Attached is the annotated version of the Administrator's proposals for the revised UNDP financial Regulations. The annotated version contains a comparison between the proposed regulations and the present Regulations, and indicates the comparable United Nations Regulations.
**UNITED NATIONS DEVELOPMENT PROGRAMME**

**FINANCIAL REGULATIONS**

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1/ Titles in capital letters and underlined indicate chapter titles. Chapters may include one or more Articles. Titles only in capital letters indicate Article titles. Headings preceded by a dash (-) indicate subheadings within Articles.
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(ii)
All proposed new language is underlined.

Where proposed new language has been derived from or is being suggested to harmonize with United Nations Financial Regulations, it is underlined and has also been noted in the Comments column.

Words within square brackets are contained in the present UNDP text, but are proposed for deletion in the new UNDP Financial Regulations.

In certain instances, the use of underlining and brackets would cause confusion. In such cases, the entire Regulation is underlined and appropriate notes appear in the Comments column.

Where no present UNDP Regulation exists, the Present column is blank.

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<td><strong>ARTICLE I. APPLICABILITY</strong></td>
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Regulation 1.1: These Regulations shall govern the financial management of the United Nations Development Programme (UNDP) and shall, unless otherwise provided by the General Assembly or the Governing Council and except as specified in these Regulations and the annexes thereto, apply, mutatis mutandis, to all funds administered by UNDP.

Regulation 1.1: These Regulations shall govern the financial management of the United Nations Development Programme (UNDP).

Regulation 1.1: These Regulations shall govern the financial administration of the United Nations, including the International Court of Justice.

Regulation 6.7: ...Unless otherwise provided by the General Assembly, such (trust) funds and (special) accounts shall be administered in accordance with the present Regulations.

Regulation 1.1 has been amended to harmonize with the United Nations Financial Regulations and to provide for the applicability of UNDP Regulations to trust funds, Programmes, Funds and other entities administered by UNDP. The annexes referred to in this Regulation will set forth the unique requirements of the individual Programmes, Funds and other entities.
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<tr>
<td>Regulation 1.2: Amendments and exceptions to these Regulations may be made only by the Governing Council.</td>
<td>Regulation 1.2: Amendments to these Regulations may be made by the Governing Council.</td>
<td>Regulation 14.1: ... They (United Nations Financial Regulations) may be amended only by the General Assembly.</td>
<td>Proposed Regulation 1.2 includes the provisions of present Regulations 1.2 and 1.3 and is harmonized with the latter part of United Nations Regulation 14.1.</td>
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<td>Regulation 1.3: These Regulations shall become effective on 1 January 1982.</td>
<td>Regulation 1.3: Exception to these Regulations may only be made by specific decision of the Governing Council.</td>
<td>Regulation 14.1: These Regulations shall become effective on 1 January 1974 and shall apply to the financial period 1974-1975 and to subsequent financial periods. ...</td>
<td>Regulation 1.3 is based on United Nations Regulation 14.1, appropriately modified for inclusion in the Financial Regulations of UNDP.</td>
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<td>Regulation 1.4: After consultation with the Governing Council on the policies involved, the Administrator shall establish and, when necessary, amend financial rules to govern, within the framework of these Regulations, the financial administration of UNDP activities. The Administrator shall report such financial Rules, and amendments thereto, to the Governing Council.</td>
<td>Regulation 1.4: After consultation with the Governing Council on the policies involved, the Administrator shall establish and, when necessary, amend financial rules to govern, within the framework of these Regulations, the financial administration of UNDP activities. The Administrator shall report such financial Rules, and amendments thereto, to the Governing Council.</td>
<td>Provision partially included under proposed UNDP Regulation 13.1.</td>
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Proposed

\[\text{Regulation 1.5: Exceptions to these Rules may only be made by specific decision of the Administrator.}\]

Present

\[\text{Regulation 1.5: Exceptions to these Rules may only be made by specific decision of the Administrator.}\]

United Nations
Financial Regulations

Comments

This provision more appropriately falls within the scope of the UNDP Financial Rules to be presented to the Governing Council at its twenty-ninth session.

As the proposed revised UNDP Regulations incorporate, with appropriate modification, all applicable United Nations Financial Regulations, former Regulation 1.7 is no longer required.

DEFINITIONS

ARTICLE II. DEFINITIONS

Regulation 2.1: For the purpose of the Financial Regulations of UNDP, the following definitions of the main entities involved in the activities of UNDP shall apply:

(a) "UNDP" shall mean the United Nations Development Programme established by resolution 2029(XX) of the United Nations General Assembly;

Regulations 2.1 and 2.2 are required to make the UNDP Financial Regulations self-explanatory.
(b) "General Assembly" shall mean the General Assembly of the United Nations;

(c) "Governing Council" shall mean the Governing Council of UNDP;

(d) "Advisory Committee" shall mean the Advisory Committee on Administrative and Budgetary Questions;

(e) "Secretary-General" shall mean the Secretary-General of the United Nations or the official to whom the Secretary-General has delegated authority or responsibility for the matter in question;

(f) "Administrator" shall mean the Administrator of UNDP, or the official to whom the Administrator has delegated authority or responsibility
for the matter in question. However, the Administrator is fully responsible and accountable to the Governing Council for all phases and aspects of UNDP activities;

(g) "Government" shall mean the Government of a State Member of the United Nations or of a Specialized Agency or of the International Atomic Energy Agency. Within these Regulations, the term "Government" has also been used in conjunction with the following:

(i) "Host" Government shall mean the Government, as defined above, of a country within whose legal boundaries an office of UNDP is located or which receives programme support.
and administrative services from a UNDP office located elsewhere;

(ii) "recipient" government shall mean the Government, as defined above, of a country which receives UNDP assistance to projects. Within these Regulations, this term has been used to apply, mutatis mutandis, to all entities entitled, as a result of a Governing Council decision, to receive UNDP assistance;

(h) "executing agency" shall mean an entity to which the Administrator has entrusted the implementation of UNDP assistance to a project (refer Reg. 2.2 U(ii) below) and shall include the following:
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<td>(i) a recipient Government or Governments;</td>
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<td>(ii) organizations of the United Nations system i.e. the United Nations,</td>
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<td>the Specialized Agencies, the International Atomic Energy Agency and</td>
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<td>other organizations that are or become part of the United Nations</td>
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<td>system. These organizations are referred to as Participating and</td>
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<td>Executing Agencies;</td>
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<td>(iii) a governmental or intergovernmental institution or agency not part</td>
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<td>of the United Nations system;</td>
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<td>(iv) the UNDP itself.</td>
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Where the provisions of a Regulation apply to only one or some of the categories of executing agencies referred to above, the Regulation so specifies.
Regulation 2.2: For the purposes of the Financial Regulations of UNDP, the following definitions in respect of specific terms used shall apply. These terms are listed in alphabetical sequence.

A

(i) "agency support costs" shall mean the expenses incurred by an executing agency as a result of its administration of programme activities financed from UNDP funds;

(ii) "allocation" shall mean a financial authorization issued by the Administrator to an executing agency to incur expenditures and commitments for specific purposes related to programme activities and within specified limits, during a definite period;

(iii) "allotment" shall mean a financial authorization
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<td>issued by the Administrator to an official or a unit to incur obligations for specific purposes related to the biennial budget and within specified limits, during a definite period;</td>
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<td>(iv) &quot;appropriations&quot; shall mean the amounts approved by the Governing Council for specified purposes for the current biennium against which obligations may be incurred for those purposes up to the amounts so approved.</td>
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<td>(i) &quot;biennial budget&quot; shall mean the budget to cover all foreseen programme support and administrative services costs of UNDP.</td>
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<td>(i) &quot;capital assets&quot; shall mean assets intended</td>
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<td>for long-continued use or possession, e.g., land, buildings and non-expendable equipment;</td>
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<td>(ii) &quot;commitment&quot; shall mean an engagement involving a liability against resources of one or more future years;</td>
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<td>(iii) &quot;contribution in-cash&quot; shall mean payments made in cash;</td>
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<td>(iv) &quot;contribution in-kind&quot; shall mean the provision of goods and services including capital assets;</td>
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<td>(v) &quot;country programme&quot; shall mean the programme of UNDP technical cooperation in a particular country, prepared by the Government of that country, in collaboration with the United Nations system, indicating the proposed use of UNDP resources towards the</td>
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achievement or further- 
arise of selected national 
development objectives 
during the period covered 
by the country programme;

(vi) "cost sharing" shall mean 
an arrangement by which 
costs of projects that 
are normally charged 
to an IPF and the reim-
bursement of the related 
agency support costs 
are covered in full or 
in part by a contribution 
from the recipient Gov-
ernment or Governments, 
one or more Governments 
other than the recipient 
Government or Govern-
ments, or an organization 
of Governments, or organi-
zations of the United 
Nations system. Such 
arrangements may be 
made on the following 
basis:

--- Project cost sharing 
whereby the con-
tribution relates 
to a specific pro-
ject;
programme cost sharing whereby the contribution does not relate to a specific project but to all or several projects in a recipient country or region; and

third party cost sharing, which can be either project or programme cost sharing, whereby the contribution is paid by one or more entities other than the recipient Government or Governments.

