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BUDGETARY, ADMINISTRATIVE AND FINANCIAL MATTERS

UNDP FINANCIAL REGULATIONS AND RULES

Note by the Administrator

Summary

In response to Governing Council decision 25/24 of the twenty-fifth session, the Administrator herewith submits for the approval of the Council, his proposals for the revised UNDP Financial Regulations (Annex I). The Administrator intends to promulgate the proposed UNDP Financial Rules (Annex II), once the Council has acted on the proposed Regulations.

A consolidated version of the proposed (revised) UNDP Financial Regulations and Rules will be made available to the Council during the session. A copy of the United Nations Financial Regulations and Rules for comparison (ST/SGB/Financial Rules/1/Rev.2 (1978)) is being distributed.

The Administrator recommends the approval by the Governing Council of the proposed revised Financial Regulations and requests the Council to take note of the proposed UNDP Financial Rules.

* Annexes I and II are contained in DP/388/Add.1-2.

1. At its twenty-fifth session, the Governing Council, in decision 25/24 (E/1978/53/Rev.1), took note of documents DP/325 and DP/325/Add.1, approved two new UNDP Financial Regulations and, on the basis of the discussion on the afore-mentioned documents, concluded that the Council:

"3. Agrees that the Administrator shall seek to achieve greater harmony and uniformity between the United Nations and UNDP Financial Regulations and Rules and requests the Administrator to submit to the Governing Council at the twenty-sixth session for its review and approval a report showing the existing UNDP Financial Regulations as compared with the United Nations Financial Regulations along with specific proposals for those United Nations Regulations which the Council might adopt as applicable to UNDP and those cases where exceptions or additions are needed;"

"4. Requests the Administrator to include in the report to the Governing Council at its twenty-sixth session for its information similar data on the Financial Rules which the Administrator will promulgate in conjunction with the Council's approval of the UNDP Financial Regulations."

2. These requests have received careful policy attention by the Administrator and a major staff effort was undertaken to comply fully with the objectives of the Council's decision. Several alternatives were considered, including an attempt to list UNDP and United Nations provisions in corresponding columns for submission to the Governing Council. This approach, however, did not prove to be feasible or to provide a meaningful comparison. This is due largely to the wide differences in the organization and alignment of the respective Regulations and Rules which, in turn, made the alignment of numbers and the points of comparability difficult. In addition, many of UNDP's Financial Regulations and Rules were promulgated to meet the specific needs of a funding entity dealing exclusively with development co-operation, which derived its resources entirely from voluntary contributions, as opposed to assessments. They were also prepared at a time when comparability and standardization of all entities for which the Secretary-General has responsibility was not a companion objective. Moreover, the major emphasis on programming and project procedures in UNDP, relations with Governments and Executing Agencies and related methods of controlling programme funds resulted in further divergences. Yet another consideration was the cost of producing a necessarily lengthy and complex document which would only serve to highlight the divergence.

3. In view of the above, the Administrator decided to make a submission to the Governing Council which, basically, would make proposals for revised UNDP Financial Regulations compared with present UNDP Financial Regulations, and at the same time, under a "comments" column, to describe fully the relationship of the proposal to the present United Nations Financial Regulations. A comparable presentation is being made by the Administrator of the UNDP Financial Rules for the information of the Council. The Annexes to this document provide the Council with:

- Annex I - A proposed revision of the UNDP Financial Regulations compared with present UNDP Financial Regulations, with appropriate comments;
- Annex II - A proposed revision of the UNDP Financial Rules compared with present UNDP Financial Rules as they might be issued by the Administrator, with appropriate comments;

A consolidated version of Annexes I and II, i.e. one which shows the proposed UNDP Financial Regulations followed by the applicable UNDP Financial Rules, will be made available to the Council during the session. This document will be issued under the symbol DP/2/Rev.2, after approval of the Regulations by the Council. The present United Nations Financial Regulations and Rules (ST/SGB/Financial Rules/1/Rev.2 (1978)) are also being distributed to the members of the Council.

4. Annex I responds to the Council's request for "... specific proposals for those United Nations Regulations which the Council might adopt as applicable to UNDP and those cases where exceptions or additions are needed"; the comments column provide information with respect to the objective of the Council to "... seek to achieve greater harmony and uniformity between the United Nations and UNDP Financial Regulations and Rules...". To achieve this, the proposed UNDP Financial Regulations are arranged to conform, not only to the order of the chapters of the United Nations Financial Regulations, but also to the extent possible, to the United Nations mode of presentation and to the wording used by the United Nations.

