**Management of Cash Planning/Forecasting of Cash Flows**

# Cash planning

1. The purpose of cash planning is to help finance/treasury managers to manage their liquidity requirements. Typically, UNDP pays staff, vendors, projects, government (NIM) and agencies (Agency execution or implementation). By knowing how much, in what currency, and when it is needed, the financial obligations of the organization can be discharged in a timely fashion, and the unused funds, managed by UNDP Treasury, can be invested to generate interest income.

# Local Payments

1. Country offices must follow local currency control and foreign exchange regulations. To the greatest extent possible, all local expenditures of a country office must be paid in nonconvertible local currency where non-convertible currency is accepted and available in UNDP bank accounts. After full utilization of non-convertible currency, convertible local currency must be used.

1. Local currency should be used to settle all local vendor and local payroll obligations except when the local economy is "dollarized" de jure (e.g., El Salvador, Ecuador) or de facto (e.g., Liberia). The same rule applies to use of Euro.

1. When undertaking international procurement, local vendors may submit quotes in USD, but the obligation must be settled in the local currency equivalent at the UN operational rate. If a local vendor will not accept non-convertible currency, the reason should be documented.

1. Local USD accounts may be used for the following payments:
   1. When there is significant demand for USD DSA for international travelers and related traveling costs and said demand cannot be satisfied through alternative means.
   2. Other special circumstances (e.g., replenishment of local currency accounts when other modes of replenishment are not effective or result in significant delay).
2. Use of hard currencies (for example USD and EURO) for vendor and or staff payments should be limited to the following types of transactions:
   1. Cross-border payments to foreign vendors.
   2. Payments to local vendors and staff when a Country Office is granted exceptional measures under Rule 125.06 of UNDP FRR.
   3. International staff electing to receive salaries in hard currency.
   4. Purchases of local currencies to replenish local currency bank accounts.

1. For exceptions to the guidance provided above, especially in situations where country offices are operating in highly volatile local economic conditions with restrictive and/or underdeveloped banking sector or where local laws conflict with the UNDP guidelines, please contact Treasury for assistance.

1. Country offices shall use their USD or EURO Zero Balance Accounts for payments in hard currency. Country offices can make payments from Headquarters hard currency bank accounts when payments are required in hard currencies in which the country office does not operate a bank account.

# Local Receipts

1. Country offices may accept the cumulative of all receipts, up to equivalent USD 50,000.00 monthly or 5% of their established imprest level, whichever is higher, without prior authority from Treasury, provided the receipt of funds locally will not create or add to an accumulation of non-convertible or convertible bank balances in their local bank accounts. As part of this general rule such receipts may be accepted from the following
2. Donors
3. United Nations agencies
4. International Staff departing from country offices for another assignment or retirement. The currency to be accepted must be that of the duty station from which the staff member is departing.

Notwithstanding the above, where a Country Office is allowed to maintain a bank account other than their official national currency, the general principle of this policy extends to the receipts by Country Offices in their local bank account in any currency.

1. When negotiating Financing Agreements with donors for contributions to be received by UNDP in USD or EURO, the details of Headquarters USD and EUR bank account should be provided as a default receiving bank account.

1. The following receipts in local bank accounts are exempted from this general rule and may be accepted without prior approval from Treasury.
2. Government local office contributions (GLOC)
3. Receipts accepted on the basis of prior standing authorizations from Treasury to accept under cost sharing contributions.
4. Notwithstanding the general rule above, the following local currency receipts, irrespective of the amount, require prior authorization from Treasury.
5. Receipts from sale of UNESCO Coupons. (pre-authorized annually)

1. The following are the criteria used to evaluate requests from country offices and from UNESCO (in the case of the UNESCO coupon program) to accept local currency.
2. The stability of the currency.
3. The feasibility of utilizing the currency within a reasonable period (preferably within the same month in which funds are accepted.
4. The probability of receiving additional local currency from sources mentioned above.
5. Convertibility of local currencies to US Dollars.
6. When authorized receipts substantially exceed the country offices’ ability to quickly utilize funds, the office will be instructed to convert surplus local currency to US Dollars and transfer these funds to UNDP’S contribution account in HQ. The cost of converting excess of local currency received including any currency loss shall be applied and borne by the recipient projects or programme.

1. Standing authorizations may be issued to selected country offices based on Treasury’s reviews of data on local receipts as part of its normal cash management review or on requests from country offices. The following criteria are considered prior to a decision on country offices’ ability to manage large amounts of local receipts and the amount of the standing authorizations.
2. Convertibility of the local currency.
3. Stability of the country’s political and economic environment.
4. Frequency of requests from the country office to accept local currency cost sharing.
5. Ratio of monthly local receipts to local disbursements (optimal criteria is maximum 80 percent).
6. Country office’s cash management skills as determined from past cash management reviews and quarterly reviews of country offices’ bank balances.

# Sales of UNESCO Coupons

1. Country offices that have been authorized by Treasury to accept local currency proceeds from sales of UNESCO coupons will be informed of the annual limits they may accept. This is an administrative support function provided to UNESCO, which must explicitly approve the coupon purchaser in every case. UPL pricing for "Payment Process" should be applied to each transaction, with proceeds credited to UNESCO's Service Clearing Account (SCA). If your office has not received written authorization from Treasury for the current calendar year, you may not process a transaction. For further guidance about UNESCO Coupons Programme, please submit an UNALL case under [Treasury Cash Management Catalogue](https://undp.service-now.com/unall?id=sc_cat_item&sys_id=6910ac0b1bae349038e2520e6e4bcb41&sysparm_category=ff38e014db99bc10113eb4f339961992).

# Cash flow forecast

1. A cash flow forecast is a short-term projection of cash movement and its implications for the liquidity position of an organization. Depending on the size of the organization and business purpose, the time horizon for the forecast can be daily, (also called daily cash positioning), monthly, quarterly, and annually, on a rolling basis. UNDP Treasury uses Daily Cash Positioning as its daily cash management operations, and also uses annual cash flow analysis for 12 months in the fiscal period for management reporting.

1. All parties whose actions have an impact on cash flows play a role in cash flow forecasting, because they are the original source of the data/information for inputs. For example:
2. Contributions - Donors, government, program managers
3. Service fees - Agencies, NGOs and other clients
4. Misc. receipts - various to be determined by each unit or office
5. Disbursements for NEX, DEX, and agency execution - Programme staff, agency staff
6. Disbursements for office operating expenses - Finance staff
7. Payroll - HR/Finance
8. Other - to be defined by each unit or office

# Frequency of cash flow forecast

1. Depending on the forecasting period, cash flow forecasts should ideally be made for a rolling forecasting period and be updated as new information become available. For Country Offices, weekly cash forecast covering rolling 4 weeks, and a monthly forecast covering rolling 3 months, are recommended as a starting point. Country Offices can also prepare annual cash flow analysis for 12 months in the fiscal period.