

# UNITED NATIONS DEVELOPMENT PROGRAMME



# UNDP

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S U P P O R T

## FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

### UNDP FINANCIAL REGULATIONS

#### Actions taken to implement decision 81/28 in respect of trust funds

#### Report of the Administrator

#### Summary

This report summarizes the actions taken by the Administrator in response to operative paragraphs 3, 4, and 5 of decision 81/28, taken by the Governing Council at its twenty-eighth session. The report contains, as annexes, a copy of General Assembly resolution 36/227 which, inter alia, authorizes the Governing Council to adopt Financial Regulations in respect of all funds administered by UNDP, a set of brief guidelines on the fundamental principles and bases under which he would exercise his authority to establish trust funds, granted under the provisions of financial regulation 5.1, and information on those funds which he has established.

Request to the General Assembly to authorize the Governing Council  
to adopt financial regulations for all funds administered by UNDP

1. In operative paragraph 3 of decision 81/28, the Council requested the General Assembly to authorize the Governing Council of UNDP to formulate financial regulations in respect of all funds administered, or to be administered in future, by UNDP, thereby amending, in particular, relevant provisions of past General Assembly resolutions relating to the United Nations Special Fund for Land-locked Developing Countries and to the United Nations Capital Development Fund. This matter was presented to the Fifth Committee of the General Assembly at its thirty-sixth session in 1981 and a copy of General Assembly resolution 36/227 which was adopted at that session is provided as annex I to this document.

Annexes to the UNDP financial regulations for  
funds administered by UNDP

2. In operative paragraph 4 of decision 81/28, the Council requested the Administrator, should the General Assembly take the action requested in operative paragraph 3, to prepare, where appropriate, annexes to the UNDP financial regulations concerning the unique requirements of the funds and programmes entrusted to UNDP for administration, for consideration and approval by the Governing Council after being reviewed by the Advisory Committee on Administrative and Budgetary Questions. During the discussion of this aspect of the financial regulations at the twenty-eighth session of the Council, representatives of the UNDP administration informed the Council that it might not be possible to submit such annexes to the Council at the twenty-ninth session in view of the volume and critical nature of the work involved (see paragraph 39 of DP/567). It has, in fact, not proved possible to submit such annexes and in document DP/1982/35, the Administrator has suggested that this could best be done in the light of experience gained with various possible arrangements discussed in that paper (see paragraph 29).

Guidelines for the establishment of trust funds  
by the Administrator

3. In operative paragraph 5 of decision 81/28, the Council requested the Administrator to present to the Council at its twenty-ninth session brief guidelines setting forth the fundamental principles and bases on which he would exercise his authority to establish trust funds, granted under the provisions of regulation 5.1.<sup>1/</sup> In response to this decision the Administrator has formulated such guidelines and these are contained in annex II to this document.

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<sup>1/</sup> Originally numbered 4.1.

Report on trust funds established by the Administrator

4. Regulation 5.1 of the new UNDP financial regulations provides that "Trust funds established by the Administrator shall be reported in detail to the Governing Council through the Advisory Committee". Information concerning those trust funds which the Administrator has established under the authority granted him by the provisions of financial regulation 5.1 is contained in annex III to this document. The comments of the Advisory Committee thereon are contained in document DP/1982/90.



Annex I

General Assembly resolution 36/227

Financial regulations in respect of the funds administered by the United Nations Development Programme

Date: 18 December 1981  
Adopted without a vote

Meeting: 105  
Report: A/36/843

The General Assembly,

Having considered the report of the Governing Council of the United Nations Development Programme on its twenty-eighth session, in particular decision 81/28 concerning the Financial Regulations of the United Nations Development Programme,

1. Authorizes the Governing Council of the United Nations Development Programme to adopt financial regulations in respect of all funds administered by the Programme and to report such regulations to the General Assembly;

2. Decides to adopt, on a provisional basis, the following measures in implementation of its resolutions 2186 (XXI) of 13 December 1966 and 2321 (XXII) of 15 December 1967;