5. Annex II is comparably done with respect to the UNDP Financial Rules. Necessarily, because of the complexity of the Rules and the magnitude of the job, the Administrator intends to have that text further reviewed before publication. In the area of procurement and contracting practices, the Administrator has set up a Task Force and its conclusions and recommendations will, of course, be carefully considered to determine whether further changes in the Rules on that subject are required before issuance. In any event, the proposed effective date for both the revised Financial Regulations and Financial Rules would be 1 January 1980, the beginning of the 1980 - 1981 biennium, in order to allow for their timely publication and distribution to those concerned.

6. Because of workload considerations, the United Nations has reproduced the information in a manner which resulted in the most timely distribution possible and at reduced cost. The documents and other materials available to the Governing Council to assist it in its consideration of this item will be further described in an opening statement.

7. Where required, especially for operational purposes, the essence of the present UNDP Financial Regulations has been retained. Many of these appear as modifications or as additions to the United Nations text.

8. The proposed text also reflects several recent Governing Council decisions (which had not been codified by a Regulation); includes changed budgeting, accounting and other practices; and sets forth new provisions associated with the custodianship-related agreements recently reached between the Secretary-General and the Administrator.

9. The major changes, revisions or additions in the proposed new UNDP Financial Regulations are briefly outlined below:

(a) By an addition to Regulation 1.6, the Administrator will be empowered to specify the basis, content and periodicity of financial reports from Agencies;

(b) In the proposed Regulation 2.1, the financial period remains one calendar year, while the administrative budgets will be prepared on a biennial basis. (The word "Budgets" in the plural because UNDP has responsibility for other entities with separate budgets, such as UNCDF, UNSO, UNRWFRE, etc.);

(c) In the proposed Regulations 3.1 - 3.10 and 4.1 - 4.7, several United Nations Regulations are now proposed for incorporation in the UNDP texts, for the sake of harmonization. At the same time, the two Articles also distinguish between "Appropriation (to the "programme support and administrative services" budget) and "Allocations" (to "programme and project" activities);

(d) New Regulation 5.12 is proposed pursuant to the Governing Council's decision, at the twenty-fourth session, regarding cost sharing activities (E/6013/Rev.1, para.311). It also stipulates that any default in cost sharing payments shall be charged to the IPF of the recipient country;

(e) The proposed Regulation 6.5 now merges current Regulations 3.4 and 3.6 into a single Regulation regarding trust funds. In line with United Nations practice with respect to the Secretary-General, the new text would empower the Administrator to accept trust fund contributions without first going to the Council;

(f) The proposed Regulation 8.2 now reflects the most recent agreement reached with the United Nations regarding custodianship and Rule 408.13 reflects the relevant details of the delegations of authority and shifts of responsibility to the Administrator with respect to custody of UNDP funds (DP/364);

(g) The proposed Regulation 9.2 has been changed to reflect the possible agreement of the Council to set up a reserve for loans to assist Governments in the construction of accommodations (including office premises) for field personnel, as requested by the Administrator in a separate document (DP/383);

(h) The proposed Regulations 10.1 - 10.2 are adapted from the United Nations Regulations for the sake of harmonization. They deal with internal financial controls and appropriately supplement current UNDP texts;

(i) The proposed Regulation 10.5 has been amended, and the proposed Regulation 10.6 has been added to reflect certain texts from the Consensus and the Economic and Social Council resolution on New Dimensions with respect to UNDP procurement practices;

(j) The proposed Regulations 11.1 - 11.6, with appropriate modifications, have been amended to harmonize with the United Nations Regulations on the subject of the Accounts;

(k) The proposed Regulation 14.1 is included in order to harmonize with the United Nations Regulations;

(l) The proposed Regulations 16.1 - 16.4, without change, represent the current Regulations 13.1 - 13.4 for which there is no comparable text in the United Nations Regulations; hence they have been placed at the end of this series.

10. Regarding the proposed Financial Rules which are to be promulgated by the Administrator following the Council's decision on the proposed Financial Regulations, they reflect in their present form the various changes introduced into the Regulations, as well as the requested harmonization with United Nations Rules. The 400 series numbering is proposed in order to better identify these Rules as applicable specifically to UNDP activities as envisaged in the Headnote to the United Nations Financial Regulations and Rules.

Recommendation of the Administrator

11. The Administrator hereby recommends that:

The Governing Council,

- (a) Approve the proposed revised UNDP Financial Regulations; and
- (b) Take note of the proposed UNDP Financial Rules which are to be promulgated by the Administrator.