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POLICY

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

UNDP FINANCIAL REGULATIONS

Matters on which consensus was not achieved
at the twenty-ninth session

Note by the Administrator

Summary

This document provides the text of those financial regulations on which consensus was not reached at the twenty-ninth session of the Governing Council as well as the text of subparagraphs 8(b) and 8(c) of decision 81/16, which the Administrator has identified as the other questions on which consensus has not been reached.

In accordance with decision 82/35, these matters are to be considered by the Budgetary and Finance Committee during its meeting commencing immediately prior to the thirtieth session of the Governing Council.

1. At its twenty-eighth session the Governing Council decided that the Budgetary and Finance Committee would consider during its meeting commencing immediately prior to the twenty-ninth session those parts of the financial regulations and other questions on which consensus was not reached at the twenty-eighth session (decision 81/46).
2. These matters were discussed by the Budgetary and Finance Committee at the twenty-ninth session of the Governing Council, but again no consensus was reached on those issues and the Council accordingly decided that the Budgetary and Finance Committee would consider them during its meeting commencing immediately prior to the thirtieth session (decision 82/35).
3. The financial regulations on which consensus was not reached at the twenty-eighth and twenty-ninth sessions were those contained in the Administrator's proposals for new financial regulations as regulations 3.5, 3.6, 12.3 and 12.4 (DP/552/Add.1), as well as a new regulation 3.6 which was proposed at the twenty-eighth session. (These were subsequently renumbered 4.5, 4.7, 13.3, 13.4, and 4.6 respectively, following the approval by the Council of a new Article III, entitled "Accountability".) The Council, in paragraph 2 of its decision 81/28, decided that these five regulations should remain in brackets and that the old financial regulations 6.4, 6.6, 4.2 and 4.3 should apply until a decision had been reached. The text of the five proposed new regulations and of the four old regulations, as presented in the UNDP Financial Regulations issued in December 1981 (UNDP/FIN/REG/1), is attached as annex I to this note.
4. With regard to other questions on which consensus was not reached at the twenty-eighth and twenty-ninth sessions, the Administrator, in a note verbale dated 30 July 1981, identified these as the matters dealt with in subparagraphs 8(b) and 8(c) of decision 81/16, Preparation for the third programming cycle, 1982-1986. The text of these two subparagraphs, which also appear as subparagraphs 16(b) and 16(c) of decision 80/30, is attached as annex II to this note.
5. For the convenience of the members of the Council, the attached regulations and the two subparagraphs of decision 81/16 have been identified in annexes I and II by the letters A to L. The following observations are also intended to assist the Council in its deliberations on this matter.
6. Proposed regulations 3.5 and 3.6 (A and C) are identical with the current regulations 6.4 and 6.6 (D and F). Proposed regulations 12.3 and 12.4 (G and I) are the same in substance as the current regulations 4.2 and 4.3 (H and J).

7. When the Administrator submitted his proposals for new UNDP Financial Regulations to the Council at its twenty-eighth session, he did not propose changes in these regulations dealing, inter alia, with the currency of contributions, because the Council had not yet resolved differences of view on the policy issues involved.

8. These policy issues are represented in bracketed paragraph 8(b) of decision 81/16 (identified as K in annex II). The words contained in round brackets reflect proposals put forward by two groups of members and the two different versions of this subparagraph can be stated as follows:

Version 1: "In view of the multilateral nature of the Programme, non-recipient donor countries which make their voluntary contributions wholly or partly in non-convertible currencies shall pay a gradually increasing share of their contributions in convertible currencies so that their contributions will be fully convertible by the year 1985."

Version 2: "In view of the multilateral nature of the Programme, non-recipient donor countries which make their voluntary contributions wholly or partly in their national non-convertible currencies are requested, if possible, to pay a gradually increasing share of their contributions in convertible currencies."

9. It will be necessary for the policy issues in the above versions to be resolved before the financial regulations concerning the currency of contributions can be dealt with.

10. New regulation 3.6 (B in annex I) was proposed at the twenty-eighth session by a member as a basis for dealing with the contribution issue. When read together with A, it would have implications for the currency of contributions whenever previous accumulations of that country's currency amounted to one year's contribution. There was no indication by the member as to whether B was in addition to or an alternative to Version 1 of K.

11. As regards bracketed paragraph 8(c) of decision 81/16 (L in annex II), this proposal should be read in conjunction with the decision taken by the Council in February 1977, which read as follows:

"(n) Requested the Administrator to take the necessary steps to ensure that all payments for goods and services (including the provision of equipment, subcontracts, transport, etc.) rendered to all UNDP-financed projects by entities

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headquartered in countries whose currencies have been accumulated in UNDP are made exclusively in currencies in which their country contribution is paid to UNDP until these accumulations are used, and further requested the Administrator to make a detailed status report to the Governing Council as soon as possible but not later than the twenty-sixth session of the Council on (i) the measures he has taken to implement this request; and (ii) the problems, if any, he has encountered in its implementation."1/

12. In the course of the discussion of these matters during the twenty-ninth session of the Council, the UNDP administration emphasized the need to resolve the question of the financial regulations dealing with the currencies of contributions, even if some of the practical issues relating to the utilization of accumulated non-convertible currencies remain, and suggested that the three options which were available in this regard were: (a) to make no change in the regulations; (b) to require that currencies of contributions be readily usable and at the same time to provide a clear definition of the term "readily usable"; and (c) to require that an increasing share of contributions be paid in convertible currencies.