(a) The financial regulations of the Capital Development Fund, after they have been reviewed by the Advisory Committee on Administrative and Budgetary Questions, shall be adopted by the Governing Council of the United Nations Development Programme, which shall report such regulations to the General Assembly, in the preparation of these regulations, account shall be taken of the special requirements of the operations of the Capital Development Funds;

(b) Pending the approval by the Governing Council of financial regulations for the Fund, the Financial Regulations of the United Nations Development Programme shall apply;

3. Decides that until the United Nations Special Fund for Land-locked Developing Countries becomes operational in the manner specified in General Assembly resolution 31/177 of 21 December 1976;

(a) The financial regulations for the Fund, after they have been reviewed by the Advisory Committee on Administrative and Budgetary Questions, shall be adopted by the Governing Council of the United Nations Development Programme, which shall report such regulations to the General Assembly; in the preparation of these regulations, account shall be taken of the special requirements of the operations of the Fund;

(b) Pending the approval by the Governing Council of financial regulations for the Fund, the Financial Regulations of the United Nations Development Programme shall apply.

Annex II

Guidelines on the fundamental principles and bases  
for the establishment of trust funds by the Administrator

The following are the fundamental principles and bases on which the Administrator would exercise the authority granted to him by UNDP Financial Regulation 5.1 to establish trust funds.

1. The Administrator shall satisfy himself that the trust fund is for purposes which are consistent with the policies, aims and activities of UNDP and which are compatible with the country programme or other relevant programmes administered by UNDP.
2. The purposes of the trust fund shall be clearly defined.
3. The trust fund shall be established only on the basis of a written agreement signed by, or on behalf of, the Administrator and the donor, and, in the case of any trust fund under which assistance is limited to a specified recipient country or countries, signed also on behalf of the recipient country or countries concerned. Such written agreement shall define the purpose and limits of the trust fund, and shall include all necessary provisions regarding the receipt and expenditure of funds and the terms which will govern the financial administration of the trust fund's activities. It shall also incorporate the provisions of paragraphs 7, 8 and 9 below.
4. Unless otherwise provided by the Governing Council, the trust fund shall be administered in accordance with the UNDP Regulations, Rules, and directives, applying the normal UNDP procedures for the execution of its projects.
5. The Administrator shall ascertain whether the trust fund may directly or indirectly involve net additional financial liability for UNDP. If he determines that such liability may exist, the proposal to establish the trust fund shall be submitted to the Governing Council for its approval, together with a proposal regarding the source of funds from which such additional financial liability may be financed.

6. Contributions to trust funds may be accepted in US dollars or other fully convertible currency. Contributions in currencies which are not fully convertible may be accepted only if the Administrator determines that the currency can be fully utilized in the implementation of the purposes of the trust fund.
7. Trust Funds shall normally be accepted only on a fully funded basis and UNDP shall not enter into any financial commitments in respect of the activities concerned until it has received the cash in hand to finance such commitments. This does not preclude the Administrator from accepting financing of activities by contributions paid in advance instalments in accordance with an agreed payment schedule, when he is satisfied that adequate guarantees have been given that the cash contributions received shall at all times be adequate to meet the cash disbursements required to implement the activities concerned.
8. The Administrator shall ensure that expenditures at no time exceed the budget to which they relate. Should any unforeseen increase in expenditures or commitments be expected or realised (whether due to inflationary factors, fluctuation of exchange rates or unforeseen contingencies), the Administrator shall submit to the donor on a timely basis a supplementary estimate showing the further financing necessary.
9. If the cash contributions mentioned in paragraph 7 above are not received in accordance with the payment schedule, or if additional financing required in accordance with paragraph 8 above is not forthcoming from the donor or other sources, the Administrator shall be empowered to reduce, modify or terminate the project being financed under the trust fund agreement, as may be necessary, or to charge the IPF of the recipient country or countries concerned, by means of an IPF project budget, with any costs which may still be outstanding and not recovered from the trust fund after taking the above action.<sup>1/</sup> These provisions shall be incorporated in all project documents which govern the arrangements for the implementation of projects financed by the trust fund and which are to be signed by the recipient government or governments, the executing agency, when appropriate, and UNDP.

