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BUDGETARY AND FINANCE COMMITTEE
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Item 10 of the agenda of the Budgetary
and Finance Committee

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

Draft report of the Budgetary and Finance Committee

Rapporteur: Mr. Hans OLSSON (Sweden)

Addendum

CHAPTER ____

Trust funds established by the Administrator in 1986

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/1987/57. The report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on the subject was contained in document DP/1987/56.
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 1986 in terms of their amounts, number and geographical distribution and highlighted the preponderance of projects and programmes established for the Africa region. He also pointed out that the activities of the funds covered a wide range of sectoral activities.

Summary of the discussion in the Committee

3. One member stated that, while he was not in principle in favour of the proliferation of trust funds in UNDP, he recognized in certain cases the establishment of trust funds represented a useful and flexible means of responding to the needs of developing countries and supplied an alternative source of

additional funding. This was provided that such trust funds were established in accordance with UNDP financial regulations, rules and procedures and, in particular, did not involve tied procurement.

4. Another member expressed full support for the establishment of trust funds by the Administrator, pointing out that it created another window of opportunity by which the beneficiary countries could receive additional technical assistance.

5. One member expressed concern whether the UNDP/USSR Trust Fund external costs, including payment of support costs to agencies, was financed by convertible currencies. Also he wished to know the extent to which UNDP was evaluating the projects carried out by the trust fund. In addition, he indicated that annex II, which provided detailed information on the activities of the UNDP/USSR Trust Fund and the Bulgaria/UNDP Trust Fund was too lengthy and should be condensed. Another member also remarked that while annex I content had improved, annex II could be improved.

6. Regarding the Caribbean and African Development Facility Trust Funds, another member asked whether the support costs of 14 per cent charged by the agencies was sufficient, bearing in mind that projects were appraised on developmental and commercial grounds which might involve the use of consultants.

7. Another member inquired about the status of trust funds which were not established in 1986, i.e., funds established in 1985 and prior years.

Response of the Administration

8. Responding to the discussion, the Deputy Assistant Administrator pointed out that the 14 per cent charged by agencies for support costs was agreed to in 1980 and was certainly much less than the overhead charged by commercial organizations. However, if consultants or other outside organizations were used their overhead was charged directly to project costs.

9. In reply to specific questions raised concerning the UNDP/USSR Trust Fund and annex II, the Deputy Assistant Administrator confirmed that 25 per cent of the contributions to the Fund were paid in hard currencies which were primarily used to finance payment of transportation costs and agency support costs. He also indicated that extensive evaluation of these trust fund projects had been conducted on a regular basis. The Associate Administrator also indicated that as regarded annex II, UNDP had followed the specific directives issued by the Council on the reporting of this trust fund.

10. In response to the question on the status of other trust funds established prior to 1986, the Deputy Assistant Administrator pointed out that in 1986, at the specific request of the Council, an additional document (DP/1986/61/Add.1) had been presented on a one-time basis and contained summary financial information on such trust funds. Such information was provided every year in the UNDP financial statements. The document under discussion covered newly established trust funds only.

Recommendation of the Committee

11. Following its consideration of the subject, the Committee recommended that the Governing 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 1986 (DP/1987/57) and the report of the Advisory Committee on Administrative and Budgetary Questions thereon (DP/1987/56),

Takes note of the information provided in the report on the trust funds established by the Administrator in 1986.

