UNDP Country Office Weekly Cash Flow Projection Guide – For Country Offices Receiving Direct Funding

I. Introduction:

The UNDP Country Office Weekly Cash Flow Projection Model (the Model) is created to help UNDP country offices (COs) predict and manage their cash flow weekly within a month. By using this Model, COs should be able to know the estimated balance for each cash account and the approximate timing for USD conversion to local currency, or additional direct replenishment requirement.

In order to maximize the benefits of the Model, COs should define their own cash flow components, the parties both inside and outside UNDP that influence such cash flow components. Further, COs should establish on-going communication channels with these parties to facilitate the regular and timely information/data gathering. After such information and data being keyed into the Model, the Model will automatically calculated the cash inflow, outflows, and balance, either positive or negative, for each cash account in future weeks within a month. COs then can make the timely decision to convert appropriate amount from their USD account to their local currency (LC) account or to request additional funding from UNDP Treasury (Treasury).

Through application of cash management techniques, such as the Model, COs should see an improvement in information flow within their own office and from their business partners and make cash flow more predictable. With more accurate and timely information, COs should also see an improvement in the efficiency and effectiveness of their Finance operations. Above all, it helps COs to better manage the liquidity and local currency exposure.

II. When to project cash flow?

The start point for COs to adapt the Model should be the 1st of the month. However, cash projection is an on-going exercise because information and data come in constantly. Data keyed into Model last week may have to be changed this week, in terms of amount or timing, or it can be cancelled altogether. Treasury’s guidelines for frequency of update the Model are:

- For COs that have electronic banking for local currency and local USD accounts and receive direct replenishment from Treasury, the update should also be done on a daily basis.
- For COs that are lack of the above mentioned bank account information access, the update should be done on a weekly basis.

The rationale for the above guidelines is that the Model is only useful when the data in the Model is currently relevant, even if it is an estimate. Managed properly, it should not take significant staff time on a daily or weekly basis.

III. How to use the Model?
The Model is created in a Microsoft Excel spreadsheet, composed by the two sheets. The 1st sheet is the **Detailed Cash Flow Projection Sheet**, which specifies each component of the cash inflow and outflow from both local sources and HQ. It also includes the estimation of funds converting from CO’s USD account to its LC account and additional funds needed from the Treasury. This helps COs Finance to manage their liquidity and local currency exposure in detailed manner on a daily or weekly basis. It also helps COs Finance to plan ahead of their daily operations. We will elaborate this point when discussing the relevant components in the Model below.

The second sheet is the **Summarized Cash Flow Projection Sheet**. Each row on this sheet is composed by the headlines of cash flow components on the Detailed Cash Flow Projection Sheet, and the data in each cell is linked to the correspondent cell on the Detailed Cash Flow Projection Sheet. Therefore, this provides the exact same information as the Detailed Cash Flow Projection, except for omitting the details under the headlines. The Summarized Cash Flow Projection is more suitable for management reporting purpose.

Take note that the cash flow components, the timing of cash flow, and the data used in the Model are just examples (data made up by Treasury), in order to illustrate how the Model works. COs should define their own cash flow components and use the relevant information/data in connection to their own operations. COs can insert, replace, or delete row(s) to further fine-tune the components, depending on how much detail level they feel comfortable. COs that have more bank accounts than what’s shown in the Model, can insert column(s). When making any modifications, COs should be careful to make sure that the original formula imbedded in rows and cells is still working properly. COs should also make their own adjustment for the conversion and the requirements of additional funding, rather than following the example Model.

**A. How to use the Detailed Cash Projection Sheet**

**Control box** (located on the top left of the sheet) - COs should manually key in the relevant data next to:

- Month and Year Projected (C3)
- UN Rate of Exchange (C5)
- Imprest Level (C6)
- Beginning Cash Balance for the Month (C7) – For COs has electronic banking access to previous day bank account balance, use the bank account balance for the last day of the previous month. For all other COs, use the cashbook balance for the last day of the previous month.

Logically, the data required in the Control Box should be updated on the first day of each month.

