

Guidance for financial management of CVA programmes

Cash Preparedness for effective response

Purpose of guidance

This guidance is written for National Societies to understand the main financial internal controls, steps and considerations that are required when implementing CVA.

This guidance does not replace or duplicate existing financial procedures that the NS will also have in place nor the need for compliance with more general accounting standards and financial management good practice. These are important regardless of the type of activity (whether in-kind or CVA). Instead, this guidance is written to complement existing financial procedures and can be used alongside by specifically providing key information in relation to CVA.¹

Who is this guidance for?

This guidance is intended for finance departments within the NS. However, it is recognized the expertise and capacity in financial management will vary per NS and a fully resourced finance team may not be always available in-country. Therefore, the following is designed to provide a set of minimum standards that can be used and applied at any level. The guidance is based on best practice that can guide the NS to be accountable and transparent to affected populations, management and leadership in the NS, as well as to donors.

Other users may include CVA and programmes staff wishing to understand the key steps and considerations in financial management for CVA and the guidelines can also serve to support and facilitate the relationship between finance and CVA staff.

1. Overview of role of the finance department in CVA

In addition to core NS financial activities (e.g. checking budgets, reviewing and approving contracts, executing payments, reporting and reconciliation), the finance department will also play a role in CVA at various stages of the project cycle. The below table provides a summary of these roles.

Phase	Role of finance
Assessment/ Design	<ul style="list-style-type: none">Supporting assessment of Financial Service Providers (FSP) and macro/micro financial environment (economic stability, liquidity and solvency risks, international restrictions linked to Money laundering/terrorism financing, availability and services provided by Financial Service Providers)Participating in response options analysis and risk analysis (inc. mitigation measures)
Implementation	<ul style="list-style-type: none">Leading on the financial review of FSP bids and contracting. This will cover the verification of the proof of business/regulated business, the previous experience in CVA and size of the FSP, the financial health situation (solvency and credit rating of the FSP, review of the financial audits) and the cash pipeline/requirements from the donors to the FSP.Ensuring that payments for CVA are processed and transferred to FSPs in a timely manner.Ensuring that cash can be available in country and in enough quantity at the encashment point (e.g. distribution sites, ATMs, branches, shops)

¹ [207 e v100 Cash Based Programming Financial Procedures.pdf \(ifrc.org\)](#)

	<ul style="list-style-type: none"> ▪ Ensuring CVA project follows existing financial process and control mechanisms for NS' accounting and auditing procedures ▪ Ensuring additional financial controls, reconciliation and validation of financial reporting are implemented depending on the delivery mechanisms and level of risks identified. ▪ Ensuring all documentations related to the transfer of cash/vouchers are collected and kept for NS' accounting records and future audits e.g. registered beneficiary list, redeemed coupons, FSP reports, payment register list etc ▪ Managing the direct cash (by-hand) distribution to assisted people when done by the NS ▪ Repurposing programme surpluses due to exchange rate fluctuations
Monitoring and Reporting	<ul style="list-style-type: none"> ▪ Supporting the monitoring of the FSP (e.g. how is the contract doing, do changes need to be made to the process, etc) ▪ Supporting the monitoring of the Traders (for vouchers): how are the traders going to provide appropriate invoices, how to reconcile vouchers (i.e. redeemed, unused, destroyed) ▪ Reconciling payments after each distribution ▪ Financial report issued by the accounting management system (accounting coding string set up in the computer-based system – ERP, or on Excel if not available)

Having clearly defined roles and responsibilities is important to clarify who is doing what between finance and other departments, including CVA and programmes, thus avoiding grey areas or leaving all tasks and responsibilities to the programmes team. Refer also to the [CVA SOP template](#) for a summary of the role of the finance department in CVA.

A RACI matrix should be created as part of the SOPs development, showing who is responsible, accountable, communicated with, and who should be informed. This will include the specific roles of finance, as well as other departments. A RACI will be developed per delivery mechanism, across all the key steps in a CVA programme. See [CVA RACI template](#)

For example, the finance department is consulted on the risks identified during assessments and response analysis and mitigation measures for each feasible CVA design option that is proposed. Risk analysis will only be effective if both programmes and operations, including finance, work together to assess the likelihood and impact of risks and propose appropriate mitigation measures.