D

(i) "disbursement" shall mean the actual amount paid.

E

(i) "ex-gratia payment" shall mean a payment made where there is no legal liability but the moral
obligation is such as to make payment desirable;

(ii) "expenditure" shall mean total charges incurred whether paid or unpaid, i.e. the sum of disbursements and unliquidated obligations for the current year in respect of programme activities and for the biennium in respect of the biennial budget.

"fully funded basis" shall mean that funds are available in the form of cash on hand or an irrevocable letter of credit;

(ii) "Fund" shall mean an independent entity, established by resolution of an appropriate legislative organ, which resolution specifies in whom responsibility for both executive direction and legislative guidance is vested. (See also "Programme");
(iii) "funds administered by UNDP" shall include funds in the UNDP Account and funds of trust funds established by the Governing Council or the Administrator as well as funds of Programmes, Funds, other entities and trust funds established by the General Assembly or the Secretary-General and entrusted to UNDP for administration, i.e., to the Governing Council for legislative guidance or to the Administrator for executive direction.

(i) "Indicative Planning Figure (IPF)" shall mean an order
of magnitude of the resources expected to be available from UNDP during a specified period for the financing of assistance to country and intercountry projects;

(ii) "intercountry" shall mean activities carried out on a regional, interregional or global basis;

(iii) "intercountry programme" shall mean the programme of UNDP technical cooperation in a particular intercountry subdivision, as defined in (ii) above, prepared by the Administrator, on the basis of principles laid down by the Governing Council, in collaboration with the Governments concerned and with the United Nations system, indicating the proposed use of UNDP resources towards the achievement or furtherance of the development
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<td>objectives of the inter-country subdivision concerned.</td>
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<td>(i) &quot;obligation&quot; shall mean an engagement involving a liability against the resources of the current year in respect of programme activities and the current biennium in respect of the biennial budget.</td>
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"partially funded basis" shall mean the authority to allocate funds against anticipated future years' income;

"Programme" shall mean an independent entity, established by resolution of an appropriate legislative organ, which resolution specifies in whom responsibility for both executive direction and legislative guidance is vested. (See also "Fund");

"Programme" within the context of the form of presentation of the biennial budget shall mean the grouping of costs associated with an activity of a programme support and administrative services nature;

"Programme activities" shall mean activities
directly associated with the planning, programming and implementation of UNDP assistance through country, regional, inter-regional and global projects and shall be distinguished from activities of a programme support and administrative services nature;

(v) "Programme Reserve" shall mean the amount of resources set aside during the current planning period to finance such programme activities as may be determined by the Governing Council;

(vi) "programme support and administrative services" shall include those activities that are undertaken by UNDP to provide management, technical, administrative, financial and logistical support to its programme activities;
(vii) "project" shall mean a separately identified development undertaking of one or more Governments and assisted by UNDP;

(viii) "project document" shall mean the formal document, including revisions thereof, covering the agreed arrangements for the implementation of the project which includes, inter alia, a budget for UNDP assistance to the project.

(i) "trust fund" shall mean funds which are accepted
by UNDP under the terms of these Financial Regulations to finance activities specified by the contributor, which activities must be consistent with the policies, aims and activities of UNDP.

"UNDP Account" shall mean the Account established for the purposes of accounting for all income to UNDP, which excludes funds of trust funds established by the Governing Council or the Administrator and funds of Programmes, Funds, other entities and trust funds established by the General Assembly or the Secretary-General and entrusted to UNDP for administration, and all expenditures made by or on behalf of UNDP against that income;
(ii) "UNDP assistance to a project" shall mean the contribution to a project which is funded from the UNDP Account;

(iii) "UNDP funds" shall include all sources of income which are credited to the UNDP Account;

(iv) "unliquidated obligation" shall mean an obligation or that portion of an obligation which is not yet disbursed.
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**ARTICLE VII. Voluntary Contributions**

**VIII. Government Contributions for Projects**

**VIII. Other Government Payments**

**IX. Donations**

**X. Miscellaneous Income**

### III. UNDP FUNDS

**Voluntary contributions**

Regulation 6.1: Voluntary contributions may be accepted by UNDP from Governments of Member States of the United Nations, of the Specialized Agencies or of the International Atomic Energy Agency.

Regulation 6.2: The Secretary-General of the United Nations shall convene annually a Pledging Conference at which Governments may announce their voluntary contributions to UNDP.

Regulations 3.1-3.16 set forth provisions governing the sources of financing of UNDP. Essentially, they replace Article V of the United Nations Regulations except as indicated for Regulations 3.12 and 3.15 below.
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<tr>
<td>Regulation 6.3.3: Voluntary contributions may be pledged either on an annual basis or for a number of years.</td>
<td>Regulation 6.3: Voluntary contributions may be pledged either on an annual basis or for a number of years.</td>
<td>Present Regulations 6.4 and 6.6 remain unchanged, except for re-numbering, pending completion of negotiations.</td>
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<tr>
<td>Regulation 6.3.4: Voluntary contributions shall be made without limitation as to use by a specific Participating and executing agency, in a specific recipient country or region, or for a specific project. No contributing Government shall receive special treatment with respect to its voluntary contribution nor shall negotiation for the use of currencies contributed to UNDP take place between contributing and recipient Governments.</td>
<td>Regulation 6.5: Voluntary contributions shall be made without limitation as to use by a specific Participating and Executing Agency, in a specific recipient country or for a specific project. No contributing Government shall receive special treatment with respect to its voluntary contribution nor shall negotiation for the use of currencies contributed to UNDP take place between contributing and recipient Governments.</td>
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<td>Regulation 6.3.5: Voluntary contributions shall be made in currencies which are readily usable by UNDP, consistent with the need for efficiency and economy of operations, or convertible to the greatest possible extent into currencies readily usable by UNDP.</td>
<td>Regulation 6.4: Voluntary contributions shall be made in currencies which are readily usable by UNDP, consistent with the need for efficiency and economy of operations, or convertible to the greatest possible extent into currencies readily usable by UNDP.</td>
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Regulation 6.6: The Administrator shall report annually to the Governing Council on the nature of restrictions on the use of voluntary contributions and the extent to which such restrictions have affected the flexibility, efficiency and economy of UNDP operations.

Contributions associated with programme activities

Regulation 7.1; 7.2; 7.3: Recipient Governments shall be expected to assist in defraying costs associated with UNDP supported activities in their countries:

(a) By making additional cash contributions as a separately identified part of their voluntary contributions to UNDP, at such levels as the Governing Council shall recommend, to assist in defraying local costs of a general nature associated with projects and which are payable by UNDP or its executing agencies;

(b) By making available a substantial part of the cost of projects' requirements, normally at least that part payable in local currency. Such contributions for local projects

Regulation 7.3: The Governing Council shall establish the level for cash contributions required from recipient Governments towards local costs. The assessment of such local cost obligations may be waived in full or in part in cases of hardship.

Regulation 7.1: Recipient Governments shall be expected to finance a substantial part of the cost of projects, normally at least that part payable in local currency.