In the sample Model, we assume the projected month is October 2001, the UN Rate of Exchange rate is 145 per USD, the imprest level of this CO is $725,000, and the cash balances at USD account and at LC account are is $56,000, and 1,141,000 respectively, on 1st October, 2001.

**The main table** (row 9 to row 70): There are 4 columns representing the major categories in the main table:
• Column 1 is Cash Flow Components (descriptions of the cash flow data)
• Column 2 is the Amounts of Cash Inflow and Outflow for each week in each bank account (assuming five weeks in that month and assuming the CO has one local USD account and one local currency account)
• Column 3 is the Monthly Cash Flow in each bank account relating to each cash flow components
• Column 4 is the Timing of the Cash Flow – this is a note column commenting on the timing of the anticipated transactions.

If the projected month only contains 4 weeks, you can leave the columns of the 5th week blank. If the first week or/and the last week of the month is not a full week, i.e. not cover 7 days in that week, you still need to input the cash flow data for the relevant week(s).

The rows of the table specify each component of the cash inflow:

• From Row 13 to Row 54, detailed components of cash inflow and outflow are shown.
• In the Inflows section (Row 13 to Row 24), the receipts shown are for the funds received locally only.
• In the Outflows section (Row 27 to Row 54), expenditures are breakdown to types. We note that degree of certainty of each type of expenditures could be different, and it is up to COs Finance staff to determine what is best way to gather the information from the relevant parties.

The following paragraphs explain the categories and data in the sample Model line by line.

Receipts from Govt. Contribution – Key in the amounts of contributions COs would expect to receive from governments locally. To the extend possible, COs Finance staff should obtain the timing of the contribution, i.e. in which week the funds would be received, from COs Programme staff. The information for amounts can be obtained from Project Agreement and/or from Programme staff. In the sample Model, we assume the CO has 4 ongoing NEX projects.

• Row 14/Project 1 – NEX – The government contribution has been received upfront in USD by Treasury in USD, so the entry of Project 1 is $0 throughout Oct. 2001.
• Row 15/Project 2 – NEX – The government contribution has been received in local currency in February (annual installment in each February), so the entry for Project 2 is also $0.
• Row 16/Project 3 – NEX - The government contribution has been received $140,000, or 50% in USD by Treasury, with remaining 50% in local currency of 20,300,000 semi-annual installments in Apr and Oct, so the entry of Project 3-NEX is $0 for USD account, and a half of 20,300,000, equal to 10,150,000, for the local currency account in week 1.
• Row 17/Project 4 – Agency Execution - The government contribution this long existing project has been all received, so the entry is $0 too.
• Row 18/Subtotal for Government Contribution – This is a formula and will be automatically calculated when the receipts for each project are keyed in. COs should be able to insert, revise or delete rows before the subtotal, based on their actual projects.
Receipts from Agencies – There are different types of receipts from Agencies. For example, COs may accept donor contributions on behalf of Agencies; Agencies may “sell” excess local currency to COs; COs may accept funds from UNESCO for its coupon program, and Agencies pay COs for cost recovery.

- **Row 19 and 20** – COs may insert more rows between Row 19 and 20 if they wish to list each type of receipts, or each Agency, separately. Alternatively, they can key in all Agency related receipts on Row 20. The timing and the amounts of cost recovery from Agencies should be known because COs calculate the charges and determined when the payment is due (typically there are Cost Recovery for Common Services agreements between COs and Agencies). In the sample Model, we assume all Agency receipts will be received in week 1 of Oct. 2001.

Receipts from Others - There may be different types of other receipts. For example, receipts from vendor refund, from staff and others.

- **Row 21 and 22** – COs may insert more rows between Row 21 and 22 for the same rationale listed under Agency Receipts. Key in the data to the relevant cells depending on the timing of the receipts. For simplicity sake, the sample Model assumes that the Receipts from Others will be the same on both USD account and LC account for every week.

Total Inflows from Local Sources (Row 24)- This is a formula, which adds up all of the subtotals above.

**Project Advance/Expenditure** - The timing and amounts of advancing and/or disbursing funds for each project should have some consistency and pattern. This is the area where COs Finance needs to work with Programme closely, and Programme needs to work with execution partners closely, to gather the timely information.

