Your **Quick Guide** to the Harmonized Approach to Cash Transfers to Implementing Partners

What is the Harmonized Approach for Cash Transfer to Implementing Partners?

The **Harmonized Approach to Cash Transfers to Implementing Partners** – introduces a new way of managing the process of transferring cash to our implementing partners. The Approach is outlined in a framework that applies to UNDP, UNFPA, UNICEF and WFP only – the United Nations Development Group Executive Committee agencies (or UNDG ExCom) – at this stage.

Why has it been developed?

As we all know, the United Nations is changing the way it does business both in programme and operations to keep pace with the changes in world of development cooperation. To meet the challenges mapped out in the Millennium Declaration, national partners will have to focus all their energies on removing barriers to progress and building local capacity to respond to development challenges.

In the implementation of their development assistance the agencies of the United Nations Development system transfer funds to the partners with whom they work. When United Nations funds and programmes use different (sometimes complex) systems to transfer cash to implementing partners, they impose a **high transaction burden on those partners**. Government and implementing partners spend time and money negotiating and responding to the different requirements of the agencies. If regulations were harmonised then that time and money could be refocused to more productive end. The framework for cash transfers to implementing partners is a first step toward accomplishing this. The framework fits within the common country programming process.

The United Nations Development system is also committed to increasing the ability of national partners to determine and manage their own development processes. The harmonised framework will help to make this happen by increasing national ownership, and by **using national systems and national institutions wherever possible**.

What is the main difference from the previous systems?

Most agencies rely on a system of **controls** for managing cash transfers. In other words, they put in place checks to ensure that funds given to implementing partners are spent appropriately. Partners that work with a variety of agencies might have to submit vouchers for every expenditure for one agency, produce expenditure reports after an advance for another, or undergo frequent project audits. Partners often have to produce multiple reports in different formats at different times for the various agencies.

The new system relies on what is called a **risk management approach**. This approach recognises that there is a risk involved with cash transfers. It also recognises that the level of risk varies. With trusted long-term partners that have stable management and strong internal management systems, risk is likely to be low, whilst for a new partner about whom there is little prior information or experience, risk will be higher. This does not mean that work with new partners is not encouraged – it means that agencies will adjust their cash transfer method and assurance activities according to the level of risk.

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What are the main elements of this new approach?

The new approach uses **macro** and **micro assessments** to determine risk, as well as **assurance activities** such as audits and spot checks. It also introduces a new harmonized format for implementing partners to request funds and report on how they have been used. The harmonized format is called **FACE: Funding Authorisation and Certificate of Expenditures Form**.

The **macro assessment** is a desk review of the existing assessments of the national public financial management system that takes place once per programming cycle. This should ideally happen when a country is preparing its Common Country Assessment. These assessments have often been carried out by the World Bank or by bilateral agencies.

The **micro assessment** looks at the soundness of the implementing partner's financial management system. Again, this is only carried out once per programming cycle. Some partners may handle only small amounts of cash. So to make sure they do not have to undergo assessments that are too heavy, there is a threshold of $100,000 – below this level, partners are not generally assessed.

These assessments help United Nations agencies and partners decide the best way to work together to achieve the agreed results. The four cash transfer modalities that agencies use are direct cash transfers, direct payments, reimbursement, and direct agency implementation.

When projects and programmes are actually underway, United Nations agencies also use the information from the assessment to guide their follow-up **assurance activities.** These activities can include spot-checks, special audits, regular programmatic monitoring of activities and results, as well as scheduled audits. Assurance activities are intended to determine whether expenditures that took place were for the purposes intended.

The harmonized Funding Authorisation and Certificate of Expenditures (FACE) form will simplify paperwork for partners. Implementing partners will now use just one form to request funding authorisation. The FACE form will also be used by the implementing partner to report on the expenditures later.

How do the assessments help partners?

The aim of the assessments is to help government and other partners to identify strengths and weaknesses in their financial management systems. This information can then be fed back into development planning so that weak areas can be strengthened.

Its important to mention that the assessments are not a form of conditionality – instead they inform how best to work together.

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