Finance will also be able to question the feasibility of proposed CVA modality and delivery mechanisms, including resource implications, operational requirements and whether there is a suitable operational environment to implement the proposed response options.

2. Risk management and risk mitigation

Risk analysis is an ongoing exercise that should be conducted during preparedness and during the start of a response and updated throughout the programme. The CVA team will start risk analysis as part of the [CVA pre-crisis baseline analysis](#). CVA and programmes will lead on the risk analysis, with contributions from finance, as well as other departments. From a financial perspective the financial risks in a CVA programme are equally internal and external.

The main financial risks for CVA are presented below:

Internal risks	External risks from external environment
<ul style="list-style-type: none"> ▪ Fraud: <ul style="list-style-type: none"> - Misuse, Diversion of money and assets - Forgery, Duplication ▪ Corruption, Bribery ▪ Theft, Robberies 	<ul style="list-style-type: none"> ▪ Political/economic instability, social unrest ▪ Global financial crisis ▪ Restrictions and sanctions against government and inability to receive funds in-country ▪ Liquidity crisis

	<ul style="list-style-type: none"> ▪ Inflation (domestic or created by the programme itself) ▪ Credit risks of the state, banks and FSPs ▪ Failure of FSP ▪ Volatility of the local currency ▪ Corruption and bribery ▪ Theft or robberies ▪ Non-transparent costs from the FSP
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The above risks will not only have an adverse effect on the CVA project outcomes but can also potentially impact the NS (reputationally), the communities (by delaying the assistance or by creating tensions amongst people) and the donors (via misuse of funds and loss of trust).

Below are some examples of risk mitigation measures, that can help prevent the occurrence of identified risks:

Key risks	Potential/Proposed mitigation measures
Insecurity	<ul style="list-style-type: none"> ▪ Electronic cash transfers or vouchers ▪ Small amounts and varied routes ▪ Use of private remittance companies ▪ Use of Security companies (Cash In Transit)
Social tension within community Ex: non targeted populations, control of cash within the households	<ul style="list-style-type: none"> ▪ Analysis of men/women's preference ▪ Separate men/women consultations ▪ Community consultations ▪ Community based targeting
Inflation Ex: increase of price due to increase demand from CVA and no corresponding supply, trader's misbehaviour	<ul style="list-style-type: none"> ▪ Market analysis, price monitoring ▪ Use of voucher, provide advance information to traders ▪ Set up guidance to adjust transfer value ▪ Combination of cash and in-kind assistance ▪ Staggered & geographically spread distributions
Fraud Ex: from partners, staff, intermediaries	<ul style="list-style-type: none"> ▪ Electronic cash transfers and vouchers ▪ Paper voucher, with watermark at least ▪ Segregation of duties ▪ Feedback and complaints mechanisms and information for assisted people ▪ Process and impact/results monitoring
Diversion Ex: Money not spent on intended basic needs, diverted into unanticipated or unwanted goods (alcohol, drugs, weapons).	<ul style="list-style-type: none"> ▪ Targeting women in the households instead of men ▪ Use of vouchers ▪ Different instalments and verification ▪ Solid needs assessment, proper targeting, appropriate transfer value
Standards Ex: Money spent on low quality or harmful goods (e.g. alcohol, drugs, tools that break, tarps that rip, etc.).	<ul style="list-style-type: none"> ▪ Information provision through community leaders and leaflets. ▪ Feedback and complaints mechanisms and information for assisted people ▪ Monitoring of traders

