GOVERNING COUNCIL
Twenty-eighth session
June 1981
Agenda item 9

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

UNDP Financial Regulations and Rules

Background note on trust funds, Funds and Programmes administered by UNDP

1. In paragraph 2 of DP/552, the Administrator raised the issue of the applicability of the UNDP Financial Regulations to trust funds, Funds and Programmes entrusted to the UNDP for administration as well as the delegation of authority by the General Assembly to the Governing Council to formulate financial regulations in their respect. Specifically paragraph 2 states:

"The primary objective of the new revision was to develop a set of Financial Regulations that would meet the long-term requirements of UNDP, including the programme and project management areas which were not sufficiently covered in the previous draft provided to the Council. The Administrator considered that, for practical administrative reasons as well as for reasons of efficiency and economy, these Regulations should also cover trust funds, as well as Funds and Programmes (e.g. the United Nations Capital Development Fund, the United Nations Revolving Fund for Natural Resources Exploration and the United Nations Volunteers Programme) established by the General Assembly and entrusted to UNDP for administration. However, whereas in certain instances the General Assembly has delegated to the Governing Council the authority to formulate Financial Regulations to govern Funds or Programmes entrusted to UNDP for administration, such delegation does not appear to exist, at least not clearly, in all applicable instances. Therefore, the Governing Council may wish to request the General Assembly to authorize it to formulate Financial Regulations in respect of all funds administered by UNDP, i.e. for those Funds and Programmes already entrusted to UNDP for administration as well as for those Funds, Programmes or other entities that the General Assembly or the Secretary-General may decide to so entrust in the future."

2. The purpose of this paper is to provide the relevant background information to the Governing Council on this issue.

3. The Office of Legal Affairs of the United Nations has suggested that the Governing Council note that UNFPA has been excluded from UNDP's proposed Financial Regulations. UNFPA has its own Financial Regulations and Rules which were promulgated by the Governing Council under the explicit authority of the General Assembly.
4. A review of the enabling resolutions and other documentation suggests that trust funds, Funds and Programmes currently administered by UNDP may be grouped into three categories as follows:

(a) Trust funds, Funds or Programmes where the UNDP Financial Regulations clearly apply and where the Governing Council has the authority to formulate any necessary amendments thereto to take into account the special requirements of the funds in question;

(b) Trust funds where the United Nations Financial Regulations clearly apply;

(c) Funds or Programmes established by the General Assembly where there is no clear guidance as to the applicable Financial Regulations or explicit authority delegated to the Governing Council to formulate appropriate Financial Regulations.

Trust funds, Funds or Programmes where the UNDP Financial Regulations clearly apply, and where the Governing Council has the authority to formulate any necessary amendments thereto to take into account the special requirements of the funds in question

5. This category may be further subdivided into three groups:

a. Explicit guidance provided by the General Assembly

The Interim Fund for Science and Technology is the only instance in this sub-category. Section IX F, paragraph 50 of the annex to General Assembly resolution 34/218 of 19 December 1979 reads:

"The financial rules and regulations governing the Interim Fund shall be those of the Financial Regulations and Rules of the United Nations Development Programme. Any amendments which may be necessary to take account of the special requirements of the Interim Fund's operation shall be drafted by the Administrator and submitted for consideration to the Governing Council of the United Nations Development Programme, which shall report accordingly to the Committee (Intergovernmental Committee on Science and Technology for Development) and the General Assembly."

b. Trust funds established by the UNDP Governing Council

This sub-category includes the Special Measures Fund for Least Developed Countries (Governing Council decision E/5185/Rev.1, para. 137) and the Energy Account (Governing Council decision 80/27).

c. Trust funds entrusted by the Secretary-General to UNDP for administration

Included in this sub-category are a number of trust funds established prior to 1974 when the United Nations carried out accounting functions on behalf of UNDP. In 1974, the UNDP assumed accounting responsibility for these
Funds. Trust funds in this category are: the Fund of the United Nations for the Development of West Irian, the United Nations Trust Fund for Operational Programmes in Lesotho, the United Nations Trust Fund for the Provision of Operational (OPEX) Personnel in Swaziland, the United Nations Special Relief Office in Bangladesh - Residual Funds, the United Nations Korean Reconstruction Agency - Residual Assets, Trust Fund Programme for the Republic of Zaire, the Trust Fund for Assistance to Colonial Countries and Peoples, the United Nations Trust Fund for the Nationhood Programme of the Fund for Namibia, the UNDP Trust Fund for Projects financed by the Voluntary Fund for the United Nations Decade for Women, and the Children’s Famine Relief in Uganda (Trust Fund).

This sub-category also includes the United Nations Trust Fund for Sudano-Sahelian Activities. The Trust Fund was established pursuant to General Assembly resolution 3253 (XXIX) of 4 December 1974 and Economic and Social Council resolution 1918 (LVIII) of 9 May 1975. Neither resolution makes any reference to financial regulations. However, paragraph 4 of the Secretary-General’s Bulletin on the transfer of the Sahelian office to the UNDP (ST/SGB/153 of 7 October 1976) provides that the operations of the offices financed from the Fund "shall be subject to the relevant operational procedures and financial regulations and rules of UNDP."

