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OTHER FUNDS AND PROGRAMMES

United Nations Development Fund for Women

Report of the Administrator

Addendum

SUMMARY

In response to Governing Council decision 88/6 of 17 February 1988, this document was prepared to summarize measures planned or being undertaken by the United Nations Development Fund for Women to respond to the financial and administrative issues expected to arise from the change-over from a full funding to a partial funding system. The proposal for the change-over was described in full in document DP/1988/4, annex II, submitted to the Governing Council at its special session in February 1988.

The Administrator recommends the establishment of an operational reserve and implementation of partial funding effective 1988.

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I. INTRODUCTION

1. Following the request of the Consultative Committee on the United Nations Development Fund for Women (UNIFEM) in March 1987, an analysis of the financial management implications for UNIFEM of the potential change-over from a full to a partial funding basis was prepared and submitted to the Committee at its twenty-second session in September 1987. The Committee approved, in principle, the change-over to partial funding pending the concurrence of the Governing Council at its special session in February 1988. By paragraph 3 of decision 88/6 of 17 February 1988, the Council approved, in principle, the change-over to partial funding on the understanding that financial and administrative issues arising from this change-over would be referred to the Budget and Finance Committee at the thirty-fifth session of the Council (June 1988). It should also be noted that the Consultative Committee, at its twenty-third session, held in April 1988, recommended implementation of the partial funding system as soon as the Governing Council had reviewed the related financial and administrative issues.

2. In response to the above Governing Council decision, this document was prepared to summarize the financial and administrative measures planned or being taken by UNIFEM that are relevant to the support of the Fund's operations on a partial funding basis.

II. BACKGROUND

3. Since its inception, as the Voluntary Fund for the United Nations Decade for Women, UNIFEM has given operational effect to its mandates set forth in General Assembly resolutions 31/133 of 16 December 1976 and 39/125 of 14 December 1984. The Fund has financed programmes and projects on a full funding basis, whereby activities were approved for financing only to the extent that resources were actually received. In addition as a result of the lead-time required by projects from the time they are approved to full disbursement of funds, in particular for projects with a duration of more than one year, the current operations of the Fund under full funding are characterized by a low rate of expenditure and a high accumulated Fund balance.

4. Partial funding, on the other hand, will enable the Fund to utilize its resources in a more efficient manner and increase its assistance to recipient countries by reducing the excess Fund balance. The partial funding as proposed with its financial control mechanisms will not jeopardize the Fund's operational activities nor its financial integrity.

III. IMPLEMENTATION OF PARTIAL FUNDING

5. Independent of the change from full to partial funding, UNIFEM has been in the process of taking a number of steps to reinforce both its programme formulation and backstopping capacity and its financial and administrative management capacity. These initiatives take on added significance in the context of the increased project activities foreseen under partial funding. These are set forth below in

addition to the financial provisions necessary to respond specifically to the Fund's operations on a partial funding basis. Annex I contains the resource planning table for UNIFEM, 1987-1991, under the partial funding system. For easy understanding, the format of the table attached to this document has been slightly modified in comparison with the planning tables attached to document DP/1988/4. Income and expenditure figures have been amended to take the latest financial information into account.

A. Programme

6. In accordance with the expanded mandate of UNIFEM as contained in General Assembly resolution 39/125 of 14 December 1984, the first priority in the use of the Fund's resources is to serve as a catalyst, with the goal of ensuring the appropriate involvement of women in mainstream development activities as often as possible at the pre-investment stage. In implementing this directive, the Fund is undertaking missions related to pre-investment policy and planning activities. These activities enhance the introduction of the systematic consideration of women's economic and social roles and potentials in policies, programmes and projects, and also increase the volume of projects to be financed by UNIFEM and/or other funding sources.