Regulation 7.2: Counterpart contributions required from recipient Governments towards the costs of projects shall normally be made both in cash and in kind. The level and

This Regulation has been amended to reflect the Council's decision taken at its twentieth session (E/5703/Rev. 1, para. 314(e)) to abolish the former "assessed programme costs" and to reflect the policy that additional voluntary contributions for this purpose are expected from recipient countries.

In addition, the three kinds of costs which recipient and host Governments, respectively, are expected to assist in defraying have been revised and reorganized for greater clarity and set forth in proposed Regulations 3.7 and 3.8, replacing present Regulations 7.1, 7.2, 7.3 and 8.2.
Costs may be made either in cash or in kind or both. In the light of policies established by the Governing Council, the level, nature and timing of such counterpart contributions will be determined in agreement with the recipient Government or Governments and will be described, as appropriate, in the relevant project document.

Contributions associated with UNDP field offices

Regulation 3.8: In accordance with the agreements between the Administrator and the host Governments concerned, host Governments shall be expected to finance a substantial portion of the local currency costs of UNDP field offices in cash and in kind. Contributions in kind toward field office costs shall include, for example, land, buildings and other facilities, equipment, materials, supplies, and services; contributions in cash toward field office costs. These latter contributions shall be reflected as income in the biennial budget for UNDP.

Nature of such counterpart contributions will be determined in agreement with the recipient Government and in the light of policies established by the Governing Council. The level, nature and timing of such counterpart contributions will be described, as appropriate, in the relevant project document.

Regulation 8.2: Host Governments shall be expected to finance a substantial portion of the local currency costs of UNDP field offices in accordance with agreements between the Administrator and the host Government concerned.
### Cost sharing contributions

#### Regulation 3.9:
The Administrator is authorized to enter into cost sharing agreements, including third party cost sharing agreements provided these have been accepted by the recipient country or countries, subject to such principles as the Governing Council may establish.

#### Regulation 3.10:
Cost sharing agreements and contributions thereunder shall be subject to the following conditions:

(a) Contributions shall be denominated in United States dollars; however, the Administrator may accept payment in the local currency of a recipient Government or Governments to the extent the Administrator decides it is needed to meet operational requirements;

(b) Contributions shall be paid in advance of the implementation of planned activities, pursuant to an agreement made between the contributor and the Administrator;

(c) In case of default in making the payments required under (b) above,
the IPF of the recipient country or the respective intercountry IPF shall be charged with those project costs which would otherwise have been financed from the cost sharing contribution.

**Assistance on a reimbursable basis**

Regulation 8.1: Whenever the Governing Council has approved assistance to a requesting Government on a refundable basis in respect of a country programme, the requesting Government shall refund the cost of such assistance to UNDP in accordance with an agreement to be concluded between UNDP and the Government concerned.

**Donations**

Regulation 9.1: Donations from non-governmental sources may be accepted by UNDP for purposes consistent with those of the UNDP.

**United Nations Financial Regulations**

Regulation 7.4: Moneys accepted in respect of which no purpose is specified shall be treated as miscellaneous income and reported as "gifts" in the accounts of the financial period.

In the United Nations Financial Regulations, donations are treated together with voluntary contributions (normally related to trust funds) and gifts. These United Nations Regulations (7.2 and 7.3) are

Comments

The Governing Council has re-enforced this method of assistance by its decision 80/30, operative para. 6(d).
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<th>United Nations Financial Regulations</th>
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<tr>
<td>Regulation 9.2/3.13: Where the purpose of a donation is the general support of UNDP and no limitations are imposed by the donor as to its use, the moneys received shall be treated as donations to UNDP for credit to the UNDP Account, as defined in Regulation 2.2 U(i). Donations proposed for specific purposes shall be treated under the provisions for trust funds of Article IV.</td>
<td>Regulation 9.2: No limitation may be imposed by the donor as to use of donations by a specific Participating and Executing Agency, in a specific recipient country, or for a specific project.</td>
<td>quoted against proposed UNDP Article IV.</td>
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<td>Regulation 9.3/3.14: Individual donations of a value in excess of $10,000 shall be accepted only with prior approval of separately identified and reported to the Governing Council.</td>
<td>Regulation 9.3: Individual donations of a value in excess of $10,000 shall be accepted only with the prior approval of the Governing Council.</td>
<td>It is considered that Regulation 3.13 provides the safeguards necessary to permit a post facto reporting to the Governing Council on donations over $10,000 in lieu of the present requirement to seek prior approval of the Governing Council before such a donation may be accepted by the Administrator.</td>
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**Miscellaneous income**

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<tr>
<td>Regulation 10.1/3.15: All income to UNDP shall be classified as miscellaneous income, except:</td>
<td>Regulation 10.1: All income to UNDP except:</td>
<td>Regulation 7.1: All other income except:</td>
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<td>(a) Voluntary contributions; (b) Government contributions in cash;</td>
<td>(a) Voluntary contributions; (b) Government contributions in cash;</td>
<td>(a) Contributions to the programme budget;</td>
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<tr>
<td>(c) Payments toward local costs</td>
<td>(c) Payments toward local costs;</td>
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<tr>
<td>(d) Donations</td>
<td>(d) Donations;</td>
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<tr>
<td>(e) Payments toward UNDP field offices</td>
<td>(e) Payments toward UNDP field offices;</td>
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<tr>
<td>(f) Payments by Governments for refundable assistance</td>
<td>(f) Payments by Governments for refundable assistance;</td>
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<tr>
<td>(a) The income from the items specified in Regulations 3.1 through 3.14;</td>
<td>(g) Direct refunds of expenditures; and</td>
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<tr>
<td>(b) Direct refunds of expenditures in respect of projects and/or during the approved duration of a project, i.e., before the final allocation for UNDP assistance to a project is made;</td>
<td>(b) Direct refunds of expenditures made during the financial period;</td>
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<tr>
<td>(c) Direct refunds of expenditures in respect of the biennial budget during the current biennium;</td>
<td>(c) Advances or deposits to funds; and</td>
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<td>(d) Advances or deposits to funds; and</td>
<td>(d) Revenue derived from the Staff Assessment Plan</td>
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<td>(e) Revenue derived from the Staff Assessment Plan.</td>
<td>(h) Revenue derived from the staff assessment plan</td>
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shall be classed as miscellaneous income. shall be classed as miscellaneous income, for credit to the General Fund.
**Regulation 3.16:** Miscellaneous income shall be credited to the UNDP Account, as defined in Regulation 2.2 U(i), or to such other funds administered by UNDP to which the income accrued or from which it derived.

**Funds**

**ARTICLE IV. TRUST FUNDS**

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<tr>
<td>Regulation 3.4: Trust funds may be established for specified purposes consistent with the policies, aims and activities of UNDP:</td>
<td>Regulation 3.4: Trust funds may be established for specified purposes consistent with the policies, aims and activities of UNDP, subject to the prior approval of the Governing Council in each case. The purpose and limits of each trust fund shall be clearly defined by the Governing Council.</td>
<td>Regulations 4.1-4.4 replace present Regulations 3.4 and 3.6 and are harmonized, as appropriate, with the relevant United Nations Regulations.</td>
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<tr>
<td>(a) By the Governing Council, or</td>
<td>(b) By the Administrator.</td>
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<td>The establishment of a trust fund shall be reported to the Advisory Committee and, when established by the Administrator, to the Governing Council as well.</td>
<td>Regulation 3.6: The Administrator, taking into account the multilateral character of the Programme, is authorized to accept voluntary contributions from States Members of the United Nations or members of specialized agencies as Trust Funds for projects or programmes which</td>
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<td>have received the prior approval or endorsement of the General Assembly and/or the Economic and Social Council provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the Organization shall require the prior consent of the Governing Council and the Governing Council shall be kept informed as to the amount accepted and the funds utilized by the Administrator and also as to the purposes for which such funds were expended.</td>
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**Regulation 4.2:** The purpose and limits of each trust fund shall be clearly defined by the appropriate authority and, unless otherwise specified by the Governing Council, trust funds shall be accepted only on a fully funded basis.

**Regulation 4.3:** The acceptance of contributions or donations as trust funds which directly or indirectly involve additional financial liability for UNDP shall require the consent of the Governing Council.

**Regulation 6.7:** The purpose and limits of each trust fund, reserve and special account shall be clearly defined by the appropriate authority.