<p>Duplication</p> <p>Ex: Beneficiaries attempt to access cash more than once.</p>	<ul style="list-style-type: none"> ▪ Set clear 'resident as of' dates. ▪ Monitoring to cross check names, mobile phone numbers, ID. ▪ Good community leader relations, cross check with neighbours. ▪ Communications about targeted and non-targeted groups.
<p>Errors</p> <p>People aren't there when numbers collected, leaders add extras.</p> <p>Data collection errors on phone numbers.</p>	<ul style="list-style-type: none"> ▪ Good registration training to RC volunteers. ▪ Close supervision of data handlers & regular monitoring of registration books. ▪ Establish relations with trusted leaders & use volunteers. ▪ Pin up or cross-reference check lists with focus group.
<p>Internal procedures</p> <p>NS procedure unclear, slow and unclear, roles and responsibilities not defined between different department (Operations, Finance, Logistics)</p>	<ul style="list-style-type: none"> ▪ Set up and disseminate SOPs ▪ Alignment of existing internal procedures and controls to CVA
<p>Capacity, preparedness and readiness</p> <p>Ex: lack of experience of staff and partners, systems, procedures and tools</p>	<ul style="list-style-type: none"> ▪ Facilitate access to tools and templates ▪ Document lessons learnt ▪ Training

Refer also to Cash in Emergencies tool [M3 1 4 1 Roadmap for CVA risk analysis](#) for further information.

3. Internal controls

Internal controls are designed to mitigate the risks identified. These can be described as processes for supporting achievement of the National Society's operational objectives, including reliable reporting, and ensuring compliance with laws, regulations and policies. Having internal controls in place will also ensure effectiveness and efficiency of the CVA programme and outcomes.

However, note that having more controls in place doesn't mean better control. Bad controls may equally be too complicated and not appropriate for mitigating the risk they are being put in place for.

When designing effective controls, consider the following. Are they:

- adapted according to context and needs?
- supported by appropriate and comprehensive policies and procedures?
- understood by the staff and executed regularly?
- tested and audited?
- able to reduce/mitigate the risk?
- not going to significantly impede the programme?

The following list outlines the key internal controls that are important for CVA.

Approval by authorities/proper authorisation

This helps ensure that the NS activities adhere to established financial procedures unless the responsible managers authorise another course of action. Approval thresholds should be appropriate to the financial exposure at a point of time.

- √ Authorisation levels within NS HQ and branches should be identified/re-defined at the beginning of a response, including delegation of authority when signatories are not available.

Segregation of duties

This requires that different individuals be assigned responsibility for different elements of related activities, particularly those involving authorisation, custody of money or assets, record keeping and reconciling.

- √ Staff registering targeted people should not be the same as those doing verification of beneficiaries, nor transferring the financial assistance.
- √ The person handing out/signing off cash is different to the one checking names at distribution sites.
- √ Staff reconciling the distribution should not be the person handling or managing funds during distribution.
- √ It is good practice to rotate the staff on duty, when possible, to limit fraud.
- √ If these duties are not separated, then could be possible for an individual to divert funds and hide the diversion during the process.

Limited system access

This means access to accounting systems, the CVA payment platform and petty cash/safe must be restricted to authorised people only.

- √ The payment platform should be protected by individual usernames, log in times, and dates of when the activities occurred in the system.
- √ In the same way, the list of beneficiaries and personal data should not be available as free access and must be kept safe.
- √ Laptops, offices must be locked and secure, use/renewal of passwords and networks/shared drives should be restricted to relevant users only.

Physically securing assets

Ensure physical movement of cash is minimised as much as possible by using the banking system, even if this needs to be partner NS banks and other financial service provider. Costs should be commensurate with the risks involved.

- √ Direct distribution by the NS should be a last resort. If so, a cash in transit (CIT) company and insurance should be obtained to cover the risk exposure while the physical amounts are moving between banks, offices, and distribution sites.
- √ Cash should be counted and reconciled before and after every movement, as well as per distribution with the CIT company.
- √ Regular inventories should be done of prepaid cards, vouchers and cash count.
- √ Physical cash should be kept in a safe, and locked. Keys are kept by an identified person.

Maintaining adequate documentation and records

Maintaining documentation provides evidence that beneficiaries received cash, payments match financial statements and payments are accurately recorded.

- √ For each delivery mechanism, determine and collect the documentation supporting the transfer of funds to the FSP (i.e. bank transfer, invoices, payment request, list of BF and transfer value) and to the beneficiaries (i.e. successful electronic transfer, signed off payment register), transfer of devices (i.e. signed off register of distribution of debit card, voucher, sim card)

Accounting coding system

The accounting system should be set up to track all expenditure back to a project (CVA or others), using a coding string to identify, analyse and report on project expenditure.