7. With regard to the second priority of supporting innovative and experimental activities benefiting women in line with national and regional priorities, intensive programming efforts are under way or have been planned. The Fund's regional programmes in Africa, Asia and the Pacific and Latin America and the Caribbean were developed to respond to specific needs based on regional priorities. A regional programme for Western Asia will also be developed. Within these regional frameworks, substantial progress has been made in the areas of food security through women and food cycle technologies projects and the introduction of the Fund's credit support system. Requests for fully designed projects together with the intensive programming efforts of UNIFEM resulted in project proposals valued at more than \$10.0 million during the past half year. Of these proposals, the Consultative Committee in April 1988 recommended new commitments valued at \$4.4 million, the maximum level of resources estimated as at April to be available for 1988 under the Fund's operation on a full funding basis. While Fund management will seek co-financing of some projects, it is clear that the resources released under the move to a partial funding system can be absorbed rapidly.

8. The Fund continues to give high consideration to improving the quality of activities at each stage of the project cycle:

(a) Experienced core staff and senior level consultants are assigned to project identification and formulation. This has improved the quality of project documents and timing of project inputs and is leading to a reduction of lead-time between project formulation and the start of project operations;

(b) The UNIFEM project appraisal committee has been strengthened in collaboration with UNDP to enhance project appraisals and co-operation at the implementation stages;

(c) Monthly updating of programme management plans has been instituted to closely monitor the development of activities and to allow timely actions to be taken;

(d) A storage and retrieval project information system provides reference data for project monitoring and baseline data for project evaluation;

(e) Simplified procedures for preparing project documents and reporting are being developed for small-scale projects;

(f) The Guidelines on the Operational Relationship between UNIFEM and UNDP enhance communications and all stages of the processing of projects.

B. Finance and administration

9. It is proposed that an operational reserve be established and maintained in convertible currencies at the level of 45 per cent of outstanding recommended project approvals and unspent allocations. It will cover the expected expenditures for operational activities during the following year.

10. In order to maintain the Fund's financial integrity, an annual ceiling for total outstanding recommended approvals and unspent allocations will be established. It will be calculated on the basis of estimated available resources at year end, exclusive of the operational reserve, plus twice the value of voluntary contributions of the previous year. The Fund will control the level of outstanding recommended approvals and unspent allocations by setting a maximum level of project approvals during the year.

11. In exercising its financial controls, UNIFEM utilizes all financial information systems and reports made available by UNDP and supplements them with its own system and records, as follows:

(a) Project budgets and expenditures. All the UNIFEM ongoing projects have been included in the UNDP Programme and Project Management System, which provides all financial project resource information including budget, expenditure and unspent allocations. This system facilitates the analysis of project financial information which will support the setting of targets for annual expenditure and new project approvals. UNIFEM continues to maintain financial information on project proposals requested for funding and recommended project approvals. UNIFEM also carries out periodic reviews of all approved but not operational projects, mandatory budget revisions and rephasing of budgets of ongoing projects;

(b) Income and general resources. While UNDP continues to be responsible for treasury functions, UNIFEM continues to monitor cash-flow requirements, pledges and the investment portfolio.

12. A monthly financial status report provides the Fund Director with an overview of the key developments affecting the Fund's financial resources, including liquidity, actual income, expenditure, project approvals and administrative budget

costs. The report thus includes all the elements required to ensure that the proposed partial funding control formula is effectively maintained.

13. The internal management reports will be expanded to provide additional qualitative and quantitative information, for example, lead time from recommended project approvals to signature of project documents, and distribution of resources by region, economic sector and project component.

14. The Fund will continue to review project proposals for approval twice each year. It is thus positioned to exercise firm control over the level of new commitments, should there be unexpected variations in its financial environment.

IV. RECOMMENDATION

15. The Administrator recommends that the Council approve (a) the establishment of an operational reserve fully funded in convertible currencies, to be maintained at the level of 45 per cent of outstanding recommended project approvals and unspent allocations and (b) the implementation of the partial funding system effective 1988.