1. **Row 28, 29 and 30** - In the sample Model, Project 1, 2, and 3 are advancing funds at the beginning of each quarter, and thereby the amounts of cash outflow are keyed in row 27, 28, and 29 under week 1.
2. **Row 31** – In the sample Model, Project 4 is executed by Agency. The Model assumes the timing of disbursement for Project 4 varies and is depending on the request from the Executing Agency. The data is keyed in Row 31 under week 2, 3, and 5.

**Non-UNDP Agency Disbursement** - This type of disbursement is for Agency’s own expenditure, **not** for UNDP projects executed by Agencies. This distinction is important, as the former should be listed under Project Advance/Expenditures, whereas the latter should be listed under Non-UNDP. This is an area where COs Finance feel they have less control over because the general practice has been that Agencies submit the payment requests and demand the checks to be issued in a very short time frame. In order to provide the first rate services to Agencies, COs Finance should require each Agency’s cooperation in providing their periodic cash forecast for Non-UNDP ROUTINE payments including timing and amounts, especially for those Agencies having large cash requirements. This practice is beneficial to both UNDP and Agencies and should be followed to the extent possible. This practice, however, does not preclude COs to still act swiftly on Agencies emergency disbursement needs.
Row 33 and 34 – COs may want to insert rows between Row 33 and 34 to list each Agency separately. When doing so, make sure that Subtotal should be a formula. Otherwise, key in all Non-UNDP Agency payment data on Row 34 Subtotal.

Fixed Expenses (Row 35 – 45) – COs should have a great degree of control over most, if not all, fixed expenses because these are recurring expenses and the contract/agreement is mostly likely administered by CO Operations. In the sample Model, we assume the components of the fixed expenses are salary and allowance, fees paid to consultant, services, etc., premise/security, rent, utility, phone, vehicle operating, office supplies, and miscellaneous. The weekly amount of each component is based on a monthly estimation and keyed in the cells according to the timing listed under Column 4. For simplicity sake, vehicle operating (row 42) and miscellaneous expense (row 44) is evenly disbursed in 5 weeks. COs can add, revise, or delete the rows before the Subtotal (Row 45) to represent their own components of the fixed expenses.

Variable Expenses (Row 46 – 51) – These are the expenses that are not recurring every month, at least, the amount could be vary from month to month. The information gathering should be within COs. For example, when contract/agreement signed for purchasing PC equipment, CO Finance should have an idea about the vendor’s payment term and thus to timing the outflow in the Model. In the sample Model, the components of variable expenses include capital spending (PCs, equipment, vehicle, etc.), travel expenses, activity fees (receptions, conferences, etc.), miscellaneous variable expense. The amounts and timing used are example for illustration only. COs can add, revise, delete the rows before the Subtotal (Row 51) and key in their own data.

Miscellanies (Row 52) – This is catchall for any expenses that are not covered by Fixed and Variable Expense sections be keyed into this category.

Total Outflows (Row 54) – This is a formula, which adds up all cash outflow components. When inserting new cash inflow component, make sure the formula stays relevant.

Net Cash Flow from Local Sources (Row 56) – This is a formula that calculates the Total Inflows and Total Outflows for a given week.

Beginning Balance (Row 58) – This is a formula. For week 1, the formula carries the balances shown in the Control Box. The remaining cells (starting from Cell F57 to M57) are formula that carries the Estimated Cash Balance from the Previous Week (Row 70). In the sample Model, the beginning cash balance of USD account and LC account at week 1 is $56,000, and 1,141,000, respectively.

HQ Funding (Row 59) – This is the direct monthly replenishment a CO receives from Treasury at the beginning of the month, which is equal to the amount of imprest level minus the beginning cash balance in week 1. In the sample Model, $669,000 represents imprest level of $725,000 less previous month ending cashbook balance, 56,000, rounded.