**Regulation 7.2:** Voluntary contributions, whether or not in cash, may be accepted by the Secretary-General provided that the purposes for which the contributions are made are consistent with the policies, aims and activities of the Organization, and
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<tr>
<td><strong>Regulation 4.4:</strong> Contributions or donations, other than those identified under Article III, which are accepted for purposes specified by a donor shall be treated as trust funds.</td>
<td><strong>Present:</strong> Contributions or donations, other than those identified under Article III, which are accepted for purposes specified by a donor shall be treated as trust funds.</td>
<td>provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the Organization shall require the consent of the appropriate authority.</td>
</tr>
<tr>
<td><strong>Regulation 7.3:</strong> Moneys accepted for purposes specified by the donor shall be treated as trust funds or special accounts under regulations 6.6 and 6.7.</td>
<td><strong>Present:</strong> Moneys accepted for purposes specified by the donor shall be treated as trust funds or special accounts under regulations 6.6 and 6.7.</td>
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**FINANCIAL PERIODS**

**ARTICLE 117 V. The Financial Year**

**FINANCIAL PERIODS**

**Planning period**

**Regulation 5.1:** UNDP shall have a planning period for the purposes set forth under Article VI. This planning period shall consist of five consecutive calendar years. **Regulation 2.1:** The financial year shall be the period 1 January to 31 December inclusive. **Proposed UNDP Regulations 5.1-5.5 reflect the financial periods for the planning and for the administration of UNDP resources.**
Periods for programme activities

Regulation 5.2: The financial period for the purpose of establishing IPFs (hereinafter referred to as an IPF cycle) shall consist of five consecutive calendar years, which cycle shall coincide with the planning period referred to in Regulation 5.1 above.

Regulation 5.3: To provide for continuity in the programming and implementation of UNDP assistance to projects, the financial period for the purpose of the proposed utilization of resources and of the entering into commitments in respect of programme activities, as defined in Regulation 2.2 (v), shall be the duration of each project as specified in the project document.

Regulation 5.4: The financial period for the purpose of incurring and accounting for expenditures in respect of programme activities, including reimbursement of related agency support costs, shall consist of a single calendar year.
Proposed Utilization of Resources

The overall target for voluntary contributions for each planning period shall be established by the Governing Council, normally two years prior to the beginning of a new planning period.

Regulation 6.2: At least one year prior to the beginning of a new planning period, the Administrator shall submit to the Governing Council for

Regulations 6.1-6.4 set forth the planning process for UNDP resources.
Proposed UNDP Regulations 6.3 and 6.4 replace the provisions of present Regulations 11.1, 11.2 and 11.4.
to meet unforeseen needs, to meet special needs of the least developed of the developing countries, to finance projects or phases of projects, to finance projects of the special industrial services type, and to meet such other purposes as may be determined from time to time by the Governing Council.

PROPOSED UTILIZATION OF RESOURCES

ARTICLE [XIII] VII:
Implementing the UNDP Programme

PROGRAMME ACTIVITIES

Indicative Planning Figures

Regulation 7.1: In submitting his plan for resource utilization to the Governing Council, the Administrator shall propose for the Council's determination separate IPFs for each country and territory entitled to development assistance, for each region, for interregional and global programmes, and for each other category as may be entitled to an IPF under the decisions of the Governing Council.

Regulations 7.1-7.11 set forth provisions governing the planning and approval process for the utilization of UNDP resources for programme activities. These Regulations are parallel to Regulations proposed for inclusion concerning preparation and approval of the biennial budget. (Refer to proposed UNDP Regulations under Article VIII.)
These IPFs shall be calculated using the criteria and methodology endorsed by the Governing Council.

Regulation 7.2: The level of individual IPFs may only be changed by the Governing Council on the basis of principles it shall have established.

Regulation 7.3: To provide for continuity in programming and project implementation, subject to such guidelines as the Governing Council may set forth, the Administrator is authorized to take such measures as are necessary to ensure a smooth transition from one IPF cycle to the next.

Regulation 7.4: At the end of an IPF cycle, any unexpended balance of an individual IPF shall be available to the recipient of that IPF for expenditure in the next cycle; similarly, any over-expenditure in one cycle shall constitute a first charge against the respective IPF approved for the next IPF cycle.

Regulation 7.5: Within the respective amounts approved for individual
intercountry IPFs, the Administrator shall prepare, on the basis of principles laid down by the Governing Council, intercountry programmes to be presented to the Governing Council.

Regulation 7.6: Within the respective amounts approved for individual country IPFs, country programmes shall be prepared by Governments and submitted by the Administrator to the Governing Council for approval. The approval of a country programme by the Governing Council signifies the endorsement of the use of UNDP resources towards the achievement of the development objectives specified therein.

UNDP assistance to projects

Regulation 7.7: Consistent with the objectives set forth in intercountry programmes and country programmes, as approved, the Administrator shall plan for delivery of UNDP assistance to projects at rates expected to achieve the approved levels of the individual IPFs subject to resources reasonably expected to be available.
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<tr>
<td>Regulation 7.8: The Governing Council shall have sole authority to approve UNDP assistance to global projects.</td>
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<td>Regulation 7.9: The Governing Council shall delegate to the Administrator, under such limits as it may from time to time prescribe, the authority to approve UNDP assistance to country, regional and interregional projects.</td>
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<tr>
<td>Regulation /13.1; 13.2, 13.3 and 13.4/ 7.10: UNDP assistance to projects approved under Regulations 7.8 and 7.9 above shall be approved on a partially funded basis consistent with the provisions of Regulation 7.7 above and shall be subject to the following arrangements for project implementation:</td>
<td></td>
<td>Regulation 7.10 replaces present Regulation 13.1-13.4 and reflect current policies regarding Government execution.</td>
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<td>(a) Agreements shall be entered into between UNDP and individual Governments, specifying the general terms and conditions which are to govern UNDP's assistance to projects in their respective countries;</td>
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<td>Regulation 13.1: Arrangements for the execution of projects, including projects to be executed by the requesting Government, shall be subject to the approval or acceptance of the requesting Government or Governments, and shall be specified in agreements with each of those Governments.</td>
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(b) Agreements shall be entered into between UNDP and executing agencies which are organizations of the United Nations system, specifying the general terms and conditions which are to govern UNDP's assistance to projects for which that organization has been designated as an executing agency;

(c) Arrangements for the establishment and financing of a project shall be subject to the agreement of the requesting Government or Governments and UNDP. Arrangements for project implementation shall be subject to the agreement of the requesting Government or Governments, the executing agency, when appropriate, and UNDP and shall be specified in a project document;

(d) Consistent with the overall management responsibility of Governments for their projects, the Administrator shall consult the requesting Government or Governments concerning the implementation of UNDP's assistance to a project. To the extent that responsibility

Regulation 13.4: Detailed arrangements for the execution of each individual project shall be specified in a project document.

Regulation 13.2: Projects shall be executed, whenever possible, by the United Nations, by the specialized agencies concerned, or by the International Atomic Energy Agency. First consideration shall normally be given to these organizations in the selection of the agent by which
for such implementation is not entrusted to the Government or Governments, first consideration in the selection of an executing agency shall normally be given to organizations of the United Nations system. Such selections shall be subject to the agreement of the requesting Government or Governments;

(e) Under conditions established by the Governing Council, the Administrator is also authorized, subject to the agreement of the requesting Government or Governments, to select and assign responsibility for the implementation of UNDP assistance to projects to a governmental or intergovernmental institution or agency not part of the United Nations system, or to UNDP itself, and to contract for such services from other entities, private firms or individuals;

(f) Executing agencies may be reimbursed for their support costs up to levels determined by the Governing Council.

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UNDP assistance to each project will be implemented. Agreements shall be entered into between the Administrator and each Participating and Executing Agency in which the general terms and conditions which are to govern the financing and execution of such projects are specified.

Regulation 13.3: Under conditions established by the Governing Council, the Administrator is also authorized to contract for the services of other agencies, private firms or individual experts in the execution of projects and to assign projects to a Government, a governmental institution or agency for execution. The Administrator shall issue appropriate rules to implement this Regulation.
Regulation 7.11: Approval of UNDP's assistance to a project becomes effective upon signature of the project document by the Government of Governments and UNDP and, where appropriate, by an executing agency or other party selected under Regulation 7.10(e) above.

