Trust funds

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/1988/53. The report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) on the subject was contained in document DP/1988/58. The Committee also had before it document DP/1988/57, recommending that the Trust Fund for Assistance to Colonial Countries and Peoples be closed.

2. In introducing this item, the Deputy Assistant Administrator, Bureau for Finance and Administration (BFA) and Director of Finance summarized the trust funds which had been established by the Administrator in 1987 in terms of their number, purpose, amounts and geographical distribution. He pointed out
that, in the light of comments made at the thirty-fourth session (1987) of the Council, the summary of the USSR/UNDP Trust Fund for the Training in the USSR of Specialists from Developing countries would be more condensed in future years, unless specifically requested otherwise by the Council. With regard to the Trust Fund for Assistance to Colonial Countries and Peoples, he further pointed out that the resources of the fund had been almost fully utilized and that no further contributions were expected.

Summary of the discussion of the Committee

3. Several members requested that in future this report be expanded to give the overall situation regarding trust funds. Further information on the number of operational trust funds, trust funds closed during the year, donor and recipient countries, amounts received and expended would provide a fuller picture. One member supported this proposal, although, in principle, his Government did not support trust funds, which it considered fragmented resources which would otherwise be available to the main UNDP programmes. Another member also suggested that the report indicate the results achieved. A further member, whilst agreeing that the additional information would be useful, cautioned against requests that could lead to voluminous and costly reports.

4. Some members sought clarification regarding the different rates applied for reimbursement of support costs. In this regard, one member asked whether the support costs were fully covered by the trust funds. He also wished to know if conditions were imposed on procurement in these trust funds.

5. One delegation, noting that one trust fund involved capital expenditure, sought clarification on the relationship between technical and capital assistance in trust funds.

6. Regarding the UNDP/USSR Trust Funds, one member inquired whether all external costs were fully covered by the convertible currency portion of the trust fund.

7. Members generally supported the recommendation to close the Trust Fund for Assistance to Colonial Countries and Peoples.

Response of the Administration

8. Responding to the discussion, the Deputy Assistant Administrator stated that he believed the additional information on the overall status of trust funds could be provided without unduly lengthening the report.
9. With regard to the different rates used for the reimbursement of support costs, the Deputy Assistant Administrator recalled that the rates for reimbursement to executing agencies had been established by the Governing Council in 1980 and 1981. These rates varied from the standard rate of 13 per cent down to the 5 per cent applied for activities of the United Nations Capital Development Fund, and reflected the estimated cost of administering the different types of activities. In addition, however, the Administrator was obliged to ensure that all support costs, including those incurred by UNDP itself, were covered by the trust funds. An additional support cost charge was therefore made to the trust fund for this purpose, which would vary according to the type of activities involved and the extent of support services which the organizational units of UNDP would have to provide.

10. With regard to procurement, the Deputy Assistant Administrator assured the Committee that donors were not permitted to impose conditions on procurement under trust funds.

11. With regard to capital investment, the Deputy Assistant Administrator pointed out that trust fund arrangements were different from those applying to the indicative planning figure resources and did not prohibit capital expenditure.

12. In reply to the question concerning the UNDP/USSR Trust Fund, the Deputy Assistant Administrator confirmed that the external costs were fully covered by the 25 per cent portion of contributions received in fully convertible currency.

13. Following its consideration of these matters, the Budgetary and Finance Committee recommended that the Governing Council adopt the following decision:

The Governing Council,

Having considered the report of the Administrator on trust funds established by him in 1987 (DP/1988/53) and the report of the Advisory Committee on Administrative and Budgetary Questions thereon (DP/1988/58),

Having considered also the note by the Administrator containing his recommendation that the Trust Fund for Assistance to Colonial Countries and Peoples be closed (DP/1988/57),

Noting that the resources of the Trust Fund for Assistance to Colonial Countries and Peoples had been almost fully utilized and that no further contributions to it were expected,
Taking into account the views expressed and observations made by its members during the consideration of these reports,

1. Takes note of the information provided in the report on trust funds established by the Administrator in 1987;
2. Requests the Administrator to provide, in future reports on trust funds established by him, summary information, at the aggregate level, on all trust funds established by him since 1981;
3. Agrees with the Administrator's recommendation that the Trust Fund for Assistance to Colonial Countries and Peoples be closed and that its unspent balance be transferred to the general resources of UNDP and requests the Administrator to take appropriate action to submit this proposal to the forty-third session of the General Assembly.