

H2N Conflict Sensitivity and Finances

This H2N is based on the [SDC Guidelines for Risk Management \(2018\)](#) and its purpose is to give orientations to SDC's staff on essential elements to take into consideration when integrating conflict sensitivity in financial management. Managing finances in a conflict-sensitive way allows SDC to stay engaged in a given context and avoid or mitigate tensions and/or reputational risks due to financial issues that could have a negative impact on our interventions.

1. Conflict-Sensitive Financial Management

Conflict-sensitive risk and financial management is a key endeavour – especially when working in fragile and conflictual situations – since funding is an essential resource for project implementation and retribution of human resources. Risk management relates, among others, to financial management and treasury management. SDC's staff can be confronted to different types of financial risks: fraud, corruption, misuse of funds¹, treasury and cash flow problems, banking system's inaccessibility², theft or misappropriation of development funds, loss of investments, etc. SDC needs to be coherent and treat partners on equal footing when it comes to responding to financial threats. Finance is an integral part of the project management and therefore a matter for everyone, also for the operational staff.

Measures for conflict-sensitive financial management

In order to ease possible tensions and/or reputational risks due to financial issues, the following aspects should be taken into account for a sound financial risk management:

- Instructions should be written and given beforehand as an introduction to all staff;
- Responsibilities must be clear and staff and implementing partners are aware of them;
- Assessment, monitoring, control and cross-check of information are essential and the process should be implemented and trained periodically;
- Partner risk assessments³ (PRA) are an important instrument to ensure efficient and effective use of funds and to identify risk mitigation measures and limit the probability of future difficulties;
- Cash pipelines and liquidity monitoring, external audits, strict project follow-up, advance payments minimized, settlements made on more regular bases; projects' operational and financial reports, management's responses should be duly taken care of;
- Tools are in place like a sound ICS system, financial planning and budget monitoring, reporting, accounting, as well as transparent communication.

2. Money can mean threat

In FCAS, staff and partner organisations are exposed to a higher level of stress and risk. SDC's employees and implementing partners can feel under pressure or even be threatened by members of their social and professional relations. This concern should be seriously taken into account by the Heads of Mission / Heads of Cooperation in any given context.

References:

[SDC Guidelines \(2018\) for Risk Management](#)
[New SDC's Guidance on Anti-Corruption 2021](#)

SDC's guidance/instruction on the NEXUS financing

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¹ Fraud, corruption and misuse of funds are under the responsibility of the [FDFA Compliance Office](#).

² Banking system's inaccessibility is under the responsibility of the [FDFA Direction for Resources](#).

³ See H2N « [PCM – Basic considerations for economical use of funds](#) » (2015).