

April 28, 2005

Dear Colleagues,

***Subject: Harmonized Approach to Cash Transfers to Implementing Partners***

The High Level Forum on Aid Effectiveness that recently took place in Paris re-confirmed the commitment of donors and development organizations to improve the quality of development cooperation and put forward a series of recommendations on how to turn commitment into reality. These recommendations have important implications for the way the UN acts in the field, one of them being an urgent need to direct renewed efforts to strengthening national capacity for managing development processes.

This is a challenging task, and we are therefore delighted that the UNDG ExCom Agencies have already made a major step forward in its realization by having developed a new harmonized approach to cash transfers to implementing partners.

As directed by the UN General Assembly in the 2001 TCPR, the implementation of the new approach is expected to reduce transaction costs and lessen the burden that the multiplicity of current UN procedures and rules levy on our partners. It will also allow focusing more on improving national capacities, including to effectively manage aid in support of national MDG targets.

The provisions of the harmonized approach are detailed in a comprehensive Framework that we are very pleased to share with you. It was developed by a UNDG inter-agency Working Group on Resource Transfer Modalities in cooperation with field colleagues from several countries.

The Framework details the harmonized and simplified procedures that will be used by the ExCom Agencies in the field in order to manage transfers of cash to implementing partners. Cash transfers will now be based on the management of risks rather than on a developed system of controls. This approach envisages an upfront assessment of risks associated with cash transfers to a particular implementing partner in a particular country and a range of assurance activities. It also simplifies procedures for transferring cash and reporting on it use.

Since the new harmonized practices are closely linked with the common country programming process, countries are scheduled to adopt them:

- ♦ when their new harmonized programme cycles commence (for countries that start the harmonized programme cycles in 2007 and later);

***To: All UN Resident Coordinators and Representatives of UNDG ExCom Agencies***

- ♦ following a formal release of the Framework, but no later than the end of 2006 (countries that started the harmonized programme cycles in 2004-2005 or will do so in 2006);
- ♦ as agreed by the ExCom team (countries with no harmonized programme cycles or in special situations).

Steps are currently being taken to ensure proper support to you and your colleagues in the implementation of the new approach. The ExCom Agencies are adapting their existing policies, procedures and regulations and necessary clarifications in this regard will be provided through the individual Agencies' established support and oversight channels. A set of detailed Technical Notes and Frequently Asked Questions will soon be available on the UNDG Website (<http://www.undg.org>). Also, schedules are currently being finalized for a series of training events to be organized for programme countries starting in September 2005 through 2006.

The harmonized approach to cash transfers is one of the important elements of the UN Reform. Apart from reducing transaction costs, it will help the UN to better position itself in the new aid architecture, and we, therefore, attach great importance to its successful implementation. In due course we shall review our collective experience with the new business practices and encourage you to share with us any concerns, positive examples and lessons learnt.

We wish you all the success and are counting on your speedy action. In turn, we stand ready to provide you with the support that you may require.

Yours sincerely,

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cc: Regional Directors of UNDG ExCom Agencies  
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