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POLICY

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

UNDP FINANCIAL REGULATIONS

Annexes and Amendments to UNDP Financial Regulations

Addendum

Summary

This document contains the proposed text of annexes to the UNDP Financial Regulations in respect of the United Nations Capital Development Fund and the United Nations Revolving Fund for Natural Resources Exploration.

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PROPOSED ANNEX II TO UNDP FINANCIAL REGULATIONS (UNDP/FIN/REG/1)

UNITED NATIONS CAPITAL DEVELOPMENT FUND

1. This annex contains the text of additions or amendments to the UNDP Financial Regulations which shall be applicable to the United Nations Capital Development Fund (UNCDF) and which are necessary in order to take account of the special requirements of UNCDF's operations. This annex also indicates which of the UNDP Financial Regulations are not applicable to UNCDF.

2. Unless otherwise specified in this annex, the UNDP Financial Regulations shall apply, *mutatis mutandis*, to all funds administered by UNCDF. Thus, for example, in the application of the Financial Regulations of UNDP to UNCDF:

"the UNDP Account" shall mean "the UNCDF Account";

"the Administrator" shall mean "the Administrator, when performing the functions of the Managing Director of UNCDF";

"the Governing Council" shall mean "the Governing Council of UNDP, when performing the functions of the Executive Board of UNCDF";

"project document" shall mean "project agreement"; and

"executing agency" shall mean "executing agency and/or co-operating agency".

3. The following provisions of the UNDP Financial Regulations shall not apply to UNCDF. They are provisions which either concern matters unique to UNDP or have been amended for application to UNCDF as indicated in paragraph 4 below.

Article I - Applicability: Regulation 1.3

Article IV - UNDP Funds: Regulations 4.1, 4.5, 4.8(a), 4.9, 4.11(c) and 4.12

Article VI - Financial Periods: Regulations 6.1 and 6.2

Article VII - General Framework: Regulations 7.1, 7.2 and 7.4

Article VIII - Programme Activities: Regulations 8.1 to 8.8, 8.10, 8.10(b), 8.10(d), 8.10(e) and 8.11

Article IX - Biennial Budget: Regulation 9.7

Article X - Allocations for Programme Activities: Regulations 10.1 to 10.4

Article XI - Appropriations for the Biennial Budget: Regulation 11.5

Article XII - The UNDP Account: Regulation 12.2(b)

Article XIII - Management of Funds: Regulations 13.6 and 13.7

Article XIV - Internal Control: Regulation 14.2

4. The following provisions shall apply solely to UNCDF. They represent additions to, deletions from, or provisions in substitution for, the corresponding provisions contained in the UNDP Financial Regulations.

Article I - APPLICABILITY

Regulation 1.3: The provisions contained in this annex shall become effective on 1 January 1985.

Article II - DEFINITIONS

Regulation 2.1(h)(v): a non-governmental organization.

Regulation 2.1(i): "UNCDF" shall mean the United Nations Capital Development Fund established by resolution 2186(XXI) of the United Nations General Assembly.

Regulation 2.1(j) "co-operating agency" shall mean an entity authorized by UNCDF to assist a recipient Government in the implementation of one or more components of a project financed by UNCDF;

Regulation 2.1(k): "disbursing agent" shall mean an entity authorized by UNCDF to disburse UNCDF project funds and may be a recipient Government, a UNDP Resident Representative, an executing agency or a co-operating agency.

Article IV - UNCDF FUNDS

Regulation 4.1: Voluntary contributions, either in cash or in kind, may be accepted by UNCDF from Governments of Member States of the United Nations, of the Specialized Agencies or of the International Atomic Energy Agency, or from sources other than governments.

Regulation 4.5: Voluntary contributions shall be made in currencies that are readily and economically usable by UNCDF or in the national currency of the contributor.

Regulation 4.11(c): In case of default in making the payments required under (b) above, the Administrator is authorized to reduce, modify or terminate the assistance being financed by the cost-sharing contribution, as he deems necessary.