Note

1/ Official Records of the Economic and Social Council, Twenty-third Session, Supplement No. 3, (E/5940), para. 58.

Annex I

EXTRACTS FROM UNDP/FIN/REG/1, DECEMBER 1981

A. UNDP/FIN/REG/1, (page 12)

The text of the following six regulations, all of which are pending further review by the Governing Council, must be read and/or applied only together with the related footnotes.

- A [Regulation^{1/}: 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.]
- B [Regulation^{2/}: A voluntary contribution to UNDP shall be deemed readily usable if previous accumulations of contributions from the donor country amount to less than the contribution itself.]
- C [Regulation^{3/}: 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.]
- D Regulation [4.5] 6.4^{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.
- E Regulation [4.6]^{5/}: To be considered by the Governing Council.
- F Regulation [4.7] 6.6^{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.

^{1/} Included as Regulation 3.5 in the Administrator's proposed revision of the UNDP Financial Regulations (DP/552/Add.1). Not approved by the Governing Council pending further consideration at its twenty-ninth session.

^{2/} Proposed by a member of the Governing Council as new Regulation 3.6 to follow the Administrator's proposed Regulation 3.5 (see footnote ^{1/} above). Not approved by the Governing Council pending further consideration at its twenty-ninth session.

^{3/} Included as Regulation 3.6 in the Administrator's proposed revision of the UNDP Financial Regulations (DP/552/Add.1). Not approved by the Governing Council pending further consideration at its twenty-ninth session.

^{4/} Pending consideration of the proposed Regulations dealt with in footnotes ^{1/} - ^{3/} above, the Governing Council decided that current Regulation 6.4 shall remain in effect.

^{5/} Regulation number 4.6 reserved pending consideration by the Council of the proposed Regulations dealt with in footnotes ^{1/} - ^{3/} above.

^{6/} Pending consideration of the proposed Regulations dealt with in footnotes ^{1/} - ^{3/} above, the Governing Council decided that current Regulation 6.6 shall remain in effect.

B. UNDP/FIN/REG/1 (page 26)

The text of the following four Regulations, all of which are pending further review by the Governing Council, must be read and/or applied only together with the related footnotes.

Management of currencies

- G [Regulation^{1/}: The Administrator may, in the absence of restrictions imposed by contributing Governments, exchange currencies between UNDP funds and funds of other organizations in the United Nations system and may utilize them to purchase other currencies, whenever the Administrator determines it would be in the interest of UNDP.]
- H Regulation [13.3] 4.2^{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.
- I [Regulation^{3/}: The Administrator and the executing agencies shall endeavour, consistent with the need for efficiency and economy of operations, to make the fullest possible use of all available currencies in the UNDP account.]
- J Regulation [13.4] 4.3^{4/}: The Administrator and the participating and executing agencies shall endeavour, consistent with the need for efficiency and economy of operations, to make the fullest possible use of all available currencies in the UNDP account.

^{1/} Included as Regulation 12.3 in the Administrator's proposed revision of the UNDP Financial Regulations (DP/552/Add.1). Not approved by the Governing Council pending further consideration at its twenty-ninth session.

^{2/} Pending consideration of the proposed Regulation dealt with in footnote ^{1/} above, the Governing Council decided that current Regulation 4.2 should remain in effect.

^{3/} Included as Regulation 12.4 in the Administrator's proposed revision of the UNDP Financial Regulations (DP/552/Add.1). Not approved by the Governing Council pending further consideration at its twenty-ninth session.

^{4/} Pending consideration of the proposed Regulation dealt with in footnote ^{3/} above, the Governing Council decided that current Regulation 4.3 shall remain in effect.

Annex II

EXTRACT FROM DECISION 81/16, PARAGRAPH 8
PREPARATION FOR THE THIRD PROGRAMMING CYCLE, 1982-86

- K 8(b). [In view of the multilateral nature of the Programme, non-recipient donor countries which make their voluntary contributions wholly or partly in (their national) non-convertible currencies (shall pay) (are requested if possible to pay) a gradually increasing share of their contributions in convertible currencies (so that their contributions will be fully convertible by the year 1985;]
- L 8(c). [Meanwhile, entities headquartered in net donor countries which have contributed in non-convertible currencies where such currencies are accumulated and until such accumulations are used shall be reimbursed for services and equipment purchased under the Programme (only in the currency of that country) (in the currencies in which their contribution is paid): (conversely, if, when utilizing a non-convertible contribution, costs are incurred in other currencies, these shall be reimbursed to UNDP in the form of a convertible share of the non-convertible contributions)].
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