Net Cash Balance before Conversion (Row 60) – This row has an imbedded formula taking into account of the Net Cash Flow from Local Sources in Row 56, the Beginning Balance in Row 58 and HQ Funding in Row 59.
Anticipated USD Conversion to LC or HQ Funding (Row 62) – This row is formulated to capture the bank accounts (or cashbooks) that shown negative balances on Row 60 and automatically determine the amount of funding needed to bring the balance into zero, a neutral balance, as well as the equivalent of USD needed for such conversion (USD equivalent is calculated by apply the UN rate of exchange in the Control Box). In the first 4 weeks, the local currency account shows negative balances, which require conversions from the USD account. In the week 5, both USD and local currency show negative balances. This tells the COs that, in addition to the need to bring the local currency account to neutral balance, the USD account also needs additional funds (see explanation for Row 67).

Actual Conversion made (Row 63) – This is the decision point for COs Finance staff to determine the ACTUAL amount of the transfer, based on the result in Row 62. We recognize that transfer amount usually is an even amount (rounded to nearest thousand, ten thousand, or hundred thousand depending on each CO’s weekly liquidity requirement). However, COs should make sure that the target weekly balance is maintained at no more than 25% of the monthly disbursement level.

Net Cash Balance after Conversion (Row 65) – This is a formula adding up Row 60 and Row 63. If any negative number shows up in this row, COs should consider to require additional replenishment from the Treasury or will need to seek prior approval for exceeding the imprest level, in order to cover their cash shortage.

Indication of Exceeding Imprest Level (Row 67) – This is a formula giving indication of how much the CO would exceed its imprest level. In the sample Model, the CO would exceed the imprest level by USD326,015 in Week 5.

Additional HQ Funding (Row 68) – COs should actively manage the amount and timing of their requirement for additional funding, in order to avoid any delay in receiving additional replenishment from Treasury. Row 67 in the sample Model show the minimum amount COs should require from the Treasure to cover their cash shortage. However, we expect COs to round up the figure as shown in sample Model with amount of $350,000. This is also a decision point that needs to be manually input. COs could actively manage the amount of additional HQ Funding as soon as the Net Cash Flow after Conversion (Row 65) starts to be negative, to make sure the Est. Weekly Cash Balance (Row 70) keep positive in every week.

Est. Weekly Cash Balance (Row 70) – This is formula driven and self-explanatory. All numbers should be positive on this row, but not to exceed 25% of each currency’s monthly disbursement requirement.

B. The Summarized Cash Flow Projection Sheet

This sheet is a summary of the Detailed Cash Flow Projection Sheet, which provides a simple and straightforward outlook of COs’ weekly cash flow within one month. The components of the cash inflow and outflow, the names of accounts (USD and local currency), and the time frame of the projected month (from week 1 to week 5) should be the exact same as the ones in the detailed sheet. In addition, every cell of the amount that cash flows in and out in this sheet is linked to the relevant cell in the detailed sheet. For example, “the receipts for government
contribution” is linked to “the subtotal of the receipts from government contribution”, and so as to the other components of cash flow. Starting from “net cash flows from local sources” (Row 29), the following rows are linked to the exact same items in the detailed sheet. In all, COs do not have to do anything with the summarized sheet. As long as they fill out the data at the detailed sheet, the summarized sheet automatically work and turn out the same results as the detailed sheet. As mentioned at the beginning of this instruction, this worksheet is for the purpose of simple illustration, rather than the detailed cash flow projection.

IV. Important matters need to be kept in mind

- The two rows that require COs Finance staff to make sound decision are “Actual Conversion made (Row 63)” and “Additional HQ Funding (Row 68)”. COs should have a sound forecast for their ending cash balance before deciding the amounts they want to key in to these two rows. Furthermore, whenever making a revision to the completed cash projection, do not forget to check these two rows and adjust these two rows accordingly, if necessary.

- Feel free to add, change or delete the components of cash flow and/or details under each component at the first column of the detailed sheet, based on COs’ own business/operational needs and conditions. However, keep all formulas relevant after the revisions are made. Finally, because the Summarized Cash Projection Sheet is linked to the Detailed Weekly Cash Projection Sheet, do not forget to make changes on the Summary Cash Projection Sheet, when inserting, deleting rows and columns in the Detailed Cash Projection Sheet.