Article VIII - PROGRAMME ACTIVITIES

Regulation 8.7: The Administrator shall plan for the delivery of UNCDF assistance to projects at rates expected to achieve annual expenditure targets subject to the availability of resources.

Regulation 8.8: UNCDF assistance to projects shall be in the form of either grants or loans. Loans extended by UNCDF shall have long periods of amortization, low rates of interest, or be free of interest and generally be extended on terms comparing favourably with those of loans extended by other international lending institutions.

Regulation 8.10: UNCDF assistance to projects approved under Regulation 8.9 above shall be approved on a partially funded basis consistent with the provisions of Regulation 8.7 above and shall be subject to the following arrangements for project implementation:

Regulation 8.10(d): Implementation of UNCDF's assistance to a project shall be primarily the responsibility of the requesting Government. Subject to the agreement of the Government concerned, the Administrator may designate a co-operating agency to assist the Government in implementing one or more components of the project, or may designate an executing agency to be responsible for project implementation;

Regulation 8.10(e): Under conditions established by the Governing Council, the Administrator is also authorized, subject to the agreement of the requesting Government or Governments, to contract for the services of other agencies, private firms or individual experts in the execution of projects, and to assign projects to a governmental, intergovernmental or non-governmental institution or agency not part of the United Nations system, or to UNDP itself for execution;

Regulation 8.11: Approval of UNCDF's assistance to a project shall become effective upon signature of the project agreement by the Government or Governments and UNCDF and, where appropriate, by an executing agency or other party selected under Regulation 8.10(e) above, and shall be subject to fulfilment of any conditions precedent contained in the project agreement.

Article IX - BIENNIAL BUDGET

Regulation 9.7: The proposed biennial budget shall be accompanied by such information annexes and explanatory statements as may be requested by the Governing Council or as the Administrator may deem necessary and useful.

Article X - ALLOCATIONS FOR PROGRAMME ACTIVITIES

Regulation 10.1: The project budget covering UNCDF's assistance to an approved project, as contained in the Project Agreement between UNCDF and the recipient Government, shall constitute the total allocation of UNCDF funds for

the project. For the purposes of Regulation 10.2 below, the project budget shall be presented in annual segments.

Regulation 10.2: The UNCDF allocation contained in the Project Agreement constitutes the total UNCDF commitment to the project for the duration of the project against which disbursement authorizations shall be issued by UNCDF annually to the disbursing agent(s).

Regulation 10.3: The annual disbursement authorization constitutes a ceiling on expenditure for the current year, and shall be issued by UNCDF only upon receipt of a schedule of activities and estimated expenditure for the current year to be submitted by the disbursing agent(s).

Regulation 10.4: Following project completion, UNCDF shall revise the project budget to reflect actual expenditure incurred. The revised budget shall constitute the final allocation of UNCDF assistance to the project.

Regulation 10.5: The final UNCDF allocation to a project made under the provisions of Regulation 10.4 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 UNCDF account and shall be classified as miscellaneous income.

Article XIII - MANAGEMENT OF FUNDS

Regulation 13.6: Notwithstanding the provisions of Regulation 13.5 above and within limits and under terms established by the Governing Council, funds may be placed in the form of participation in development loans by international or regional development banks.

Regulation 13.7: The specific advance approval of the Governing Council shall be required for the placement of surplus funds in any loan not clearly authorized under the provisions of this Article.

Article XIV - INTERNAL CONTROL

Regulation 14.2: Expenditures for the current year and commitments for future years in respect of programme activities shall be incurred only after issuance of the corresponding annual disbursement authorization as provided under Regulation 10.3; and in respect of the biennial budget only after the appropriate authorization has been made in writing under the authority of the Administrator.

PROPOSED ANNEX III TO UNDP FINANCIAL REGULATIONS (UNDP/FIN/REG/1)

UNITED NATIONS REVOLVING FUND FOR NATURAL RESOURCES EXPLORATION

1. This annex contains the text of additions or amendments to the UNDP Financial Regulations which shall be applicable to the United Nations Revolving Fund for Natural Resources Exploration (UNRFNRE) and which are necessary in order to take account of the special requirements of UNRFNRE's operations. This annex also indicates which of the UNDP Financial Regulations are not applicable to UNRFNRE.