Examples of possible coding (in addition to account code from the chart of accounts include): Project code (at least), donor code, budget code, activity code (maybe to collate data by outcomes/outputs, locations or sectors, type of mechanisms, etc).

- √ Coding should be adapted to the accounting system capabilities.
- √ Bank statements should be reconciled and working advance justified.

- √ Funds received by NS = Project expenditure + Accounts payable/receivable + Bank and cash balances

Monitoring/Reconciling/Reporting

This includes checks on performance, which are carried out by employees who *did not* do the work being checked. This is important to ensure the reliability of accounting information.

- √ Reconciliation with the FSP should be done after each distribution for cash or vouchers to ensure cash is properly accounted for.
- √ Reconciliation of beneficiary records against payments to FSP/distribution should be made, and is needed before the service fees/invoices are finally paid to the FSP
- √ Reconciliation with the data management provider should also be done, if applicable (e.g. RedRose in a triparty contract)
- √ Reviewing performance of the FSP and traders in complying with the obligations of the contract should also take place.

Standard operating procedures (SOPs)

SOPs are usually developed during CVAP, when the NS has time to develop these. They are designed based on relevant delivery mechanisms used. Any project-level SOPs should be established after the procurement process is complete and contracts are signed.

From a finance perspective, SOPs per delivery mechanisms should cover:

- √ Supplier/service provider relationship management, training, and implementation processes
- √ Supplier monitoring
- √ Encashment process and upstream cash pipeline
- √ Tracking, reporting, and reconciliation
- √ Beneficiary data protection
- √ Segregation of duties
- √ Security Management

Approved SOPs should be disseminated and followed by all finance staff.

External Audits

Having annual audited accounts help identify gaps in accounting standards and financial management and also any cases of fraud.

4. Considerations for applying financial controls in CVA

The following section highlights some key components of financial controls and what they mean for CVA.

Authorisation process and delegation of authority

NS should follow existing decision-making matrix and thresholds. Considering the amount of cash typically distributed at a time, it is more likely that the sign off will usually go to the highest level of authority. However, it is always important to question the appropriateness of level of authority at the start of a rapid response. Reviewing the authorisation process is a key risk mitigation measure, in order to not be an obstacle to implementation.

Authorisation level and signatories at branches can then be identified. Including the delegation of authority at branch level and also looking at decentralising funds at branch level will enable a quicker response. Having this at branch level is crucial to avoid incurring delays by waiting for signatories at HQ.

Authorisations should match the level of risk the NS is trying to mitigate. For example, having all payments to be signed off by the requester then the Programme Manager, Head of Operations, Finance Director and Secretariat General will only delay the distribution of cash to recipients.

While the cash transfer itself will represent a significant amount often in one cycle, it is important to bear in mind to keep access of funds to run the activities to deliver CVA, such as targeting, beneficiary selection, monitoring, etc. Sign off for the FSPs (contracts and disbursements) should be done based on **transfer value + fees**. Even though FSP fees may be low or sometimes the service is free, fees will also need appropriate sign off and accountability as they relate to very large amounts of money the NS is transferring per distribution to the FSP.

Note that authorised signatories to cheques or bank payments are not the same as the budget holder/authoriser.

Documentation to be collected per CVA delivery mechanism

As outlined in the CVA SOPs, there are three categories of delivery mechanism.

1. Direct Cash (by hand), through NS

This is the provision of cash handed directly to the beneficiary. It is either outsourced to a third party, like a bank, post office, remittance companies, hawala or set up directly by the NS (used at last resort)

2. CVA through FSPs/third parties

In this delivery mechanism, money is digital/virtual at the start and can be accessed physically or use to pay for goods and services through a device, e.g. a mobile wallet, a debit card or prepaid card, bank account. The FSP or third party should be licenced/ regulated to operate this service in-country. This delivery mechanism can also include the use of technology companies/platforms, such as RedRose.

