# **UNDP Country Office Weekly Cash Flow Projection Guide**

# **for Country Offices**

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1. **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 on a weekly basis. By using this Model, COs should be able to know the estimated balance for each cash account and the approximate timing for replenishment and/or USD conversion to local currency. The office will also know in advance if they will be exceeded their imprest level and when additional funding is required.

To maximize the benefits of the Model, COs should define their own cash flow components as well as the parties both inside and outside UNDP who influence such cash flow components. Furthermore, COs should establish on-going communication channels with these parties to facilitate regular and timely information/data gathering. Upon capturing the information and data into the Model, the cash inflows, outflows, and cashbook balances (either positive or negative) will automatically be calculated for each currency group on a weekly basis for the month under review.

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 flows 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, the Model will help COs to better manage their liquidity and local currency exposure.

1. **When to project cash flow?**

Cash flow projections (using the Model) should be done close to the 1st of every month. However, cash projection is an on-going exercise because information and data are constantly added and changing. Data collected and recorded previously may have to be changed in terms of amount or timing or may have to be cancelled altogether. Treasury’s guidelines for the frequency of updating the Model are as follows:

* Daily for COs with access to electronic banking for local bank accounts.
* Weekly for COs who lack ready access to their bank statements. These offices should request weekly statements from their banks.

The rationale for the above guidelines is that the Model is only useful when the data is current and relevant, even if it is estimated. Managed properly, this should not be a time consuming

**III. How to use the Model?**

The Model is created in a Microsoft Excel spreadsheet and compromise of two sheets. **To keep the example simple, we used USD as the base currency. Offices with EUR ZBA accounts will replace USD with EUR and use the applicable conversion rates.**

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 to be converted from CO’s USD/EUR account to its LC account and additional funds needed to be drawn from the office’s Zero Balance USD/EUR accounts, or to be requested from the Treasury (direct replenishment). This helps CO Finance teams to manage their liquidity and local currency exposure in a detailed manner on a daily or weekly basis. It also helps offices with planning ahead for 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 purposes.

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 which level of detail they feel comfortable with. COs that have more than one local currency bank account than what’s shown in the Model, can insert columns. When making any modifications, COs should be careful to make sure that the original formulas imbedded in rows and cells are still working properly. COs should also make their own adjustments for conversion and requirements of additional funding, rather than following the example Model.

#### VI. How to use the Detailed Cash Projection Sheet

**The Control box** (located on the top left of the sheet) - COs should manually key in the relevant data, i.e.:

* Month and Year Projected (C4 and D4)
* UN Rate of Exchange (D7)
* Beginning Cash Balance for the Month (C8 and D8). Use the cashbook balance for the last day of the previous month.
* Imprest Level (C9).

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 December 2022, the UN Rate of Exchange rate is 145 to the USD, the imprest level of this CO is USD 725,000, and the cashbook balances of the USD account and at LC account are 56,000 and 1,141,000 respectively on December 1, 2022.

**The main table** (row 11to row 68): There are 4 sections 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 for 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 14 to Row 54**: detailed components of cash inflow and outflow are shown.
* **In the Inflows section (Row 14 to Row 26)**, the receipts shown are for the funds received locally only.
* **In the Outflows section (Row 28 to Row 56)**, expenditures are broken down by type. We note that degree of certainty of each type of expenditures could be different, and it is up to CO 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:

1. **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 and amounts of the contribution, i.e., in which week the funds would be received, from COs Programme staff. In the sample Model, we assume the CO has 4 ongoing NEX projects.
* **Row 16/Project 1 – NEX** – The government contribution has been received upfront in USD by Treasury in USD, so the entry of Project 1 is USD0 throughout Dec 2022.
* **Row 17/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 USD0.
* **Row 18/Project 3 – NEX** - The government contribution has been received USD 140,000, or 50% in USD by Treasury, with remaining 50% in local currency of 20,300,000 semi-annual installments in Jun and Dec, so the entry of Project 3-NEX is USD0 for USD account, and a half of 20,300,000, equal to 10,150,000, for the local currency account in week 1.
* **Row 19/Project 4** – Agency Execution - The government contribution this long existing project has been all received, so the entry is USD 0 too.
* **Row 20/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.
1. **Receipts from Agencies –** There are different type of receipts from Agencies. For example, COs may accept donor contributions on behalf of Agencies, Agencies may “sell” excess local currency to COs and Agencies pay COs for cost recovery.
* **Row 21 and 22**– COs may insert more rows between Row 21 and 22 if they wish list each type of receipts, or each Agency, separately. Alternatively, they can key in all Agency related receipts on Row 22 (subtotal). 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 Dec 2022.
1. **Receipts from Others -** There may be different type of other receipts. For example, receipts from supplier refund, from staff and others.
* **Row 23 and 24** – COs may insert more rows between Row 23 and 24 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’s sake, the sample Model assumes that the Receipts from Others will be the same on both USD account and LC account for every week.
1. **Total Inflows from Local Sources (Row 26) -** This is a formula, which adds up all the subtotals above.
2. **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.
* **Row 30 and 32** - In the sample Model, Projects 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.
* **Row 33** – In the sample Model, Project 4 is executed by an 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 33 under week 2, 3, and 5.
1. **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 CO Finance teams 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, CO Finance teams should require each Agency’s cooperation in providing their periodic cash forecasts 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 35 and 36** – COs may want to insert rows between Row 35 and 36 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 36 (Subtotal).
1. **Fixed Expenses (Row 37 – 47) –** COs should have a great degree of control over most, if not all, fixed expenses because these are recurring expenses, and the contracts/agreements are mostly likely administered by CO Operations. In the sample Model, we assume the components of the fixed expenses are salary and allowances, fees paid to consultant, services, etc., premise/security, rent, utility, phone, vehicle operating, office supplies, and miscellanies. 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’s sake, vehicle operating (row 44) and miscellaneous expense (row 46) are evenly disbursed over 5 weeks. COs can add, revise, or delete the rows before the Subtotal (Row 47) to represent their own components of the fixed expenses.
2. **Variable Expenses (Row 48– 53)** **–** These are the expenses that are not recurring every month, at least, the amount could be vary from month to month. The information should be gathered from the various units in the CO. For example, when a contract/agreement is signed for purchasing PC equipment, CO Finance should have an idea about the supplier’s payment terms and thus the 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 53) and key in their own data.

