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GOVERNING COUNCIL

BUDGETARY AND FINANCE COMMITTEE

Twenty-ninth session
June 1982

DRAFT REPORT OF THE BUDGETARY AND FINANCE COMMITTEE

Rapporteur: Mr. Finn Norman Christensen (Denmark)

CHAPTER V

UNDP FINANCIAL REGULATIONS

B. Guidelines for the procurement of equipment, supplies and services

1. Under item 7(d) of the Council's agenda, the Committee had before it for consideration the report of the Administrator on guidelines for the procurement of equipment, supplies and services (DP/1982/56).
2. In introducing this subject, the Assistant Administrator, Bureau for Finance and Administration, described the preliminary consultations held with the executing agencies as well as the views of the United Nations Office of Legal Affairs on this matter. He further informed the Committee that UNDP intended to draft guidelines which would first be applied by UNDP itself and, if successfully implemented, would then be communicated to the agencies as described in paragraph 6 of document DP/1982/56. The Assistant Administrator explained that the main problems, although hypothetical until such time as the guidelines were drafted, related to the possibility of conflict between the UNDP guidelines and the agencies' financial regulations.
3. Members expressed their appreciation of the efforts made by the Administrator to resolve this issue. They noted the difficulties involved in reaching an agreement with the executing agencies and requested the Administrator to continue his efforts to reach a workable solution. One member, on behalf of a group of others, emphasized the importance of developing guidelines which would be fully compatible with the relevant UNDP financial regulation.

Recommendation of the Committee

4. The Committee recommends that:

The Governing Council

1. Take note of the Administrator's progress report (DP/1982/56) on preparing guidelines for the procurement of equipment, supplies and services;

2. Request the Administrator to pursue his efforts with a view to preparing such guidelines in consultation with the executing agencies and to provide to the thirtieth session of the Governing Council a further report on the subject.

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

1. For its consideration of this matter, the Committee had before it the report of the Administrator (DP/1982/57), as well as paragraph 39 of document DP/1982/54, containing the report of the Advisory Committee on Administrative and Budgetary Questions.

2. In introducing the subject, the Deputy Director, Division of Finance, drew attention to the three main parts of the Administrator's report. The first included the text of General Assembly resolution 36/227 of 18 December 1981, authorizing the Governing Council to adopt financial regulations in respect of all funds administered by UNDP. This resolution referred in particular to the United Nations Capital Development Fund and to the United Nations Special Fund for Land-locked Countries. The second part of the report included the guidelines and principles which would guide the Administrator in governing the establishment of trust funds. The third part included a list of trust funds established by the Administrator since the beginning of 1982.

Summary of discussion in the Committee

3. Members were generally supportive of the proposed guidelines. Several requested clarifications regarding the proposed charges to recipient countries' IPFs should there be a shortfall in receipt of resources for any of the trust funds established. One member, supported by another, expressed strong objections to the wording of paragraph 6 of the proposed guidelines dealing with the acceptance of currencies, which he considered to be discriminatory. The member proposed alternative wording for this paragraph.

4. Another member requested clarification as to whether trust funds were to be reported on to the Council by the Administrator prior to their establishment or on an ex-post facto basis. He also inquired whether the Administrator intended to distribute the texts of agreements establishing trust funds. Further clarifications were sought regarding audit provisions, namely whether auditors designated by the donor would be allowed to perform an audit of activities financed by such trust funds.

5. One delegate stated his understanding that the provisions of the guidelines were in accordance with current UNDP Financial Regulations, which prohibited acceptance by the Administrator of tied inputs.

Response of the Administrator

6. In his response, the Deputy Director explained that the provision regarding charging the IPFs would only be applicable if the contributions received from the donor failed to cover all expenditures or legal commitments which have been incurred in carrying out the trust fund projects. The past experience of UNDP with trust fund payments had been good; it was hoped that it would continue to be so, but safeguards had to be instituted to ensure that UNDP resources would not be used to finance trust fund activities. He informed the Committee that the Administrator would report the details of trust fund agreements to the Council on an ex-post facto basis. The degree of detail provided in his reports would depend on the magnitude of the individual trust funds concerned and on other relevant factors. It was not intended to circulate copies of all trust fund agreements to the members of the Council, but the texts of such agreements would be available at UNDP headquarters to any interested Government. He further explained that the subject of the audit of trust funds had been extensively discussed with the agencies during the past year. A special inter-agency meeting had been convened to deal with this question and the views of the panel of external auditors had been obtained. The conclusion reached in these consultations was that financial audits could be performed only by the organization's internal or external auditors. Programme audits, or visits to projects, could be carried out by the donors and financial reports could be provided to them. With regard to the text of paragraph 6, UNDP intended to incorporate in the guidelines the main elements of the suggestions made by one delegation, which were intended to ensure that its provisions would not appear to be discriminatory to any one currency.

Recommendations of the Committee

7. The Committee recommends that:

The Governing Council

1. Take note of the report of the Administrator (DP/1982/57) and paragraph 39 of the report of the Advisory Committee on Administrative and Budgetary Questions (DP/1982/54);

2. Express satisfaction with the guidelines for the establishment of trust funds by the Administrator on the understanding that paragraph 6 of the guidelines would be modified so that its provisions would not appear to be discriminatory to any one currency.

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