**PROPOSED UTILIZATION OF RESOURCES**

**ARTICLE VIII: BIENNIAL BUDGET**

**Proposed biennial budget**

Regulation 8.1: The proposed budget for programme support and administrative services, which shall be prepared by the Administrator for each biennium, shall be referred to as the "biennial budget". The biennial budget shall be related to the plan submitted for the current planning period or, should the biennium span more than one planning period, the current and the following period.

Regulation 3.1: The proposed programme budget for each financial period shall be prepared by the Secretary-General.

Regulations 8.1-8.9 are based on United Nations Regulations, appropriately modified for inclusion in the Financial Regulations of UNDP.
Regulation 8.2: The biennial budget shall cover proposed expenditures and anticipated income related to the biennium and shall be presented in United States dollars.

Regulation 8.3: The Administrator shall, in the second year of a biennium, submit his proposed biennial budget for the following biennium to the Governing Council. This proposed biennial budget shall be transmitted to all Members of the Governing Council at least six weeks prior to the opening of that session of the Council.

Regulation 8.4: The Administrator shall also transmit the biennial budget to the Advisory Committee for examination at the same time as it is transmitted to Members of the Governing Council under Regulation 8.3 above.

Regulation 3.2: The proposed programme budget shall cover income and expenditures for the financial period to which they relate and shall be presented in United States dollars.

Regulation 3.4: The Secretary-General shall, in the second year of a financial period, submit his proposed programme budget for the following financial period to the regular session of the General Assembly. This proposed programme budget shall be transmitted to all Member States at least five weeks prior to the opening of that regular session of the General Assembly.

Regulation 3.5: The Secretary-General shall, at least twelve weeks prior to the opening of the regular session of the General Assembly in the second year of a financial period, submit his proposed programme budget for the following financial period to the Advisory Committee on Administrative and Budgetary Questions - (hereinafter referred to as the "Advisory Committee") for examination.
Regulation 8.5: The Advisory Committee is requested to prepare a report to the Governing Council on the proposed biennial budget. This report shall be transmitted to all Members of the Governing Council as soon as it is available.

Regulation 8.6: The Governing Council shall, in the second year of a biennium, adopt the biennial budget for the following biennium.

Form of the proposed biennial budget

Regulation 8.7: The proposed biennial budget shall be divided into programmes and programme components, and shall be accompanied by such information annexes and explanatory statements as the Administrator may deem necessary and useful or as may be requested by the Governing Council.

Regulation 3.6: The Advisory Committee shall prepare a report to the General Assembly on the programme budget proposed by the Secretary-General. This report shall be transmitted to all Member States at the same time as the proposed programme budget.

Regulation 3.7: The General Assembly shall, in the second year of a financial period, adopt the programme budget for the following financial period, after consideration of, and report on, the proposed programme budget by the Administrative and Budgetary Committee of the Assembly.

Regulation 3.3: The proposed programme budget shall be divided into parts, sections, programmes and programme components, and shall be accompanied by such information annexes and explanatory statements as may be requested by, or on behalf of the General Assembly.
Supplementary biennial budget proposals

Regulation 8.8: Supplementary proposals to amend the biennial budget may be submitted by the Administrator whenever necessary.

Regulation 8.9: The Administrator shall prepare supplementary proposals to amend the biennial budget in a form consistent with the approved biennial budget and shall submit such proposals to the Governing Council. They shall also be submitted to the Advisory Committee which is requested to review them and report thereon to the Governing Council.

Present

United Nations
Financial Regulations

and such further annexes or statements as the Secretary-General may deem necessary and useful.

Regulation 3.8: Supplementary programme budget proposals may be submitted by the Secretary-General whenever necessary.

Regulation 3.9: The Secretary-General shall prepare supplementary programme budget proposals in a form consistent with the approved programme budget and shall submit such proposals to the General Assembly. The Advisory Committee shall review the supplementary proposals and report thereon.
APPROVED UTILIZATION OF RESOURCES

ARTICLE /XII/ IX.
Allocation of Funds by the Administrator

ALLOCATIONS FOR PROGRAMME ACTIVITIES

Regulation 12.1: Within limits determined and for purposes specified by the Governing Council, the Administrator may allocate funds to carry out UNDP activities.

Regulation 12.2: Allocations by the Administrator shall constitute a ceiling on commitments to be incurred in connexion with UNDP activities for which those allocations are issued.

Regulations 9.1-9.4 replace present Regulations 12.1 and 12.2. These Regulations set forth provisions governing the validity of allocations in parallel to regulations proposed for inclusion concerning appropriations for the biennial budget (refer to proposed UNDP Regulations under Article X).
the project for which those allocations are issued, the allocation was made.

Regulation 9.3: \(\text{An allocation shall be available for expenditure and for commitment for the duration of the project to which it relates. Following project completion, the project budget shall be revised to reflect actual expenditure incurred and shall constitute the final allocation for UNDP's assistance to the project. The balance of the allocation shall revert to the respective IPF.}\)

Regulation 9.4: \(\text{The final allocation for UNDP's assistance to a project made under the provisions of Regulation 9.3 above shall remain available for the period of time required to discharge any outstanding legal obligation of the project. When all legal obligations against the final allocation have been discharged, any balance shall revert to the UNDP Account and shall be classed as miscellaneous income.}\)
Proposed UNDP Financial Regulations 10.1-10.5 are based on United Nations Regulations 4.1-4.5, appropriately modified.
Regulation 10.4: At the end of the 12-month period provided in Regulation 10.3 above, the then remaining balance of any appropriations retained will revert to the UNDP Account. Any unliquidated obligations of the biennium in question shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

Regulation 10.5: Transfers between the appropriations for the biennium may be made by the Administrator with the concurrence of the Advisory Committee, subject to such limits as the Governing Council may specifically decide.

ADMINISTRATION OF RESOURCES

ARTICLE XI. THE UNDP ACCOUNT

Regulation 6.1: There shall be established a general fund for the purpose of accounting for the expenditures of the Organization. The contributions paid by Member States

United Nations
Financial Regulations

Regulation 4.4: At the end of the twelve-month period provided in Regulation 4.3 above, the then remaining balance of any appropriations retained will be surrendered. Any unliquidated obligations of the financial period in question shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

Regulation 4.5: No transfer between appropriation sections may be made without authorization by the General Assembly.

Proposed Regulation 11.1 is modified to harmonize with United Nations Financial Regulation 6.1.
income in kind, shall be credited from which allocations shall be made and against which all expenditures on behalf of UNDP shall be charged, except for income and expenditures in respect of Funds, Programmes, other entities and trust funds administered by UNDP.

Regulation 3.5 and 11.3
Within the UNDP Account, the following reserves shall be established at levels set by the Governing Council:

(a) There shall be established an Operational Reserve, the purpose of which is to guarantee under all circumstances the financial viability and integrity of UNDP the Programme, to compensate for uneven cash inflows, and to meet such other requirements as may be decided upon by the Governing Council. The Reserve shall be fully funded and held in irrevocable and promptly available liquid assets. The elements to be compensated for and covered by it shall be limited to:

(i) Downward fluctuations or shortfalls in resources;

(ii) Uneven cash flows;

Regulation 11.3: There shall be established an Operational Reserve the purposes of which are to guarantee under all circumstances the financial liquidity and integrity of the Programme, to compensate for uneven cash inflows, and to meet such other requirements as may be decided upon by the Governing Council.

Regulation 3.5: The Operational Reserve authorized under Regulation 3.2 shall be established at the level of $150,000.000 on a fully funded liquid basis.

Comments

Proposed Regulations 11.2 and 11.3 replace present Regulations 3.2, 3.5 and 11.3. Proposed Regulation 11.2 also reflects decision 80/50 of the Governing Council concerning the Operational Reserve as well as the Governing Council's decision to establish a Reserve for Construction Loans to Governments (decision 79/43, E/1979/40, page 163).
(iii) Increases in actual costs as compared to planning estimates or fluctuations in delivery; and

(iv) Other contingencies which result in a loss of resources for which UNDP has made commitments for programming.