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<sup>1/</sup> This latter procedure is analogous to the normal UNDP procedures applied to cost overruns related to cost-sharing activities.



10. Trust Funds shall be subject exclusively to the internal and external auditing procedures provided for in the Financial Regulations and Rules of UNDP.
11. The Administrator shall report in detail on each trust fund established by him to the Governing Council through the Advisory Committee, if possible at the session of the Governing Council immediately following the date of the establishment of the trust fund concerned.



Annex III

TRUST FUNDS ESTABLISHED BY THE ADMINISTRATOR ON BEHALF OF  
UNITED NATIONS FINANCING SYSTEM  
FOR SCIENCE AND TECHNOLOGY FOR DEVELOPMENT

<u>TRUST FUND NAME</u>	<u>DONOR(S)</u>	<u>AMOUNT AND CURRENCY OF PAYMENT US\$</u>	<u>PURPOSE FOR WHICH ESTABLISHED</u>	<u>DURATION</u>	<u>EXECUTING AGENCY</u>	<u>ARRANGEMENT FOR REIMBURSEMENT OF PROGRAMME SUPPORT COSTS<sup>1/</sup></u>
Strengthening of the National Planning Capacity for Science and Technology (Recipient - Dominican Republic)	Federal Republic of Germany (FRG)	271,950	To strengthen capacities for research and development, forge links with the productive sector and contribute to a better use of existing resources.	2 years	Government executed	Includes provision for support costs at 2% for the Financing System.
Upgrading the Scientific and Technological Capacity of the Jamaica Bauxite Institute (Recipient - Jamaica)	FRG	547,900	a) To improve the existing laboratory facilities of the Jamaica Bauxite Institute. b) To establish a Pilot plant to produce alumina from various bauxite grades.	2 1/2 years	United Nations Industrial Development Organization (UNIDO)	Includes provision for support costs at 13% for the executing agency.
Central Metallurgical Research and Development Institute (Recipient - Nigeria)	FRG	612,200	To establish appropriate facilities for metallurgical research and development.	4 years	UNIDO	Includes provision for support costs at 13% for the executing agency.
Industrial Chemicals from Indigenous Carbohydrate Raw Materials (Sucro-based chemicals) (Recipient - Philippines)	FRG	556,000	Diversification of the sugar industry by developing a capacity for producing industrial chemicals from indigenous carbohydrate raw materials.	2 years	UNIDO	Includes provision for support costs at 13% for the executing agency.
Center for Earth Science and Geological Cartography in the South of Tunis (Recipient - Tunisia)	FRG	788,800	To strengthen Tunisia's research and development capabilities and the country's development process through the proper evaluation and exploitation of its natural resources.	2 1/2 years	Government Executed	Includes provision for support costs at 2% for the Financing System.

A Goodwill Initiative Trust Fund is in the process of being established with an expected contributions totalling \$350,000 from 21 Government donors. The Fund would meet the cost of travel and per diem for ministers and consultants, staff support, conference services, and transportation in connection with the follow-up measures agreed upon at the Ministerial Goodwill Mission convened in Caracas on October 1981. The twenty-one donor governments which participated in that meeting agreed to hold meetings and organize working groups to work out the substantive, financial and institutional questions of the envisaged International Fund for Science and Technology.

<sup>1/</sup> The Inter-governmental Group of Experts on the Financing System for Science and Technology has suggested that the United Nations Financing System for Science and Technology provide for support costs at no more than 5 per cent of resources. In the course of negotiations with the Federal Republic of Germany for these contributions, the donor Government agreed to provide 13 per cent to the executing agency only for support costs relating to agency-executed projects, and 2 per cent to the Financing System in respect of support costs relating to government-executed projects.

