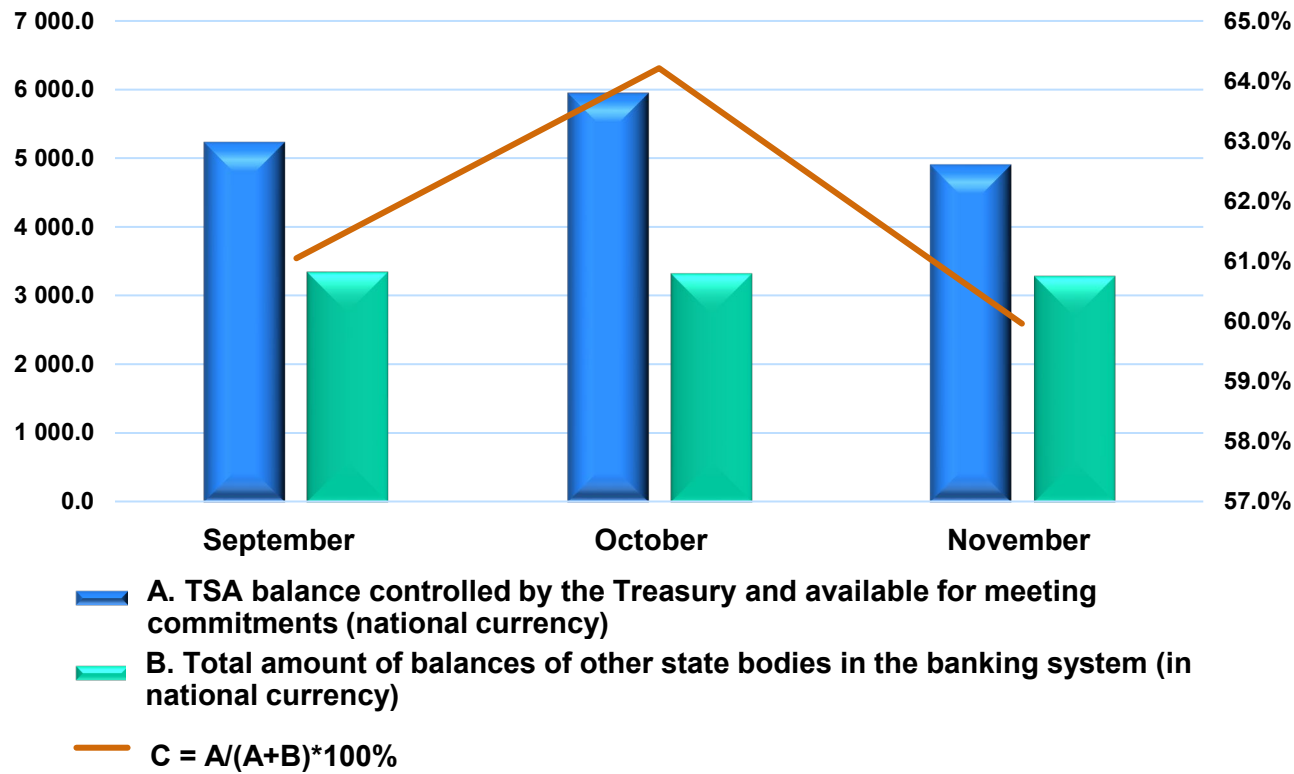
The Azerbaijani Treasury does not borrow from the Central Bank to finance current liabilities, as the country's budget provides the necessary liquidity. Therefore, the "Ratio of Outstanding Advances or Borrowings from the Central Bank to Total Monthly Expenditures" indicator is also not used.

# Introduction.

## TSA Coverage:



**TSA Coverage (million manat)**



*For three months, the balance on the TSA has remained stable at approximately 5,300 million manats.*

*The Category B value also shows stable values within the range of 3,200-3,300 million manat.*

*TSA coverage (C) remains stable at about 61.7%, demonstrating stability of control over the use of funds.*

# 1. Current Approach to Cash Flow Forecasting



- ❑ **Scope & coverage of cash flow forecasts:**
  - ❑ TSA cash flow forecast
- ❑ **Main aggregates forecasted:**
  - ❑ TSA balance
- ❑ **Forecast granularity**
  - ❑ Forecast horizon: from 1 day to 3 months
- ❑ **Forecast update/rollover frequency**
  - ❑ Weekly update of the short-term forecast
  - ❑ Adjustment of the quarterly forecast

## 2. Data & Models Used for Cash Flow Forecasting



- ❑ **Data used for cash forecasting:**
- ❑ **Data sources:**
  - ❑ Planned and actual revenue and expenditure data
  - ❑ Budget cash execution
- ❑ **Where is data stored?**
  - ❑ Historical data for calculations is stored in centralized information systems.
- ❑ **Does the data need cleaning/adjustment?**
  - ❑ Data is updated and adjusted on a weekly basis
- ❑ **Software used for cash forecasting**
  - ❑ Excel is used as the calculation model for generating the liquidity forecast.
- ❑ **Model(s) used for cash forecasting**
  - ❑ The TSA liquidity forecast is generated based on a deterministic cash flow model implemented in Excel.

## 3. Future Plans & Challenges



- ❑ **Areas for improvement in cash forecasting and cash management**
  - ❑ The State Treasury forecasts balances and cash flows in the TSA based on current budget plans, balance analysis, and expected revenues and expenditures.
- ❑ **Plans for further automation of cash forecasting and cash management functions (including the use of advanced IT, such as AI)**
  - ❑ Using modern data analysis models and AI tools to ensure more accurate forecasts, especially for short- and medium-term periods.
- ❑ **Key Challenges**
  - ❑ The main challenges in liquidity forecasting relate to data quality, system integration, and the limited use of risk-based and automated approaches.
  - ❑ Forecasts are often based on a baseline scenario without assessing risks and alternative trajectories.
  - ❑ High reliance on manual tools (Excel)

**THANK YOU!**