## Miscellanies (Row 54) – This is catchall for any expenses that are not covered by Fixed and Variable Expense sections be keyed into this category.

1. **Total Outflows (Row 56)** – This is a formula, which adds up all cash outflow components.When inserting new cash inflow component, make sure the formula stays relevant.
2. **Net Cash Flow from Local Sources (Row 58) –** This is a formula thatcalculates the Total Inflows and Total Outflows for a given week.

## Beginning Balance (Row 59) – This is a formula. For week 1, the formula carries the balances shown in the Control Box. The remaining cells (starting from Cell F59 to M59) are formulas that carry the Actual Weekly Closing Cashbook Balances from the Previous Week (Row 66). 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.

1. **Net Cash Balance before Conversion and ZBA Draw/Replenishment** **(Row 60)** – This row has an imbedded formula considering of the Net Cash Flow from Local Sources in Row 58, the Beginning Balance in Row 59.
2. **Anticipated USD Conversion to LC and Funding of local USD accounts (Row 62)** – This row is formulated to capture the cash requirements, shown negative balances on Row 60 and automatically determine the amount of funding needed to bring the balance into zero plus a balance of 20% of imprest (in total for all accounts), as well as the equivalent of USD needed for conversion (USD equivalent is calculated by apply the UN rate of exchange in the Control Box to LC amounts). In the example, the local currency account shows negative balances in weeks 2 and 3, which require conversions from the USD account. In weeks 1 and 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 a positive balance, the USD account also needs additional funds.
3. **Estimated Weekly Cashbook Balance (Row 64) –** 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.
4. **Actual Weekly Closing Cashbook Balances (Row 66) –** Initially, the estimated weekly cashbook balances for each week (Row 64) will be captured manually in this row and replaced by the actual closing cashbook balances for each account (or currency in total) at the end of each week, as the month progresses. In the example, the office is currently working in week 4, thus the beginning balances for week 5 is still shown as the calculated closing balances for week 4.
5. **Actual ZBA Drawing/ Direct Replenishment** **(Row 68)** – This is the decision point for COs Finance staff to determine the ACTUAL amount of the transfer, based on the result in Row 62, Anticipated USD Conversion to LC and Funding of local USD accounts. 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, except for direct replenished offices, the total targeted weekly balances should be no more than 25% of the monthly disbursement level. COs requiring additional replenishment above the monthly imprest level, should seek prior approval from Treasury for exceed the imprest levels. Amounts of actual transfers (USD or EUR) are entered manually.

## Actual Conversion / Direct Replenishment (Row 69) - COs should also actively manage the amount and timing of their requirement for additional local currency funding, to avoid any delay in receiving additional replenishment. Row 69 in the sample Model show the minimum amount COs should convert to cover their local currency needs. COs will round up the figure as shown in sample Model. This is also a decision point that needs manual input.

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1. **Accumulative ZBA Drawing (Row 70)** - This is a formula adding up actual ZBA drawing/direct replenishment transfer in Row 68, which indicates the timing that COs' replenishment will exceed the imprest level shown in Cell C9. In the sample model, the CO exceeds its imprest level of USD 725,000 by USD 405,000 in Week 5, because the cumulative ZBA drawing from Week 1 to Week 5 is USD 1,130,000, shown in Cell Q70 and T68.
2. **Accumulated Amount Exceeding Imprest/Need Approval (Row 71)** – This is a formula providing an indication of how much the CO would exceed its imprest level. In the sample Model, the CO would exceed the imprest level by USD 405,000 in Week 5.

### 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. When entering the data on the detailed sheet, the summarized sheet automatically populates and provides a summary of the results on the detailed sheet. As mentioned at the beginning of this instruction, this worksheet is for the purpose of providing a summary, rather than the detailed cash flow projection.

## VI. Important matters to keep in mind

The three rows that require COs Finance staff to make sound decision are

* **Actual ZBA Drawing/Direct Replenishment** (Row 68),
* **Actual Conversion/Direct Replenishment** (Row 69) and
* **Accumulated Amount Exceeding Imprest/Need Approval** (Row 71).

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.