



**Governing Council  
of the  
United Nations  
Development Programme**

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28 May-22 June 1990, Geneva  
Item 9 (g) of the provisional agenda

**POLICY**

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

UNDP Financial Regulations

Report of the Administrator

SUMMARY

Pursuant to paragraph 5 of Governing Council decision 89/61 of 30 June 1989, the Administrator hereby provides the Council with his proposal on the amendments to the Financial Regulations concerning biennial submission, to the General Assembly and to the Governing Council, of the audited financial statements of the United Nations Development Programme.

## INTRODUCTION

1. The Governing Council, in paragraph 5 of its decision 89/61 of 30 June 1989, requested the Administrator to submit to the Council at its thirty-seventh session appropriate amendments to the United Nations Development Programme (UNDP) Financial Regulations which would provide that, beginning with the biennium 1990-1991, audited financial statements for UNDP shall be submitted to the General Assembly and to the Governing Council on a biennial basis.

2. Indicated below are the relevant revised Financial Regulations proposed by the Administrator for consideration by the Council. The words and punctuation deleted from the existing versions of the regulations are shown in brackets while additional wording and punctuation is underlined.

3. Regulation 16.1: The Administrator shall submit accounts [annually] biennially in respect of the UNDP Account and in respect of all other funds administered by UNDP showing:

- (a) The income and expenditures;
- (b) The assets and liabilities;
- (c) The status of allocations for programme activities and the amounts charged against those allocations;

(d) The status of appropriations approved by the Governing Council for the biennial budget and the amounts charged against those appropriations.

The Administrator shall also give such other information as may be appropriate to indicate the current financial position and shall maintain such accounts and records as are necessary to report to the Governing Council and the General Assembly on the financial status of funds administered by UNDP.

4. Regulation 16.3: The accounts shall be submitted by the Administrator, not later than 30 April of the year following the end of each [calendar year] biennium to the United Nations Board of Auditors for examination and opinion.

5. Regulation 17.1: The External Audit provisions of Article XII of the United Nations Financial Regulations have been annexed for information to these Regulations and shall, mutatis mutandis, apply to UNDP, except that:

(a) The reports of the Board of Auditors, together with the financial statements and the comments thereon of the Advisory Committee, shall also be transmitted to the Members of the Governing Council;

(b) Executing agencies which are organizations of the United Nations system shall transmit to the Administrator for submission to the Governing Council [annual] biennial accounts showing the status of funds allocated to them by the Administrator for the execution of UNDP activities. Such accounts shall bear audi

certificates from the organizations' External Auditors and shall be accompanied by their reports, if any, and copies of any relevant resolutions adopted by their legislative or governing bodies;

(c) In submitting the above [annual] biennial accounts to the Governing Council, the Administrator shall comment on the Auditors' substantive observations and on their follow-up[;].

[(d) Notwithstanding (b) and (c) above, executing agencies which are organizations of the United Nations system and which have adopted a biennial financial period but which do not receive audit certificates covering the accounts of the first year of the biennium shall submit interim accounts for that year. Such interim accounts may be unaudited, provided that audited accounts are submitted covering both years of the biennial financial period.]

6. Regulation 17.2: The Administrator shall ensure that Governments which are executing agencies, and other parties selected for project implementation under Regulation 8.10(e), shall require their auditors to follow, to the extent feasible, the audit principles and procedures prescribed for the United Nations with respect to funds obtained from or through UNDP and shall submit audit reports [annually] biennially together with the reports specified in the project document and under Article XV of these Regulations.

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**POLICY**

FINANCIAL, BUDGETARY AND ADMINISTRATIVE MATTERS

UNDP FINANCIAL REGULATIONS

Matters on which consensus was not achieved  
at the thirty-fifth session

Report of the Administrator

SUMMARY

At its thirty-fifth session (1988), the Council considered proposed financial regulation 4.6 and the other matters on which consensus had not been reached at the thirty-third session (1986).

By its decision 88/48, the Council decided that the Budgetary and Finance Committee will consider, at the thirty-seventh session (1990) of the Council, proposed financial regulation 4.6 and the other matters on which consensus was not reached at the thirty-fifth session.

As no new elements regarding this item have been introduced since the thirty-third session of the Council, the Administrator is of the opinion that the substance of his note submitted to that session, contained in document DP/1986/63, will provide the Council with the basis for its consideration at the thirty-seventh session.