The decision to make a drawdown from the Operational Reserve shall rest solely with the Administrator, who will report all drawdowns to the Governing Council at its next regular session and as may otherwise be prescribed by the Council;

(b) A fully funded Reserve for Construction Loans to Governments, for housing for internationally recruited, UNDP-financed field personnel and, exceptionally, for office accommodation. The terms and conditions under which the Administrator may agree to such loans shall be established by the Governing Council. The Administrator shall report annually to the Governing Council on the status of such loans;

(c) Such other reserves as may be approved by the Council.
Regulation 3.2: Within the UNDP Account, separate accounts shall be maintained for:

(a) An Operational Reserve;
(b) A Programme Reserve;
(c) Any other reserves which the Governing Council may approve;
(d) Each trust fund established by the Governing Council.

Regulation 3.3: Working capital shall be provided from the cash resources of the UNDP Account.

United Nations Financial Regulations

Comments

Regulation 11.3: Appropriate separate accounts shall be maintained for all trust funds, reserve and special accounts.

ADMINISTRATION OF RESOURCES

ARTICLE IV. Custody of Funds

V. Investment of Funds

MANAGEMENT OF FUNDS

Custody of funds

Regulation 4.1: The Secretary-General shall act as custodian of the funds in the UNDP Account and shall designate the bank or banks in which such funds shall be kept.

Regulation 8.1: The Secretary-General shall designate the bank or banks in which the funds of the Organization shall be kept.
Proposed

Regulation 12.2: Such authority as the Secretary-General may delegate with respect to custody of funds may be accepted by written agreement of the Administrator, if such delegation would facilitate the efficient and effective management of UNDP funds.

Management of currencies

Regulation 12.3: In agreement with the Administrator, the Secretary-General may, in the absence of restrictions imposed by contributing Governments, exchange UNDP currencies between UNDP funds and funds of other organizations in the United Nations system, with other funds for which the Secretary-General is the custodian and, when required, utilize currencies in the UNDP Account to purchase other currencies.

Regulation 12.4: The Administrator and the Participating and Executing Agencies shall endeavor, consistent with the need for efficiency and economy of operations, to make the

Present

Regulation 4.2: In agreement with the Administrator, the Secretary-General may, in the absence of restrictions imposed by contributing Governments, exchange UNDP currencies with other funds for which the Secretary-General is the custodian and, when required, utilize currencies in the UNDP Account to purchase other currencies.

Regulation 4.3: The Administrator and the Participating and Executing Agencies shall endeavor, consistent with the need for efficiency and economy of operations, to make the

Comments

Regulation 12.2 is desirable in recognition of the Secretary-General's delegation of authority to the Administrator of certain custodial functions.

No substantive change. This function has been delegated by the Secretary-General to the Administrator.

Present Regulation 4.3 essentially remains unchanged, except for re-numbering pending completion of negotiations (Refer proposed UNDP Regulations 3.5 and 3.6).
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<td>to make the fullest possible use of all available currencies in the UNDP Account.</td>
<td>fullest possible use of all available currencies in the UNDP Account.</td>
<td>Regulations 12.5-12.8 are modified to reflect the policy of the UNDP to place moneys mainly in such short-term instruments as would meet UNDP's liquidity needs and the absolute requirement of safety and availability. Regulation 12.5 is also modified to harmonize with United Nations Regulation 9.1. (Refer discussion in the Governing Council and the observations of the Administrator in Committee E/1979/40 p. 79/80).</td>
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Placement of funds

Regulation 5.1: Account being taken of the objectives of the UNDP and the special requirements of its operations including liquidity, moneys not required immediately may be placed mainly in short-term instruments by the Secretary-General, in consultation with the Administrator, in a manner consistent with the Financial Regulations and policies of the United Nations.  

Regulation 9.1: The Secretary-General may make short-term investments of moneys not needed for immediate requirements and shall inform the Advisory Committee periodically of such investments which he has made.  

Regulation 9.2: The Secretary-General may, after consultation with the Investments Committee, make long-term investments of moneys standing to the credit of trust funds, reserves and special accounts, except as may be otherwise provided by the appropriate authority in respect of each such fund or account and having regard to the particular requirements as to the liquidity of funds in each case.  

Regulation 5.2: Within limits and under terms established by the Governing Council, investments may be made in the form of participation.

Regulations 3.1-12.8 are modified to reflect the policy of the UNDP to place moneys mainly in such short-term instruments as would meet UNDP's liquidity needs and the absolute requirement of safety and availability. Regulation 12.5 is also modified to harmonize with United Nations Regulation 9.1. (Refer discussion in the Governing Council and the observations of the Administrator in Committee E/1979/40 p. 79/80).
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<td>funds may be placed in the form of participation in development loans by international or regional development banks or in loans to assist Governments in the construction of housing for experts or in loans provided under the terms and conditions of the Reserve for Construction Loans to Governments set forth in Regulation 11.2(b).</td>
<td>in development loans by international or regional development banks or in loans to assist Governments in the construction of housing for experts.</td>
<td>The portion of the present Regulation which previously authorized loans to Governments for the housing of experts is replaced by the reference to the new Reserve for Construction Loans to Governments covered under Regulation 11.2(b).</td>
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<tr>
<td>Regulation 5.3: The specific advance approval of the Governing Council shall be required for any loan not clearly authorized under the provisions of these Regulations.</td>
<td>Regulation 5.3: The specific advance approval of the Governing Council shall be required for any loan not clearly authorized under the provisions of Regulations 5.1 and 5.2.</td>
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<td>Regulation 5.4: Income derived from investments other than trust fund investments shall be credited to the general resources of UNDP. Income derived from investments of trust funds shall be credited in accordance with the terms and conditions of the trust funds concerned.</td>
<td>Regulation 9.3: Income derived from investments shall be credited as provided in the rules relating to each fund or account.</td>
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ADMINISTRATION OF RESOURCES

ARTICLE XIII.
INTERNAL CONTROL

Regulation 13.1: The Administrator shall:
(a) Establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy;
(b) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received, and that payments have not previously been made;
(c) Designate the officers who may receive moneys, incur obligations or commitments and make payments on behalf of UNDP;
(d) Maintain an internal financial control which shall provide for an effective current examination and review of financial transactions in order to ensure:
(i) The regularity of the receipt, custody and disposal of all funds and other financial resources of UNDP;

Regulation 10.1: The Secretary-General shall:
(a) Establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy;
(b) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services of goods have been received, and that payments have not previously been made;
(c) Designate the officers who may receive moneys, incur obligations and make payments on behalf of the Organization;
(d) Maintain an internal financial control which shall provide for an effective current examination and/or review of financial transactions in order to ensure:
(i) The regularity of the receipt, custody and disposal of all funds and other financial resources of the Organization;

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<td>(ii) The conformity of expenditures and commitments with the allocations, appropriations or other financial provisions decided upon by the Governing Council;</td>
<td>(ii) The conformity of obligations and expenditures with the appropriations or other financial provisions voted by the General Assembly or with the purposes and rules relating to trust funds and special accounts;</td>
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<td>(iii) The economic use of the resources of UNDP.</td>
<td>(iii) The economic use of the resources of the Organization.</td>
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**Regulation 13.2:** Expenditures for the current year and commitments for future years shall be incurred only after allocations for programme activities, allotments in respect of the biennial budget or other appropriate authorizations have been made in writing under the authority of the Administrator.

**Regulation 10.2:** No obligations shall be incurred until allotments or other appropriate authorizations have been made in writing under the authority of the Secretary-General.

**Regulation 13.3:** The Administrator may make such *ex gratia* payments not exceeding $20,000 as he deems to be necessary in the interest of the Organization, provided that a statement of such payments shall be submitted to the General Assembly and the Governing Council with the annual accounts.

**Regulation 14.5:** The Administrator may make such *ex gratia* payments not exceeding $20,000 as he deems to be necessary in the interest of the Organization, provided that a statement of such payments shall be submitted to the General Assembly and the Governing Council, with the annual accounts.

**Regulation 10.3:** The Secretary-General may make such *ex gratia* payments as he deems to be necessary in the interest of the Organization, provided that a statement of such payments shall be submitted to the General Assembly with the accounts.