3. Voucher (paper or electronic), through traders/third parties

Vouchers are provided through traders or other third parties, commodity (set for specific goods and services) or cash (amount set to be used upon assisted people's choices) vouchers are redeemed by the beneficiary to the vendors, who will then invoice the NS for payment of commodities or value used at a frequency agreed in the contract.

The following table summarises the key documents to be collected along the CVA implementation process, per different types of delivery mechanisms.

Mechanisms	Form of identification	Documentation collected Before the Transfer	Documentation collected of funds transferred to National Society	Documentation collected after the transfer to assisted people
Direct cash/by hand <u>through NS</u>	NIC/Passport NS Beneficiary Card 3 rd party verification (e.g. RedRose)	Payment Request (PR) PR incl. list of beneficiary name(s) & ID number or BF card number, monetary value of transfer and space for BF signatures, phone numbers and NS	Signature of beneficiary proving receipt of BF card (if given) Otherwise, not applicable	Working Advance Form (as proof of physical movement of funds) OR Individual receipt with signature/biometrics validation of beneficiary

		validators signatures			
Over the counter cash <u>through FSPs/third parties</u>	ID forms accepted by the FSP as per their Know Your Customers requirements (KYC)	Requisition/ Purchase order / Contract or PR	Not applicable (as beneficiary does not receive any cards or similar to access the funds)	Confirmation from NS bank that funds have debited NS account (debit note)	Financial report from FSP (showing transfers to each beneficiary) – this will usually be signatures as collected by the FSP
Individual beneficiary bank accounts <u>through FSPs/third parties</u>		Requisition/ Purchase order/ Contract or PR	Confirmation of bank account number from beneficiary (signatures)	Confirmation from NS bank that funds have debited NS account (debit note)	Financial report from FSP showing payment status (transfers to each beneficiary account and whether the payments have been collected or not). If not, then they have to be refunded back to RC's account and should be part of the reconciliation process.
Mobile wallet <u>through FSPs/third parties</u>		Requisition/ Purchase order/ Contract or PR	Confirmation of the mobile numbers matching beneficiaries' names and/or ID	Confirmation from NS bank that funds have debited NS account (debit note)	Financial report from mobile provider (showing transfers to each mobile number)
ATM/prepaid cards (N.B Card not linked to individual account) <u>through FSPs/third parties</u>		Requisition/ Purchase order/ Contract or PR	Signature proving receipt of ATM/prepaid card	Confirmation from NS bank that funds have debited NS account (debit note)	Financial Report from FSP (showing money loaded to each ATM/prepaid card)
Paper/electronic Vouchers <u>through traders/third parties</u>		NIC/Passport, NS Beneficiary Card 3 rd party verification (e.g. RedRose)	Requisition/ Purchase order/ Contract Monetary value of voucher or list of commodities included per voucher List of beneficiary names & ID number	Signature of beneficiary proving receipt of voucher/ e-voucher (with voucher serial number)	Not applicable

Monitoring

During the process of transferring the funds/cashing out, the finance department will perform reconciliation. The main examples of the control steps required during reconciliation between the various actors and per delivery mechanism, are as follows.

