

CONCEPT A

All financial administration activities are centralized in one location where all the financial staff are located.

This approach would provide the highest levels of financial expertise and control by centralizing the financial specialist(s) who would serve a number of surrounding posts. It would be most feasible where there is common or interchangeable currency and communications can be made readily between the central location and the outlying posts.

One of the activities which would offer significant financial benefits if regionalized, is banking. The pooling of funds from several posts at a regional location would justify employing a manager with cash management expertise who would:

- minimize idle funds in non-interest bearing accounts;
- arrange to put surplus funds into interest-bearing deposits;
- purchase foreign currency frequently in countries with a high risk of currency devaluations so as to minimize exchange losses from holding weak currencies; and,
- purchase foreign currencies at the best available rates.

*Are we allowed to do this?
Good cash management leaves
Surplus funds with the Central
Treasury i.e. are not drawn down
before required.*

Some countries that currently employ cash management specialists to reduce the cost of foreign operations, have these specialists perform an additional function: "Playing the float". This procedure maximizes the interest revenue received, by transferring funds required to cover the amount of cheques expected to be redeemed that day, into the chequing account on which the cheques are drawn. Because large numbers of cheques which are prepared in a day are frequently not redeemed until several days later, leaving the funds to cover these payments in an interest-bearing form during the additional days can be very profitable. Nevertheless, there is some risk involved in this technique since on occasion cheques presented for redemption may exceed the funds available in the chequing account. For this reason, not all governments are willing to undertake such operations.

KITING !