



MINISTRY OF FINANCE OF REPUBLIKA SRPSKA

Topic:

Cash management and cash flow forecasting tools

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Introduction

- The objective of this presentation is to share with you the information about the tools for cash management and cash flow forecasting in our country.
- On the basis of the annual budget plan for the current year, the Treasury of Republika Srpska makes a cash flow forecast.
- The treasury system of Republika Srpska includes the Treasury of the Republic and local treasuries.

Structure and coverage of the Treasury Single Account, the Budget, rolling forecasts

- The Treasury Single Account is an account into which incoming payments of funds are made on behalf of the Republic, municipalities, towns and funds from the public revenue accounts or directly, as well as all outgoing payments on behalf of the republic, municipalities, cities and funds, and the system of the Treasury Single Account consists of public revenue accounts, investment accounts, transaction accounts and special purpose accounts.
- The Treasury Single Account does not cover accounts of budget users which are included in the system of treasury operations, and which have been allowed by the Ministry of Finance of Republika Srpska to hold their own accounts which they manage on their own, but which are subject to the Consolidated Report on the budget execution.
- The Budget is inputted on a quarterly basis.
- Rolling forecasts for the balance sheet of the Treasury Single Account are made on a daily, monthly and quarterly basis.
- Cash flow forecasts are made on the basis of inflows and outflows.

Sources of information for cash flows

- The main source of information for the preparation of the cash flow is the Budget. The Budget is an estimate of budget receipts and budget outlays for a fiscal year
- The objective of cash flow management is the control of spending and effective implementation of the Budget.
- The Ministry of Finance of Republika Srpska, on the basis of regular plans of budget users, prepares an annual plan of the Budget. The Treasury of Republika Srpska, on the basis of the plan developed by the Budget for the current year, is preparing a spending plan on a monthly and annual basis.
- The time schedule is prepared by the Treasury Department according to payment groups and periods for the payment of liabilities on a monthly basis.

Cash deficit management tools

- Disruptions of the planned cash flow occur as a result of lower collection of taxes and non-tax revenues, or emergency situations such as situations resulting from natural disasters (floods ..).

The Ministry of Finance of Republika Srpska, if faced with problems related to short-term and long-term cash flows uses the normal mechanism of the Treasury, i.e. postponement of payments.

Our country has defined in the Budget System Law, more specifically in its Article 42, that, if in the course of a fiscal year expenditure increases or revenue goes down, the Government may decide, at the proposal of the Ministry, to temporarily suspend the execution of the Budget in a period which is not longer than 45 days.

Our country regularly covers budget expenses, while in emergencies, it meets its liabilities according to priorities.

Mechanisms for efficient borrowing and investing

In Republika Srpska, measures have been put in place for borrowing and investing public funds.

- Borrowing measures

The Ministry of Finance is responsible for financing the obligations of the state, and if it can not meet these obligations with the revenue collected, it turns to the capital market.

Debt instruments in our country are divided by type and maturity:

- market for short-term instruments (treasury bills, issues of short-term bonds),
- market for long-term instruments (foreign debt, issues of long-term bonds).

- Measures for investment of public funds

According to the Law on Investment, available public funds that can be invested mean cash that is currently not needed for other purposes, nor are there restrictions related to other purposes.

A surplus of available funds is determined on the basis of monthly and annual time schedules of inflows and outflows, while respecting the principle of liquidity, which stipulates that funds invested must have a maturity which is shorter than the earmarked spending of available funds.

Conclusion

- The treasury system was established in Republika Srpska, in 2001, and it includes the Republic, municipalities and funds.
- A spending plan is made in accordance with the approved budget, which is adopted by December 15 of the current year for the following year and it is inputted on a quarterly basis.
- Despite the difficult economic situation, our country was also struck by a severe natural disaster in 2010, and on a much larger scale in 2014, and that led to huge extraordinary expenses.
- We are proud of the fact that we have been able to successfully overcome these situations, primarily owing to the solidarity of both our citizens, and the citizens and institutions of other countries.
- The rapid reaction of government institutions has resulted in the establishment of measures and laws, the effects of which have led to the stability of cash flows and to the fact that our country has not applied the mechanism of payment suspension for 45 days as laid down by the Budget System Law, instead, it makes payments with short delays and according to priorities.
- Also, we would like to underscore the fact that, like other countries, our country has the need to turn to the capital market, mostly by issuing securities, since this is the most liquid market in the world as well.

Thank you for your attention!