2. Unless otherwise specified in this annex, the UNDP Financial Regulations shall apply, mutatis mutandis, to all funds administered by UNRFNRE. Thus, for example, in the application of the Financial Regulations of UNDP to UNRFNRE:

"the UNDP Account" shall mean "the UNRFNRE Account";

"project document" shall mean "project agreement"; and

"executing agency" shall mean "co-operating agency".

3. The following provisions of the UNDP Financial Regulations shall not apply to UNRFNRE. They are provisions which either concern matters unique to UNDP or have been amended for application to UNRFNRE as indicated in paragraph 4 below.

Article I - Applicability: Regulation 1.3

Article II - Definitions: Regulation 2.1(h)(iv)

Article IV - UNDP Funds: Regulations 4.8 to 4.13

Article VI - Financial Periods: Regulations 6.1 and 6.2

Article VII - General Framework: Regulations 7.1 to 7.4

Article VIII - Programme Activities: Regulations 8.1 to 8.11

Article IX - Biennial Budget: Regulations 9.1 and 9.7

Article X - Allocations for Programme Activities: Regulations 10.1 to 10.3

Article XI - Appropriations for the Biennial Budget: Regulation 11.5

Article XII - The UNDP Account: Regulations 12.2 and 12.3

Article XIII - Management of Funds: Regulation 13.6

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4. The following provisions shall apply solely to UNRFNRE. They represent additions to, deletions from, or provisions in substitution for, the corresponding provisions contained in the UNDP Financial Regulations.

Article I - APPLICABILITY

Regulation 1.3: The provisions contained in this annex shall become effective 1 January 1985.

Article II - DEFINITIONS

Regulation 2.1(h): (iv) the UNDP;

(v) the UNRFNRE itself.

Regulation 2.1(i): "UNRFNRE" shall mean the United Nations Revolving Fund for Natural Resources Exploration, established by resolution 3167(XXVIII) of the United Nations General Assembly.

Regulation 2.1(j): "co-operating agency" shall mean an entity authorized by UNRFNRE to assist in the implementation of a project financed by UNRFNRE.

Regulation 2.2-C(vii): "co-financing" shall mean an arrangement whereby a government, international financial institution, or public or semi-public institution of natural resources exploration and development contributes to the financing of a project with the agreement of the recipient country and on the understanding that the arrangement for replenishment, in the case of exploration projects, or repayment, in the case of feasibility studies, shall remain unaffected.

Regulation 2.2-M: "Minimum Work" shall mean the minimum amount of assistance that the UNRFNRE commits itself to provide as described in the project agreement.

Article IV - UNRFNRE FUNDS

Regulation 4.8: Recipient participating Governments shall be required to make replenishment contributions, in the case of exploration projects, or repayments, in the case of feasibility studies, in accordance with UNRFNRE's established operational procedures and under terms which shall be specified in the relevant project agreement.

Regulation 4.10: The Administrator is authorized to enter into third-party co-financing agreements, provided these have been accepted by the recipient country or countries.

Regulation 4.11: Co-financing agreements and contributions thereunder shall be subject to the following conditions:

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(a) Contributions shall be denominated in United States dollars; however, the Administrator may accept payment in the currency of a donor to the extent the Administrator decides it can be utilized to meet operational requirements;

(b) Contributions shall be made pursuant to an agreement made between the contributor and the Administrator. Such agreement shall specify that these contributions shall be made in advance of the implementation of planned activities;

(c) In case of default in making the contributions required under (b) above, the Administrator is authorized to reduce, modify or terminate the assistance being financed by the co-financing contributions, as he deems necessary.

Regulation 4.13: Donations, in cash or in kind, may be accepted by UNRFNRE from intergovernmental and non-governmental institutions, for purposes consistent with those of UNRFNRE.

Article VII - GENERAL FRAMEWORK

Regulation 7.1: An overall target for voluntary contributions may be established on a multi-year basis by the Governing Council.