This Regulation, in addition to being changed to harmonize with United Nations Regulation 10.3, would remove the limit on the Administrator's discretion in this regard.
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<td>Regulation 14.6: The Administrator may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the Board of Auditors with the annual accounts.</td>
<td>Regulation 14.6: The Administrator may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the Auditors with the annual accounts.</td>
<td>This Regulation has been changed to reflect General Assembly resolution 2688 (XXV), para.44.</td>
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<td>Regulation 13.5: In conformity with decisions taken and guidelines issued by the Governing Council as approved or endorsed by the General Assembly, the Administrator shall be responsible for the purchasing of equipment and supplies and the contracting of services where budgetary provision has been made in the UNDP biennial budget for programme support and administrative costs and in the budgets of projects which UNDP itself executes. The Administrator shall issue appropriate financial rules to implement this Regulation.</td>
<td>Regulation 13.5: The Administrator shall be responsible for the purchasing of equipment and supplies and the contracting of services where budgetary provision has been made in the UNDP budget for programme support and administrative costs and in the budgets of projects which UNDP itself executes. The Administrator shall issue appropriate financial rules to implement this Regulation.</td>
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United Nations
Financial Regulations

Regulation 10.4: The Secretary-General may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the Auditors with the accounts.

Regulation 10.5: Tenders for equipment, supplies and other requirements shall be invited by advertisement, except where the Secretary-General deems that, in the interests of the Organization, a departure from the rule is desirable.
ADMINISTRATION OF RESOURCES

ARTICLE XIV.
EXECUTING AGENCIES

Regulation 14.1: The administration by Participating and Executing agencies of funds obtained from or through UNDP activities covered by allocations issued to them by the Administrator shall be carried out under their respective financial regulations, rules, practices and procedures to the extent that they are appropriate. Where the financial governances of an executing agency do not provide the required guidance, those of UNDP shall apply.

Regulation 14.2: Each Participating and Executing agency shall maintain such accounts and records as are necessary to enable it to report on the financial status of allocations issued by the Administrator to cover UNDP activities executed by it, including in particular the balance of recorded allocations, expenditures and unliquidated commitments.

Regulation 14.3: Each Participating and Executing Agency shall maintain such accounts and records as are necessary to enable it to report on the financial status of allocations issued by the Administrator to cover UNDP activities executed by it, including in particular the balance of recorded allocations, commitments, expenditures and unliquidated commitments.

Regulation 14.4: The administration by Participating and Executing Agencies of UNDP activities covered by allocations issued to them by the Administrator shall be carried out under their respective financial regulations, rules, practices and procedures to the extent that they are appropriate.
Regulation 14.3: To ensure the uniformity and usability of data required for UNDP management purposes, the Administrator is authorized, after consultation with the executing agencies, to specify the basis, content and periodicity of reports on funds obtained from or through UNDP which are to be submitted by executing agencies.

Regulation 14.4: Notwithstanding the provisions of Regulation 14.1, the Administrator may issue guidelines regarding the procurement of equipment, supplies and services in accordance with principles approved by the General Assembly with respect inter alia to equitable geographical distribution, consistent with maximum effectiveness. Such guidelines shall be drawn up in consultation with the executing agencies which are organizations of the United Nations system.

United Nations Financial Regulations

Comments

Regulations 14.3-14.4 are proposed for inclusion in recognition of the Administrator's responsibility and accountability for UNDP resources.
ADMINISTRATION OF RESOURCES

ARTICLE XIV/ XV: THE ACCOUNTS

Regulation 14.1(17): The Administrator shall submit accounts annually in respect of the UNDP Account and in respect of all other funds administered by UNDP showing:

(a) The income and expenditures;
(b) The assets and liabilities;
(c) The status of allocations for programme activities and the amounts charged against those allocations;
(d) The status of appropriations approved by the Governing Council for the biennial budget and the amounts charged against those appropriations.

Regulation 11.1: The Secretary-General shall submit accounts for the financial period. In addition, he shall maintain, for management purposes, such accounting records as are necessary, including interim accounts for the first calendar year of the financial period. Both the interim accounts and the accounts for the financial period shall show:

(a) The income and expenditures of all funds;
(b) The status of appropriations, including:
   (i) The original budget appropriations;
   (ii) The appropriations as modified by any transfers;
   (iii) Credits, if any, other than the appropriations voted by the General Assembly;
   (iv) The amounts charged against those appropriations and/or other credits;
(c) The assets and liabilities of the Organization.

Proposed Regulations 15.1-15.3 have been harmonized with United Nations Regulations 11.1, 11.2 and 11.4.
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<td>The Administrator shall also give such other information as may be appropriate to indicate the current financial position and shall maintain such accounts and records as are necessary to enable him to report to the Governing Council and the General Assembly on the financial status of funds administered by UNDP.</td>
<td>Regulation 14.1: The Administrator shall maintain such accounts and records as are necessary to enable him to report to the Governing Council and the General Assembly on the financial status of the United Nations Development Programme.</td>
<td>He shall also give such other information as may be appropriate to indicate the current financial position of the Organization.</td>
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<td>Regulation 14.2: Financial reports on the United Nations Development Programme shall be presented in United States dollars. Accounting records may, however, be maintained in such currency or currencies as the Administrator may deem necessary.</td>
<td>Regulation 14.2: Financial reports on the United Nations Development Programme shall be presented in United States dollars. Accounting records may, however, be maintained in such currency or currencies as the Administrator may deem necessary.</td>
<td>Regulation 11.2: The accounts of the Organization shall be presented in United States dollars. Accounting records may, however, be kept in such currency or currencies as the Secretary-General may deem necessary.</td>
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<td>Regulation 11.4: The accounts for the financial period shall be submitted by the Secretary-General to the Board of Auditors not later than 31 March following the end of the financial year.</td>
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EXTERNAL AUDIT

ARTICLE XVI:

The External Audit provisions of Article XII of the United Nations Financial Regulations have been annexed for information to these Regulations and shall mutatis mutandis apply to UNDP, except that:

(a) The reports of the Board of Auditors, together with the audited financial statements and the comments thereon of the Advisory Committee, shall also be transmitted to the Members of the Governing Council;

(b) The Participating and Executing agencies which are organizations of the United Nations system shall transmit to the Administrator for submission to the Governing Council annual accounts showing

Regulation 15.1: The annual accounts showing the financial status of the United Nations Development Programme, with audit certificate and report, if any, from the United Nations Board of Auditors, shall be transmitted to the Governing Council, the Advisory Committee on Administrative and Budgetary Questions and the United Nations General Assembly by the Administrator.

Regulation 15.2: The Participating and Executing Agencies shall transmit to the Administrator for submission to the Governing Council annual accounts showing the status of funds allocated to them by the

Regulation 16.1 has been modified to conform with present UNDP practice as well as the recognized applicability to UNDP of the United Nations Financial Regulations governing External Audit. The full text of the applicable United Nations External Audit Regulations are included as an Information Annex to these Regulations.
the status of funds allocated to them by the Administrator for the execution of UNDP activities. Such accounts shall bear audit certificates from the Participating and Executing Agencies' External Auditors and shall be accompanied by their reports, if any, and copies of any relevant resolutions adopted by their legislative or governing bodies.

(c) In submitting the above annual accounts to the Governing Council, the Administrator shall comment on the Auditors' substantive observations and on their follow-up;

(d) Notwithstanding (b) and (c) above, executing agencies which are organizations of the United Nations system and which have adopted a biennial financial period but which do not receive audit certificates covering the accounts of the first year of the biennium shall submit unaudited interim accounts for that year.

Regulation 16.1(c) incorporates the essence of Governing Council decision 80/39, operative para. 3.
Proposed

Regulation 15.3: The planning of audits required by Regulations 15.1 and 15.2 above shall be the responsibility of the External Auditors of the organizations concerned and their co-ordination shall be exercised by the Panel of External Auditors of the United Nations and the Participating and Executing Agencies. The audits shall be conducted in accordance with the principles governing the audit procedures of the United Nations and the Participating and Executing Agencies.