Delivery mechanism	Transfer from NS to FSP	Transfer to Beneficiaries
Direct cash/by hand by NS	<p>Check for duplication, empty cells, unusual data format on the list from the Programme team.</p> <p><u>For security, consider using a Cash in Transit company (CIT)</u> <u>For Risk Management, consider using Cash in Transit insurance.</u></p> <p>Total funds withdrawn at the NS bank = Funds ordered Funds ordered = Funds handed over to CIT</p> <p><u>Funds circulating within the NS (recommended that cash remains the responsibility of finance Department but ensuring segregation of duties)</u> Funds received from one staff = funds handed over to another staff</p>	<p>After each distribution</p> <p>Total receipts for distributed funds = Sum of the funds to be received by the beneficiaries.</p> <p>Remaining funds (funds not distributed) = Amount to be received by beneficiaries but didn't (i.e., not show at distribution).</p> <p>Carry out spot checks of payments done.</p>
Direct cash through FSP/third party	<p>Check for duplication, empty cells, unusual data format on the list from the Programme team.</p> <p><u>Advance of funds (suitable for regulated FSP)</u> Funds sent from NS bank account = Funds received in FSP bank account (NS- account payable)</p> <p><u>Reimbursement to FSP after funds are distributed to Beneficiaries (traditional hawala, non-regulated FSP)</u> Funds distributed to Beneficiaries as per payment register and reconciled by NS and FSP = invoice from FSP + related services charges as per the contract</p>	<p>After each distribution</p> <p>Total receipts for distributed funds = Sum of the funds to be received by the beneficiaries.</p> <p>Remaining funds (funds not distributed) = Amount to be received by beneficiaries but didn't (i.e., not show at distribution).</p> <p>Carry out spot checks of payments done if possible.</p>
Electronic cash through FSP/third party	<p>Check for duplication, empty cells, unusual data format on the list from the Programme team.</p> <p>Funds sent from NS bank account = Funds received in the NS account of the FSP (escrow account, parent account for mobile wallet, bank transfer, prepaid cards) + related services charges as per the contract</p>	<p>Distribution of electronic device (debit card, SIM card, bank account number)</p> <p>Total electronic device distributed = Total electronic device to be received by the beneficiaries</p> <p>Remaining electronic vouchers (not distributed) = Vouchers to be received by beneficiaries but didn't show at distribution (from distribution list)</p> <p>After each distribution</p>

		<p>Total receipts for topped up funds = Sum of the funds to be received by the beneficiaries (bank account, sub-account of prepaid cards, mobile wallet).</p> <p>Remaining funds (funds not distributed) = Amount to be received by beneficiaries but didn't (i.e., failure in electronic top up of BF sub account – from FSP electronic platform)</p> <p>FSP service fees = Service fees on funds transferred as per contract</p> <p>Funds not used at all by Beneficiaries are investigated to identify any issue with the Beneficiary or mechanism.</p> <p>Unused funds and validated by NS = Funds returned from FSP to NS</p> <p>Carry out spot checks of payments done.</p>
<p>Electronic voucher through trader/third party</p>	<p>Check for duplication, empty cells, unusual data format on the list from the Programme team</p> <p>Electronic voucher produced (e.g. smart cards) = Vouchers planned for Beneficiary list</p> <p>Funds sent from NS bank account = Funds received in the NS account of the FSP</p>	<p>Distribution of electronic device (smart card)</p> <p>Total electronic vouchers distributed = Total voucher received by the beneficiaries</p> <p>Remaining electronic vouchers (not distributed) = Vouchers to be received by beneficiaries but didn't show at distribution (from voucher distribution list)</p> <p>Void undistributed vouchers</p> <p>After each distribution</p> <p>Total funds topped up to BF electronic vouchers = Total funds planned to be distributed</p> <p>Remaining funds (funds not distributed) = Amount to be received by beneficiaries but didn't (i.e., failure in electronic top up of BF sub account – from FSP electronic platform)</p> <p>Funds not used at all by beneficiaries are investigated to identify any issue with the beneficiary.</p> <p>At Invoices Reception</p> <p>Redeemed vouchers used at traders / shops = Amount/vouchers used as per reports from database managing the electronic vouchers (RedRose)</p> <p>Total invoiced by traders = Total redeemed electronic vouchers from the database (RedRose)</p> <p>Carry out spot checks of transfer done.</p>

		FSP service fees = Service fees on funds transferred as per contract
Paper voucher through trader	<p>Check for duplication, empty cells, unusual data format on the list from the Programme team.</p> <p>Paper voucher produced = Vouchers planned for Beneficiary list</p>	<p>Distribution of paper voucher</p> <p>Total paper vouchers distributed = Total voucher received by the beneficiaries</p> <p>Remaining vouchers (vouchers not distributed) = Vouchers to be received by beneficiaries but didn't show at distribution (from voucher distribution list)</p> <p>Void undistributed vouchers</p> <p>At Invoices Reception</p> <p>Redeemed vouchers collected by Traders and handed back to NS = Vouchers distributed (check as well on possible forgery)</p> <p>Total Redeemed Vouchers = Total invoiced by Traders</p>

If discrepancies were identified, the finance department should go line by line and step by step through the encashment process to try and isolate the issue/s.