Proposed financial regulation 4.6 (text A in the annex)

1. This text, which was proposed by a member of the Council in 1981, provides a definition of the term "readily usable" with respect to the currency of voluntary contributions. This definition provides that a voluntary contribution to UNDP shall be deemed readily usable if previous accumulations of contributions from the donor country amount to less than the contribution itself; the definition must be read in conjunction with the existing regulation 4.5, the text of which is as follows:

"Voluntary contributions shall be made in currencies which are readily usable by UNDP, consistent with the need for efficiency and economy of operations, or convertible to the greatest possible extent into currencies readily usable by UNDP."

Subparagraph 8 (b) of decision 81/16 (text B in the annex)

2. This text also appears as paragraph 16 (b) of decision 80/30, "Preparations for the third programming cycle, 1982-1986". The words contained in round brackets in the text as shown in the annex reflect proposals put forward by two groups of members of the Council; the two different versions of this subparagraph can be rendered as follows:

Version 1 In view of the multilateral nature of the Programme, non-recipient donor countries which make their voluntary contributions wholly or partly in non-convertible currencies shall pay a gradually increasing share of their contributions in convertible currencies so that their contributions will be fully convertible by the year 1985.

Version 2 In view of the multilateral nature of the Programme, non-recipient donor countries which make their voluntary contributions wholly or partly in their national non-convertible currencies are requested to pay, if possible, a gradually increasing share of their contributions in convertible currencies.

Subparagraph 8 (c) of decision 81/16 (text C in the annex)

3. This text also appears as paragraph 16 (c) of decision 80/30, "Preparations for the third programming cycle, 1982-1986". The words contained in round brackets in the text as shown in the annex reflect proposals put forward by different members of the Council; two different versions of this subparagraph can be rendered as follows:

Version 1 Meanwhile, entities headquartered in a net donor country which has contributed in a non-convertible currency shall be reimbursed for services and equipment purchased under the Programme only in the currency of that country where such a currency is accumulated

and until such accumulation is used; conversely, if, when utilizing a non-convertible contribution, costs are incurred in other currencies, these shall be reimbursed to UNDP in the form of a convertible share of the non-convertible contributions.

Version 2 Meanwhile, entities headquartered in a net donor country which has contributed in a non-convertible currency shall be reimbursed for services and equipment purchased under the Programme in the currency in which the contribution is paid where such a currency is accumulated and until such accumulation is used.

These texts should be read in conjunction with the decision taken by the Council in February 1977, which reads as follows:

"Requested the Administrator to take the necessary steps to ensure that all payments for goods and services (including the provision of equipment, subcontracts, transport, etc.) rendered to all UNDP-financed projects by entities headquartered in countries whose currencies have been accumulated in UNDP are made exclusively in currencies in which their country contribution is paid to UNDP until these accumulations are used, and further requested the Administrator to make a detailed status report to the Governing Council as soon as possible but not later than the twenty-sixth session of the Council on (i) the measures he has taken to implement this request; and (ii) the problems, if any, he has encountered in its implementation." 1/

4. The Council is requested to consider whether agreement can be reached on the matters contained in these texts so that the UNDP financial regulations can be issued in final form. Any agreement reached regarding the matters covered by texts B and C would need to be reflected in appropriate financial regulations. It should also be noted that there should be no inconsistency between the conclusions which may be reached on these texts; for example, agreement on a text similar to version 1 of text B would remove the need for a definition as proposed in text A.

#### Notes

1/ Official Records of the Economic and Social Council, Sixty-third Session, Supplement No. 3 (E/5940), para. 58 (n).

Annex

TEXTS ON WHICH CONSENSUS HAS NOT BEEN ACHIEVED

A. Proposed financial regulation 4.6:

[Regulation 4.6: A voluntary contribution to UNDP shall be deemed readily usable if previous accumulations of contributions from the donor country amount to less than the contribution itself.]

B. Subparagraph 8 (b) of decision 81/16:

[In view of the multilateral nature of the Programme, non-recipient donor countries which make their voluntary contributions wholly or partly in (their national) non-convertible currencies (shall pay) (are requested if possible to pay) a gradually increasing share of their contributions in convertible currencies (so that their contributions will be fully convertible by the year 1985)]

C. Subparagraph 8 (c) of decision 81/16:

[Meanwhile, entities headquartered in net donor countries which have contributed in non-convertible currencies where such currencies are accumulated and until such accumulations are used shall be reimbursed for services and equipment purchased under the Programme (only in the currency of that country) (in the currencies in which their contribution is paid): (conversely, if, when utilizing a non-convertible contribution, costs are incurred in other currencies, these shall be reimbursed to UNDP in the form of a convertible share of the non-convertible contributions)].

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