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BUDGETARY AND FINANCE COMMITTEE
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Item 10 of the agenda

ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE
TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Ms. MKHONZA Adelaide Phindile (Swaziland)

Addendum

CHAPTER IV. FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

C. Trust Funds

1. Trust funds established by the Administrator in 1985

1. For its consideration under item 9 (c) of the Council's agenda, the Committee had before it the report of the Administrator contained in document DP/1986/61, DP/1986/Add.1 and DP/1986/61/Add.1, Corr. 1. The report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on the subject was contained in document DP/1986/60.

2. In introducing this item, the Deputy Assistant Administrator and Director of Finance summarized the trust funds which had been established by the Administrator in 1985 in terms of their amounts, number and geographical

and sectoral distribution. He pointed out that the Administrator's report for 1985 had, in response to the request made by the Council in its decision 85/37, been expanded to include summary information on the status of all trust funds established by the Administrator since 1981 and that this information had been provided in the addendum to the main document. With regard to those trust funds established in 1985 which were conditioned on procurement from the donor country, he explained that more complete information on these funds was contained in document DP/1986/62, which would be considered by the Committee at a later stage.

Summary of the discussion in the Committee

3. Several members stated that, while they were not in principle in favour of the proliferation of trust funds in UNDP, they recognized that in certain cases the establishment of trust funds represented a useful and flexible means of responding to the needs of developing countries. Provided that such trust funds were established in accordance with UNDP financial regulations, rules and procedures and, in particular, did not involve tied procurement, they agreed that trust funds could provide a valuable source of alternative financing. In this connection, particular reference was made to the usefulness of some of the trust funds established by the Administrator on behalf of Africa.

4. Other members expressed full support for the establishment of trust funds by the Administrator, pointing out that it might not otherwise have been possible to finance the activities which these trust funds had supported. These members welcomed the establishment of trust funds by the Administrator and hoped that they might be further developed. Some members expressed concern that the UNDP/USSR trust fund had been engaged in the training of specialists from developing countries: the members considered that the UNDP/USSR fund represented, in effect, bilateral aid and was contrary to

multilateral principles. One member, supported by another, stated that the fund had been properly established and had provided valuable training for which there was a clear need. He pointed out that there were no longer sufficient amounts of local currency in the fund to meet all its requirements and that the only balance of available resources consisted of United States dollars.

5. Another member, supported by one other, said that he would welcome a discussion of trust funds at a broader policy level. He would, in particular, welcome a report from UNDP on the relationship between trust funds and country programmes, which would give some indication of the type of projects which are better financed from trust funds rather than from IPFs.

6. One member, noting that there was an extremely high unspent balance in the trust fund for activities relating to Economic Co-operation Among Developing Countries (ECDC) enquired as to why there had been so little expenditure in that account.

Response of the Administration

7. Responding to the general questions raised in the course of the discussion, the Associate Administrator pointed out that a document on the overall structure of UNDP was to be discussed by the Council at the current session and that in recent years other documents had been submitted which dealt in a general manner with extrabudgetary financing in UNDP. He stated that the level of general resources being provided to UNDP had remained fairly constant in recent years but that donors had supplemented such general resources through trust funds and other means. If UNDP were prevented from establishing trust funds, then either there must be a corresponding increase in UNDP general resources or the totality of assistance provided by UNDP would be reduced. The UNDP administration regarded trust funds as a second best means of providing assistance. However, provided trust funds were channelled

through UNDP, UNDP was in a position to co-ordinate these funds with other programmes and in particular to ensure that they were consistent with the country programmes.

8. In reply to a specific question raised, the Associate Administrator confirmed that the USSR pays 25 per cent of the total contribution to the USSR trust fund in United States dollars, which covers related convertible currency expenses and the support costs which have to be paid in dollars to the executing agencies concerned. There was indeed a small surplus of United States dollars in that fund, but the amounts provided in national currency had been fully committed. With regard to the trust funds for ECDC activities, he pointed out that the projects approved under that trust fund came under the control of the Group of 77 and that it was they, not the Administrator, that initiated action on programming these funds.

Recommendation of the Committee

9. Following its consideration of the subject, the Committee recommended that the Council adopt the following decision:

The Governing Council,

Having considered the report of the Administrator of the United Nations Development Programme on trust funds established by him in 1985 (DP/1986/61, DP/1986/61/Add.1 and DP/1986/61/Add.1, Corr.1) and the report of the Advisory Committee on Administrative and Budgetary Questions thereon (DP/1986/60),

Takes note of the information provided in the report on the trust funds established by the Administrator in 1985, as well as the summary financial information provided on all trust funds established by him since 1981.
