Cash Operations

1. Cash Operations is defined as currency notes physically held on a CO’s premises to meet operating needs in a country in which normal banking services are unavailable. COs are sometimes required to operate in a crisis environment where banking facilities are unavailable. In such instances, COs may find it necessary to conduct all financial transactions in cash. Cash Operations create significant financial risk for UNDP, as well as physical security risk for staff who handle the cash.

Therefore, certain conditions must be met and procedures must be established before a CO can commence Cash Operations. In addition, ongoing compliance review of the Cash Operations and monitoring of the CO’s external evolving environment have to be conducted frequently by relevant business units. Finally, Cash Operations need to be closed immediately when the external assessment determines the banking system is functioning.

2. The Head of the CO shall be required to assess and document, at the outset and on an annual basis thereafter (or sooner when banking facilities improve), the reasons for any recommendation made to request Cash Operations. That rationale must also address the potential operating risks to the CO and its staff and must include an assessment from the Security Division. The CO’s assessment and recommendation for Cash Operations must be approved by the Director of the Regional Bureau. The Treasurer then will provide the approval under the authority granted via UNDP Financial Rule 125.06.

3. Treasury will open “UNDP Internal Bank Account(s)” in Atlas for CO to record all transactions in respective currencies for Cash Operations. COs that are on Cash Operations must comply with relevant Guidelines and Standard Operating Procedures (SOP) issued by Treasury. The senior managers for such COs are required to establish and maintain financial management systems with the appropriate internal controls to minimize the financial and security risks. CO management and staff will exercise the same degree of compliance with UNDP’s policies/procedures and the requirements of its donors as if the financial transactions were conducted through normal banking channels. In addition, operating in an emergency environment requires even more focus on adherence to best cash management practices and effective internal controls.

Conditions for Cash Operations

4. The Head of CO shall be required to assess and document the reasons for any recommendation made to carry out the Cash Operations, including external environment, banking service assessment, potential operating risks to the CO and its staff, and risk mitigation strategies and procedures.

5. The Director of the Regional Bureau must review and approve the CO’s recommendation for Cash Operations.
6. **The Treasurer** will sign as the final approval.

7. **The Head of CO** shall be required to reassess annually or when the external environment changes, **whichever comes first**, leading to the availability of a functional banking system/services in the CO and/or the project location. This reassessment shall include a recommendation from Head of Office to either continue or cease the Cash Operations.

8. **The Treasurer** will review the assessment and validate the recommendation through external sources (UN agencies, NGOs, and banking partners). The Treasurer will communicate the decision to accept or reject the recommendation.

*Note: there will be consultations among above involved parties in the process to ensure the recommendation is suitable to support the CO’s ongoing business and to mitigate risks.*

On a case by case basis Treasury will issue Guidelines and SOPs based on the circumstances of the situation that requires a CO to carry out Cash Operations.