BUDGETARY AND FINANCE COMMITTEE
Thirty-fifth session
6 June - 1 July 1988, Geneva
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. K. Tenkorang (Ghana)

Addendum

Chapter III. OTHER FUNDS AND PROGRAMMES

B. United Nations Development Fund for Women

1. For its consideration of item 8 (e) of the Council's agenda, the Committee had before it the report of the Administrator contained in document DP/1988/50/Add.2.

2. In introducing the item, the Director of the United Nations Development Fund for Women (UNIFEM) informed the Committee that, by decision 88/6 of 17 February 1988, the Governing Council approved, in principle, the changeover to partial funding on the understanding that financial and administrative issues arising from this changeover would be referred to the Budgetary and Finance Committee at the current session. She stated that the purpose of the partial funding was to utilize UNIFEM resources in a more efficient manner and
increase its assistance to recipient countries by reducing the excess fund balance. She assured delegations that the partial funding as proposed, together with its financial control mechanisms, was relatively conservative, and would not jeopardize the Fund's operational activities nor its financial integrity. Regarding the implementation of partial funding, she informed the Committee that UNIFEM had taken a number of steps to reinforce both its programme formulation and backstopping capacity, such as a storage and retrieval project information system and the strengthening of administrative management; these were intended to serve overall management as well as partial funding.

3. With regard to exercising its control formula, the Fund Director highlighted some of the features already taken and that would be taken in the near future. She noted in particular the establishment of a Finance and Administration Unit further supported by a UNDP consultant, inclusion of all the UNIFEM projects in the UNDP Programme and Project Management System, issuance of monthly financial status reports for the Fund Director on the key developments affecting the Fund's financial resources, and establishment of a regular flow of information between UNIFEM and UNDP regarding resources, projects and budget management data.

4. In conclusion, she recommended that the Committee approve: (a) the establishment of an operational reserve which would be fully funded and set at a level of 45 per cent of outstanding recommended project approvals and unspent allocations; and (b) the implementation of the partial funding system effective 1988.

5. The Deputy Assistant Administrator, BFA, stated that the Division of Finance, which had been consulted on the preparation of the proposal, fully supported the change to partial funding. A conservative approach had been taken, reflecting resources already available and reasonable future projections.

Summary of the discussion in the Committee

6. There was general support for the Administrator's proposals for the establishment of an operational reserve and implementation of partial funding effective 1 January 1988. In expressing their support, some members considered that the introduction of partial funding would not only increase the implementation rate of new projects, but would also permit increased flexibility in the time-frame and size of projects, which were critical factors.
7. A number of members agreed that, in the initial stages, it was more appropriate to take a conservative approach to the size of the operational reserve. The fund resource base was still relatively small. One member considered that the forecast of contributions was in fact somewhat optimistic and wondered on what basis the projections had been made. Two members pointed out that, even with the creation of the operational reserve, total liquidity of the fund by 1991 would be only marginally lower than at present and asked what benefits would accrue to the recipient countries. One member, noting that total resources available at the end of 1991 represented almost two years expenditure, considered that level too high. He further expressed concern that the establishment of the operational reserve was setting a new trend, making what should be a relatively simple fund more complex to interpret. While supporting the proposal, he recommended that the level of the reserve be reviewed again by the Committee in two years to determine whether any adjustments were required. The member further enquired how the operational reserve would be invested and to what extent it would be affected by currency fluctuations.

8. Several members expressed satisfaction with the proposed control mechanisms for the fund.

Response of the Administration

9. In responding to the question about income projection, the Director of UNIFEM recalled that pledges received and expected for 1988 showed a substantial increase over 1987. For future years, an increase of 7 per cent had been assumed, which she considered quite conservative. She further explained that although the funds were still relatively small, used effectively, they served as a catalyst and would improve the flow of resources to women. She stated that she believed these measures would help produce a growth in resources in the future. In that regard, she informed the Committee that the fund could also accept contributions from non-governmental organizations (NGOs) and other private sources. With the appointment of a full-time Deputy Director for the fund, the Director would be positioned to devote more time to fund-raising. The Director of UNIFEM further agreed that the approach taken regarding the level of the operational reserve was conservative and should be reviewed again in two years.
10. In reply to the question concerning change in total level of resources after the adoption of partial funding, the Deputy Assistant Administrator stated that that was to be expected at the initial stages when the level of the reserve had been set at 45 per cent of outstanding recommended project approvals and unspent allocations. It was important to agree on the partial funding principle. He further pointed out that the establishment of an operational reserve was not a new development. That approach had already been adopted for the United Nations Capital Development Fund. In that case, the level had initially been set at 40 per cent and had then been reduced to 20 per cent as resources became more predictable. With regard to the investment of the operational reserve, he informed the Committee that it reflected the general pattern of the UNDP investment portfolio.

Recommendation of the Committee

11. Following its discussion on the subject, the Budget and Finance Committee recommended that the Governing Council adopt the following as paragraphs ..., ..., and ... of the decision on the United Nations Development Fund for Women, recommended by the Drafting Group for the approval of the Governing Council (see document DP/1988/L ...):

- **Approves** the implementation of the partial funding system, effective 1988;
- **Decides** that the fund should establish and maintain, on a fully funded basis, an operational reserve of no less than 45 per cent of outstanding recommended project approvals and unspent allocations;
- **Requests** the Administrator to submit a detailed report on the implementation of the system to the Council at its thirty-seventh session (1990).