



From: UNDG HACT Advisory Committee

To: UN Country Teams

29 November 2013

Revision of the UNDG Harmonized Approach to Cash Transfers (HACT) Framework

Dear colleagues,

As you are aware, the UNDG Harmonized Approach to Cash Transfers (HACT) Framework has been under revision by the inter-agency HACT Advisory Committee at headquarters this year. The process is nearing its conclusion and we want to update you at this point on the results and next steps.

To recall, the HACT Framework was first issued in 2005 and adopted by the Funds and Programmes as a common operational framework for transferring cash to Implementing Partners with the objective to support a closer alignment of development aid with national priorities and strengthen national capacities for management and accountability and also introducing a risk management approach to cash transfers. The Quadrennial Comprehensive Policy Review (QCPR) renews the agencies' commitment to increase harmonization of business practices and operations.

The agencies have in recent years completed various assessments with respect to implementation of the HACT Framework, including the *HACT Global Assessment* (December 2011) and the *Joint Audit of the Governance Arrangement for the Harmonized Approach to Cash Transfers (HACT)* (November 2012). These assessments have identified lessons learned and a number of key barriers to effective HACT implementation which are addressed in the current revision.

We have undergone a thorough revision process with the support of a consulting firm in which we identified solutions to some key challenges and reaffirmed some key principles of HACT. Country Offices contributed comments through their agencies and some UN Country Teams (UNCTs) provided in-depth input through the consulting firm. We are now in the final stages of revision and roll out planning.

In the next months, you can expect the following:

1. **Issuance of a revised HACT Framework by the UNDG by the end of 2013:** This will supersede the 2005 Framework and outline the principles and processes agreed by the agencies. The Framework will be adopted by UNDP, UNFPA and UNICEF. These agencies will then mainstream the agreed principles and processes into their policies and procedures which are aligned with the revised HACT Framework and decide on certain thresholds and details individually and as necessary for their own business models. Adoption of the revised Framework by other agencies shall take into consideration the extent of applicability to their rules, policies and business models, and may be communicated through them.



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2. **Information on roll out by each adopting agency by the end of 2013:** Due to our differing business models, agencies may follow varying schedules in rolling out HACT and this will be communicated to agency staff by their headquarters. The differing schedules and any possible implications on implementation by UNCTs will be coordinated amongst the agencies at headquarters level.
3. **Key elements of the revision:**
- HACT as a risk-based management approach is reconfirmed, whether implementing partners are joint among several agencies or not;
 - Once roll out is completed, HACT is the sole framework applied by the adopting agencies when transferring cash to implementing partners and is applicable in every country and context based on their respective risk profiles. Emphasis is on standardizing the way we work with Implementing Partners (IPs), reducing transaction costs, while ensuring joint operationalisation to country macro assessments as well as assessments and audits of shared partners. Such joint operationalisation is particularly critical in Delivering as One context in view of the requirements of the QCPR;
 - The agreed principles and processes will be mainstreamed into the guidelines of the adopting agencies which are aligned with the revised HACT Framework with due consideration to the specificity of each agency's business model and existing business processes;
 - Accountability and responsibility for applying these procedures and monitoring application lies with each agency, while promoted and coordinated by the Resident Coordinator with oversight at headquarters level.
 - Further clarification is provided on assurance planning. Financial audit will be added to the menu of assurance activities for higher-risk IPs, while internal control audit will apply to lower-risk IPs and spot checks and programme monitoring to all IPs as per agency procedures.

If you have questions, please contact the HACT focal point of your agency. Following are contact details of HACT focal points of agencies which will adopt the revised Framework upon issuance:

- UNDP: Mitsuhiro Inaba at mitsuhiko.inaba@undp.org, BOM/OFRM, New York
- UNFPA: Mona Khurdok at khurdok@unfpa.org, DMS, NEX Unit
- UNICEF: Silvia Chiarucci at schiarucci@unicef.org DPS, New York

Thank you for your participation in this process and your continuous efforts to achieve our agreed objectives.

Best regards,

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