The Office of Financial Services has confirmed that it is the policy of the United Nations that UNDP Financial Regulations and Rules apply to trust funds entrusted by the Secretary-General to the UNDP for administration.

**Trust funds where the United Nations Financial Regulations clearly apply**


   a. **United Nations Special Fund for Land-Locked Development Countries**

   Article 9, paragraph 2 of the annex to the Statute of the United Nations Special Fund for Land-Locked Developing Countries approved by General Assembly resolution 31/177 of 21 December 1976 reads as follows:

   "Pending approval by the General Assembly of financial regulations for the Fund, the Financial Regulations and Rules of the United Nations shall apply."

   b. **United Nations Capital Development Fund**

   Established by General Assembly resolution 2186 (XXI) of 13 December 1966. Article XI entitled "Financial Administration" reads as follows:
"The financial regulations for the Capital Development Fund shall be drafted by the Secretary-General of the United Nations in consultation with the Managing Director, for approval by the General Assembly on the recommendation of the Executive Board. In the preparation of these regulations, account shall be taken of the special requirements of the Capital Development Fund's operations."

Subsequently, the application of United Nations Financial Regulations and Rules was specifically approved as an interim measure. Chapter VIII of the Administrator's report to the sixth session (11-28 June 1968) of the Governing Council on the Capital Development Fund (DP/L.82) reads in part as follows:

"In view of the provisional nature of the responsibilities of the Governing Council and the Administrator for the operation of the United Nations Capital Development Fund and the limited resources now available for this purpose, the Secretary-General is of the view that the preparation of special financial regulations would not be necessary at this stage. The preferable course would seem to be to proceed on the basis that the financial regulations called for in Article XI of resolution 2186 (XXI) are intended to be regulations suitable for the full independent operations of the United Nations Capital Development Fund. Hence their preparation and submission to the General Assembly should be deferred until the resources of the United Nations Development Fund have reached a sufficient level to warrant such operations."

"Until the commencement of such operations are approved, the Secretary-General believes that the initial activities of the United Nations Capital Development Fund can be provided for satisfactorily under the United Nations Financial Regulations and Rules."

At the 150th meeting of its seventh session (9 - 23 January 1969), the Governing Council approved the interim financial regulations of the Fund in accordance with the arrangements set forth in chapter VIII of the Administrator's report to the sixth session (E/4609, page 61).

Funds or Programmes established by the General Assembly where there is no clear guidance as to the applicable financial regulations, or explicit authority delegated to the Governing Council to formulate appropriate financial regulations


a. United Nations Revolving Fund for Natural Resources Exploration

General Assembly resolution 3167 (XXVII) of 17 December 1973 provides in paragraph 2:
"Requests the Secretary-General, in close collaboration with the Administrator of the United Nations Development Programme and taking due account of the views of the appropriate organs and agencies of the United Nations system, to prepare operational procedures and administrative arrangements for the Revolving Fund for approval by the Governing Council of the Programme at its eighteenth session."

b. United Nations Volunteers Programme

Paragraph I of the Economic and Social Council resolution 1444 (XLVII) of 31 July 1969 preceding General Assembly resolution 2659 (XXV) of 7 December 1970 establishing the United Nations Volunteers, states:

"Invites the Secretary-General, in co-operation with the Administrator of the United Nations Development Programme and in consultation with the heads of those other organizations of the United Nations system particularly concerned with volunteers and with the further assistance of such expert consultants as he may deem necessary, to study the constitutional administrative and various financial arrangements mentioned in his note for the creation of an international corps of volunteers and to submit his report and recommendations to the Council at its forty-ninth session, through the Governing Council of the United Nations Development Programme."

The Secretary-General's report to the Economic and Social Council at its forty-ninth session, transmitted through the Governing Council of UNDP at its tenth session, makes no specific reference to financial regulations in respect of the United Nations Volunteers, except to mention broadly that "his recommendations called for a central direction of United Nations Volunteers by the UNDP and decentralized administrative machinery which would utilize the experience of existing volunteer-sending bodies and their principal co-ordinating organizations." (Report of the tenth session of the UNDP Governing Council, chapter VIII, para. 130).

8. As indicated in paragraph 2 of DP/552, quoted in paragraph 1 above, the Administrator considered that for practical administrative reasons as well as for reasons of efficiency and economy, the UNDP Financial Regulations should apply to trust funds, Funds and Programmes administered by UNDP. The enabling resolution for the Interim Fund for Science and Technology (ref. para. 4 (a) above) provides, in the greatest measure, the legislative authority which enables the UNDP to administer the Fund in the most efficient manner, i.e., the resolution states that the UNDP Financial Regulations apply while providing for necessary amendments to the UNDP Regulations to be drafted by the Administrator and submitted to the Governing Council for consideration followed by a report thereon to the General Assembly. The resolution does not state, however, that the Governing Council is to approve the relevant regulations.

9. Having regard to the background information provided in this paper, the Governing Council may wish to request the General Assembly to authorize it to formulate Financial Regulations in respect of all funds administered by UNDP as described in paragraph 1 above.