Present

Regulation 15.3: The planning of audits required by Regulations 15.1 and 15.2 above shall be the responsibility of the External Auditors of the organizations concerned and their co-ordination shall be exercised by the Panel of External Auditors of the United Nations and the Participating and Executing Agencies. The audits shall be conducted in accordance with the principles governing the audit procedures of the United Nations and the Participating and Executing Agencies.

Comments

As indicated in proposed UNDP Regulation 14.1, the financial regulations and rules of the executing agencies shall apply to funds obtained from or through UNDP. Consequently, the provisions contained therein governing the external audit of their activities apply. Additionally, the planning and co-ordination of external audits by the Panel of External Auditors is carried out under the Panel’s mandate as established by General Assembly Resolution 1438(XIV). In light of the above, present Regulation 15.3 is proposed for deletion.

Regulation 16.2: Governments which are executing agencies, and other parties selected for project implementation under Regulation 7.10(e), shall require their auditors, to the extent feasible, to follow the audit principles and procedures prescribed for the United Nations with respect to funds obtained from or through UNDP and shall submit any such audit reports annually together with the reports specified in the project document and under Article XIV of these Regulations.
FINANCIAL REGULATIONS OF
THE UNITED NATIONS DEVELOPMENT PROGRAMME

INFORMATION ANNEX

United Nations Financial Regulations

ARTICLE XII. EXTERNAL AUDIT

Appointment of a Board of Auditors

Regulation 12.1: The General Assembly shall appoint a Board of Auditors to perform the audit of the accounts of the United Nations. This Board shall consist of three members, each of whom shall be the Auditor-General (or officer holding the equivalent title) of a Member State.

Tenure of office of the members of the Board of Auditors

Regulation 12.2: The members of the Board of Auditors shall be elected for a three-year term of office. The term of office shall commence on 1 July and expire on 30 June three years subsequent thereto. The term of office of one of the Members shall expire each year. Consequently, the General Assembly shall elect each year a member to take office from 1 July of the following year.

Regulation 12.3: If a member of the Board of Auditors ceases to hold office as Auditor-General (or equivalent title) in his own country, his tenure of office shall thereupon be terminated and he shall be succeeded as a member of the Board by his successor as Auditor-General. A Board member may not otherwise be removed during his tenure of office except by the General Assembly.

Scope of audit

Regulation 12.4: The audit shall be conducted in conformity with generally accepted common auditing standards and, subject to any special directions of the General Assembly, in accordance with the additional terms of reference set out in the annex to the present Regulations.

Regulation 12.5: The Board of Auditors may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization.

Regulation 12.6: The Board of Auditors shall be completely independent and solely responsible for the conduct of the audit.

Regulation 12.7: The Advisory Committee may request the Board of Auditors to perform certain specific examinations and issue separate reports on the results.
Facilities
Regulation 12.8: The Secretary-General shall provide the Board of Auditors with the facilities it may require in the performance of the audit.

Regulation 12.9: For the purpose of making a local or special examination or of effecting economies in the audit cost, the Board of Auditors may engage the services of any national Auditor-General (or equivalent title) or commercial public auditors of known repute, or any other person or firm who, in the opinion of the Board, is technically qualified.

Regulation 12.10: The Board of Auditors shall issue a report on the audit of the financial statements and relevant schedules relating to the accounts for the financial period, which shall include such information as the Board deems necessary with regard to matters referred to in regulation 12.5 and in the additional terms of reference.

Regulation 12.11: The reports of the Board of Auditors shall be transmitted to the General Assembly through the Advisory Committee, together with the audited financial statements, in accordance with any directions given by the Assembly. The Advisory Committee shall examine the financial statements and the audit reports and shall forward them to the Assembly with such comments as it deems appropriate.

Audit assignment allocation
Regulation 12.12: The Board of Auditors shall, subject to the concurrence of the Advisory Committee, allocate and rotate the audit work among the members of the Board.

ANNEX TO THE UNITED NATIONS FINANCIAL REGULATIONS

Additional terms of reference governing the audit of the United Nations

1. The Board of Auditors shall perform jointly and severally such audit of the accounts of the United Nations, including all trust funds and special accounts, as it deems necessary in order to satisfy itself:

   (a) That the financial statements are in accord with the books and records of the Organization;

   (b) That the financial transactions reflected in the statements have been in accordance with the Rules and Regulations, the budgetary provisions and other applicable directives;

   (c) That the securities and moneys on deposit and on hand have been verified by certificate received direct from the Organization's depositaries or by actual count;
(d) That the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereupon;

(e) That procedures satisfactory to the Board of Auditors have been applied to the recording of all assets, liabilities, surpluses and deficits.

2. The Board of Auditors shall be the sole judge as to the acceptance in whole or in part of certifications and representations by the Secretary-General and may proceed to such detailed examination and verification as it chooses of all financial records, including those relating to supplies and equipment.

3. The Board of Auditors and its staff shall have free access at all convenient times to all books, records and other documentation which are, in the opinion of the Board of Auditors, necessary for the performance of the audit. Information which is classified as privileged and which the Secretary-General (or his designated senior official) agrees is required by the Board for the purposes of the audit and information classified as confidential shall be made available on application. The Board of Auditors and its staff shall respect the privileged and confidential nature of any information so classified which has been made available and shall not make use of it except in direct connexion with the performance of the audit. The Board may draw the attention of the General Assembly to any denial of information classified as privileged which, in its opinion, was required for the purpose of the audit.

4. The Board of Auditors shall have no power to disallow items in the accounts but shall draw to the attention of the Secretary-General for appropriate action any transaction concerning which it entertains doubt as to legality or propriety. Audit objections, to these or any other transactions, arising during the examination of the accounts shall be communicated immediately to the Secretary-General.

5. The Board of Auditors (or such of its officers as it may designate) shall express and sign an opinion in the following terms:

"We have examined the following appended financial statements, numbered to , properly identified, and relevant schedules of name of the body for the financial period ended 31 December 19. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of our examination, we are of the opinion that the financial statements properly reflect the recorded financial transactions for the financial period, which transactions were in accordance with the Financial Regulations and legislative authority, and present fairly the financial position as at 19,

adding, should it be necessary:

"subject to the observations in our foregoing report".

The report of the Board of Auditors on the financial statements should mention:
(a) The type and scope of its examination;

(b) Matters affecting the completeness or accuracy of the accounts, including where appropriate:

(i) Information necessary to the correct interpretation of the accounts;
(ii) Any amounts which ought to have been received but which have not been brought to account;
(iii) Any amounts for which a legal or contingent obligation exists and which have not been recorded or reflected in the financial statements;
(iv) Expenditures not properly substantiated;
(v) Whether proper books of accounts have been kept — where in the presentation of statements there are deviations of a material nature from the generally accepted accounting principles applied on a consistent basis, these should be disclosed;

(c) Other matters which should be brought to the notice of the General Assembly, such as:

(i) Cases of fraud or presumptive fraud;
(ii) Wasteful or improper expenditure of the Organization's money or other assets (notwithstanding that the accounting for the transaction may be correct);
(iii) Expenditure likely to commit the Organization to further outlay on a large scale;
(iv) Any defect in the general system or detailed regulations governing the control of receipts and disbursements or of supplies and equipment;
(v) Expenditure not in accordance with the intention of the General Assembly after making allowance for duly authorized transfers within the budget;
(vi) Expenditure in excess of appropriations as amended by duly authorized transfers within the budget;
(vii) Expenditure not in conformity with the authority which governs it;

(d) The accuracy or otherwise of the supplies and equipment records as determined by stock-taking and examination of the records;

(e) If appropriate, transactions accounted for in a previous year concerning which further information has been obtained or transactions in a later year concerning which it seems desirable that the General Assembly should have early knowledge.

7. The Board of Auditors may make such observations with respect to its findings resulting from the audit and such comments on the Secretary-General's financial report as it deems appropriate to the General Assembly or to the Secretary-General.

8. Whenever the scope of audit of the Board of Auditors is restricted, or whenever the Board is unable to obtain sufficient evidence, it shall refer to the matter in its report, making clear the reasons for its comments and the effect on the financial position and the financial transactions as recorded.

9. In no case shall the Board of Auditors include criticism in its report without first affording the Secretary-General an adequate opportunity of explanation on the matter under observation.