Annex

RESOURCE PLANNING TABLE FOR UNIFEM (1987-1991)

(In millions of United States dollars)

	Estimate	Projected			
	1987	1988	1989	1990	1991
I. AVAILABILITY OF RESOURCES:					
A. Resources available from previous year <u>a/</u>	12.2	11.8	5.8	5.1	4.4
B. Resources made available during the year:					
Voluntary contributions	4.8	5.2	5.6	6.0	6.5
Cost-sharing	0.1	0.1	0.2	0.2	0.3
Donations	0.2	0.3	0.3	0.4	0.4
Interest and other income	1.2	0.9	0.9	0.9	0.9
	<u>6.3</u>	<u>6.5</u>	<u>7.0</u>	<u>7.5</u>	<u>8.1</u>
Total resources available	<u>18.5</u>	<u>18.3</u>	<u>12.8</u>	<u>12.6</u>	<u>12.5</u>
II. UTILIZATION OF RESOURCES:					
A. Programme resources:					
Project expenditure <u>b/</u>	5.5 <u>c/</u>	4.8	5.4	5.9	6.2
Administrative services costs	1.2	1.7	1.7	1.9	1.9
	<u>6.7</u>	<u>6.5</u>	<u>7.1</u>	<u>7.8</u>	<u>8.1</u>
B. Increase in operational reserve	-	6.0	0.6	0.4	0.2
Total utilization of resources	<u>6.7</u>	<u>12.5</u>	<u>7.7</u>	<u>8.2</u>	<u>8.3</u>
III. FUND BALANCE AT THE YEAR END <u>d/</u> (I-II)	<u>11.8</u>	<u>5.8</u>	<u>5.1</u>	<u>4.4</u>	<u>4.2</u>
IV. OUTSTANDING RECOMMENDED PROJECT APPROVALS <u>e/</u> AND UNSPENT ALLOCATIONS:					
A. Maximum ceiling <u>f/</u>	11.8	15.4	15.5	15.6	16.2
B. Estimated actual at year end	11.8	13.4	14.7	15.6	16.2
V. PROJECT APPROVALS:					
A. Maximum level <u>g/</u>	5.1	8.4	7.5	6.8	6.8
B. Estimated actual during the year	5.1	6.4	6.7	6.8	6.8
VI. OPERATIONAL RESERVE <u>h/</u>	-	6.0	6.6	7.0	7.2

a/ Exclusive of operational reserve.

b/ Includes reimbursement of programme support costs.

c/ Includes a one-time accounting adjustment to record as expenditure \$0.9 million, which was previously recorded as operating funds provided to executing agencies (UNDP revised accounting instructions for recording expenditure under government-executed projects).

d/ Fund balance consists of available resources exclusive of the operational reserve.

e/ "Outstanding recommended project approvals" (IV) are the total funds earmarked for projects recommended for approval by the Consultative Committee or the Fund Director, but for which project documents have not been signed. Unspent allocations are allocations under approved projects which have not yet been disbursed.

f/ The maximum ceiling of "Outstanding recommended project approvals and unspent allocations" (IV.A) is calculated on the basis of estimated Fund Balance at year end (III) plus twice the value of voluntary contributions of the previous year (I.B)

formula: $IV.A = III + 2x I.B$ (previous year)

e.g. 1988 $IV.A = 5.8 + 2x 4.8 = 15.4$.

g/ "Project approvals: maximum level" (V.A) is calculated at the estimated maximum level of recommended approvals and unspent allocations at the end of the year (IV.A) minus the actual level at the end of the previous year (IV.B) plus project expenditure during the year (II.A)

formula: $V.A = IV.A - IV.B$ (previous year) + II.A

e.g. 1988 $V.A = 15.4 - 11.8 + 4.8 = 8.4$.

h/ The operational reserve is maintained at 45 per cent of the total of recommended approvals and unspent allocations at year end.

formula: $VI = 0.45 x IV.B$

e.g. 1988 $VI = 0.45 x 13.4 = 6.0$.