Potential causes of discrepancies could be:

- Beneficiaries marked for receiving funds, who did not
- Beneficiaries not marked for receiving funds, but did
- Beneficiaries received voucher distribution, but did not convert the voucher to cash
- Miscalculations in the original distribution plan
- Typos and transposing numbers when recording disbursements
- Typos and other errors in reporting by service providers
- Unanticipated fees charged at a point in the encashment process
- Unanticipated conversion rates or problems, such as exchange rate differences
- Vouchers did not have expiry dates and/or the expiry date has not yet passed
- Diversion and/or fraud

Diversion and fraud are always a possibility, but it is recommended to consider all accidental errors before jumping to conclusions. False accusations are a quick way to destroy trust between teams.

A discrepancy report should be created after each reconciliation, summarizing errors by explanation, as much as possible, and itemizing big/problematic errors, if applicable.

The report should be reviewed and signed (as proof of review) by the relevant manager and filed in the official programme records.

The NS will also regularly assess the FSP in delivering the service as per the contract. This will include:

- √ Timeliness of the distribution
- √ Quality of the service and the expected reports to be produced by the FSP.
- √ Use of technology
- √ Responsiveness of FSP to address bottlenecks.

5. Cash pipeline and financial flows

The finance department will need to ensure and plan for availability of funds in a timely manner. This is a key step for enabling the CVA distributions to take place. Often the NS may not have enough funds internally in-country to kick off a distribution and will have to rely on donor/partner funds. Therefore, it is important to factor in how long the internal process to authorise and transfer funds will take, allowing for donor constraints, as well as other bottlenecks or regulations that could delay the reception of funds.

Bottlenecks are highly likely in contexts where the government is under sanctions (e.g. imposed by the donor, IFRC or NS, UN or country of the primary bank) or for high-risk countries with strict bank regulations. Delays could include the need for a licence and authorisation/detailed information on traceability of funds. These may also be requested in general purely for humanitarian transparency under the Anti Money Laundering and Terrorism Financing Act. If working in contexts where transparency with banks is key, this should be done in a way to not jeopardize the data protection of beneficiaries and to do no harm. A simple [CVA financial flows analysis](#) should be developed during the CVAP phase to ensure availability of funds in a timely manner. Developing the tool requires planning and understanding of the steps in the financial flow pipeline and captures the process from the donor to the NS bank account, to the FSP and eventually to the recipients of the cash. The tool can be completed/updated and accompany the encashment plan during response.

The purpose of the tool is to map the flow of funds and visualise exact steps required, in particular highlighting the time needed, who is responsible, and appropriate authorisation required at each stage in order execute the payment. It is important to review the steps with all parties involved in executing them to ensure all relevant steps and sub-steps are included. It is also recommended to include all compliance and reporting documentation requirements in the process. This will ensure that records are built as payments are made, which is much easier than trying to reconstruct information later.

The following should be considered when mapping financial flows:

- √ What is needed to trigger the payments (i.e. cash transfer order, invoice)?
- √ Who has authority to sign off on the payments? Is it possible to delegate authority if needed? Are there any factors that may impact the timing or ability to transfer funds to the FSP?
- √ Are there any potential pipeline issues to consider?
- √ Can we reduce the amount per transfer to FSP to minimize risk with the FSP? i.e. sending monthly amounts if doing a multi-month programme.
- √ How many days will it take for the whole process – from cash request till cash distribution?

NS are likely to work in collaboration with IFRC² and will need to request funding from the DREF, EA or other grants. The specific procedures for each funding mechanism, including payment thresholds, will need to be acknowledged and included in the cash pipeline. This will also determine the number of tranches to be requested.

In addition to the financial flows tool, NS may choose to visualise the process in a flow chart.

² Refer to IFRC SOPs and IFRC finance focal point to determine how and from where the funds are coming from

Example of encashment flow map (from IFRC guidelines on CVA)

