OBJECTIVE/BACKGROUND

The objective of these policies and procedures is to govern project cash advances and disbursements to implementing partners and/or members.

It is recognized that many projects supported by Foodgrains Bank require a high amount of funds over a relatively short time period. The major expenditures generally relate to few transactions, such as the purchase of food commodities and inland transportation. Because of the short duration of many projects, it is essential that implementing partners have access to the funds necessary to operate the project. On the other hand, cash advances carry with them financial risk to the Foodgrains Bank. Because budgets are usually based on estimates, they can vary from the final costs. Since Foodgrains Bank’s relationship with implementing partners is on a project-by-project basis, it is important that financial accountability is demonstrated in each project. The policy and procedures outlined below attempt to address both these considerations.

POLICY

1. Canadian Foodgrains Bank funds projects of implementing partners on the basis of an approved budget, a signed commitment form and, where applicable, official price quotes. Funds are disbursed based on the principle of reimbursement of actual costs.

2. To ensure accountability for project advances and disbursements, Foodgrains Bank requires receipts/proof of purchase for the purchase of food, seeds, tools, equipment, and service contracts, supporting documentation for staff salaries (e.g. financial recap or payroll register), and a detailed statement of actual expenditures for all project expenditures.

3. On the assumption that many implementing partners do not have the capacity to fully finance all the project activities, cash advances may be provided.

4. Cash advances for goods, services and operational costs related to the implementation of projects are normally paid in installments related to cash flow requirements. Following an initial advance, subsequent advances will be made upon receipt of a financial report concerning the previous advance.

   4.1 For food and seed commodities, advances will not exceed 90% of approved project commodity budgets. The remaining 10% will be reimbursed upon receipt of commodity financial reporting supported by receipts.

   4.2 For all other expenses, initial advances will not exceed 50% of the respective approved budgets. Subsequent advances of up to 90% of the budgets for non-commodity expenses may be made following the receipt of reporting on the initial advance. There will be a holdback of 10% of non-commodity project budgets, except in circumstances outlined in Clause 6. The final project payment will be made on a reimbursement basis when a complete statement of actual expenditures accompanied by receipts for transportation, storage, tools, equipment, service contracts, and a satisfactory End-of-Project report are received.
PROJECT CASH ADVANCES AND DISBURSEMENTS POLICY

4.3 In situations where the implementing partner enters into a contractual relationship with a supplier, Foodgrains Bank can advance up to 100% of the required funds upon receipt of a copy of the signed contract by both parties and an invoice from the supplier. Payment can be made either to the local partner or directly to the supplier.

5. The maximum amount of cumulative unreported advances on any given group of related projects (i.e., core project number and all number extensions, e.g., 1850-01, 02, etc.) must not exceed $250,000 without the explicit approval of the Program Services Director, and must not exceed $500,000 without the explicit approval of the Executive Director.

6. In applying the above advance and disbursement policies, there may be situations where implementing partners continue to experience cash flow problems. In these circumstances, Foodgrains Bank staff can make additional cash advances on an exceptional basis with the explicit approval of the Program Services Director or Executive Director, if the two following conditions apply:

   6.1. If the implementing partner has established a record of reporting on a timely and complete basis on project funding;

   6.2. If a clearly developed project disbursement plan including supporting written rationale is provided.

7. Foodgrains Bank may conduct external audits for the purpose of verifying field reporting.

PROCEDURES

1. Developing a Fund Disbursement Plan – Foodgrains Bank Program Officer in consultation with the member will develop a cash advance and disbursement schedule based on Foodgrains Bank cash advance and disbursement policies and the cash flow requirements of the project. A disbursement schedule will be developed in consultation with the member and implementing partner. This advance and disbursement schedule will be included in the project Terms of Understanding so that all parties understand how the project will be financed, and the reporting requirements of the implementing partner.

2. Managing Cash Advances and Disbursements – Foodgrains Bank Program Officers are responsible for managing the cash advances and disbursements for projects. Requests for advances and reimbursement should be directed to the assigned Program Officer.

3. Prepare Cash Continuity – The Program Officer reviews all aspects of the project information to ensure that a request for an advance or reimbursement complies with Foodgrains Bank policy and procedures and is in line with the committed budget. A Cash Continuity is prepared. The Cash Continuity tracks all financial disbursements and reporting for each project and compares it to the committed budget.

4. Authorization of Continuity – Cash Continuity is reviewed by Director of Program Services or Executive Director, whose signature serves as authorization to make the payment.

5. Exceeding Maximum Unreported Advances – Program Services Director and Executive Director will provide explicit written approval on the cash continuity for any amount of cumulative unreported advances on a group of related projects that exceed maximum levels specified in the above policy requiring their respective approvals.
6. **Prepare Payment Request** – Based on the authorization of the Cash Continuity, the Program Officer prepares a Payment Request. The payment request is a memo providing full banking details (including a confirmation of banking information from the partner at the time of an initial advance), an external request for payment from the implementing partner or member, and a draft notification of payment. This request requires the authorization of two financial signing officers. After this funds are disbursed.

7. **Notification** – Financial Services staff will inform the Program Officer that the funds have been sent. Program Officer will notify the member and/or implementing partner that the funds have been sent.

8. **Verification of Receipt of Funds** – The notification of the funds being sent includes a request for the implementing partner/member to verify and confirm the receipt of funds as soon as the funds have been received into their bank account.