Regulation 7.2: The Administrator shall submit to the Governing Council for its consideration a plan for the utilization of expected resources formulated within the framework set forth in Regulations 7.1 above and 7.3 below.

Regulation 7.3: After provision has been made for the biennial budget, all resources of UNRFNRE shall be available to the maximum extent possible for programme activities, including reimbursement of related agency support costs.

Article VIII - PROGRAMME ACTIVITIES

Regulation 8.7: The Administrator shall plan for the delivery of UNRFNRE assistance to projects in accordance with principles established by the Governing Council.

Regulation 8.8: The Governing Council shall approve all projects to be financed by UNRFNRE.

Regulation 8.9: Subject to the availability of resources, the Administrator is authorized to approve the Minimum Work requirements of projects to be financed by UNRFNRE as well as small-scale feasibility studies, and shall report each such approval action to the Governing Council at its next regular session.

Regulation 8.10: UNRFNRE assistance approved under Regulations 8.8 and 8.9 above shall be approved on a fully funded basis consistent with the provisions of Regulation 8.7 above and shall be subject to the following arrangements for project implementation:

Regulation 8.10(a): The general terms and conditions which are to govern UNRFNRE's execution of a project in a recipient country shall be specified in the project agreement between UNRFNRE and the respective Government;

Regulation 8.10(c): Arrangements for the establishment and financing of a project shall be subject to the agreement of the requesting Government or Governments and UNRFNRE. Arrangements for project implementation shall be subject to the agreement of the requesting Government or Governments and UNRFNRE, shall be specified in a project agreement and shall be in accordance with UNRFNRE's established operational procedures;

Regulation 8.10(d): The execution of projects financed by UNRFNRE shall be carried out by UNRFNRE itself;

Regulation 8.10(e): The Administrator is authorized to contract the services of other agencies, private firms or individual experts in the execution of projects;

Regulation 8.10(f): Co-operating agencies may be reimbursed for their support costs up to levels determined by the Governing Council.

Regulation 8.11: Approval of UNRFNRE's assistance becomes effective, in accordance with the project agreement, on the date upon which UNRFNRE submits to the Government a notice confirming:

(a) the Administrator's approval of the Minimum Work; and

(b) UNRFNRE's acceptance of a certificate from a competent official of the Government, confirming that the project agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Government, and is legally binding upon the Government in accordance with its terms.

Article IX - BIENNIAL BUDGET

Regulation 9.1: The proposed biennial budget shall cover programme support and administrative services. It shall be prepared by the Administrator.

Regulation 9.7: The proposed biennial budget shall be accompanied by such information annexes and explanatory statements as may be requested by the Governing Council or as the Administrator may deem necessary and useful.

Article X - ALLOCATIONS FOR PROGRAMME ACTIVITIES

Regulation 10.1: The Minimum Work as approved by the Administrator and provided for in the project agreement shall constitute the allocation of funds by the Administrator for the implementation of UNRFNRE's assistance. Unless the Government and UNRFNRE shall otherwise agree, UNRFNRE shall be committed to carrying out that portion of the project activities which is described in the project agreement as the Minimum Work.

Regulation 10.2: Taking into account the results achieved from the implementation of the Minimum Work, UNRFNRE may incur expenditures and enter into commitments up to the total amount approved for the project by the Governing Council, which approval shall constitute the maximum allocation of funds for the implementation of UNRFNRE's assistance. In view of the concept of replenishment and the revolving character of UNRFNRE, the UNRFNRE shall, whenever possible, spend less than the maximum allocation for a project, if results obtained in earlier phases of project execution do not justify further work.

Regulation 10.3: 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 UNRFNRE's assistance to the project. The balance of the allocation shall revert to the UNRFNRE account.

Article XII - THE UNRFNRE ACCOUNT

Regulation 12.3: Separate accounts shall be maintained for any trust fund or other accounting entity administered by UNRFNRE.

Article XIII - MANAGEMENT OF FUNDS

Regulation 13.6: Notwithstanding the provisions of Regulation 13.5 above and within limits and under terms established by the Governing Council, funds may be placed in the form of participation in development loans by international or regional development banks.

