

# UNDP Financial Regulations and Rules

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## Chapter A: Applicability

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<b>Audience</b>	These UNDP Financial Regulations and Rules are to be used by all UNDP staff who are performing duties in the financial management of UNDP operations, both at Headquarters, in the Country Offices and at other offices worldwide.		
<b>Applicability</b>	This component describes the financial regulations and rules applicable to all UNDP operations, at Headquarters, at the Country Offices and at other UNDP offices worldwide.		
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NA	01/03/2005	OF	Regulation 1.05 amended as per <a href="#">EB decision 2005/1</a> (see <a href="#">DP/2005/3</a> ).

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### Article 1: Applicability

#### Regulation 1.01:

These Regulations shall govern the financial management of the United Nations Development Programme (UNDP) and shall, unless otherwise provided by the General Assembly or the Executive Board or as otherwise specified in these Regulations and the annexes thereto, apply to all resources administered by UNDP and to all the Funds and Programmes administered by the Administrator.

#### Regulation 1.02:

Amendments and exceptions to these Regulations may be made only by the Executive Board, after review by the Advisory Committee on Administrative and Budgetary Questions.

#### Regulation 1.03:

These Regulations shall become effective on 1 March 2005.

#### Regulation 1.04:

In regard to any matter not specifically covered by these Regulations, the appropriate provisions of the United Nations Financial Regulations shall apply.

**Regulation 1.05:**

- (a) Unless otherwise specified in (b) below, the UNDP Financial Regulations and Rules shall apply to all resources administered by the United Nations Capital Development Fund, by the United Nations Revolving Fund for Natural Resources Exploration, by the United Nations Fund for Science and Technology for Development, by the United Nations Development Fund for Women and by the United Nations Volunteers programme;
- (b) Additions or amendments to the UNDP Financial Regulations and Rules, which shall be applicable to the United Nations Capital Development Fund and to the United Nations Revolving Fund for Natural Resources Exploration and which are necessary in order to take account of the special requirements of their operations, are contained in the relevant annex to the UNDP Financial Regulations and Rules.

***Rule 101.01:***

- (a) These Rules shall apply to the financial administration of all activities of UNDP except as may otherwise be provided by the General Assembly or the Executive Board.
- (b) In regard to any matter not specifically covered by these Rules, the appropriate provisions of the United Nations Financial Regulations and Rules shall apply.

## Chapter B: Accountability

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	01/05/2005	BDP/OLPS	Rule 103.01(a) amended in harmony with revised financial regulations as per <a href="#">EB decision 2005/1</a> (see <a href="#">DP/2005/3</a> )

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### Article 2: Accountability

#### Regulation 2.01:

The Administrator of UNDP is fully responsible and accountable to the Executive Board for all phases and aspects of UNDP activities.

#### Regulation 2.02:

- (a) The Administrator shall issue detailed Financial Rules and procedures in order to ensure effective financial administration and the exercise of economy; the Administrator shall circulate the Financial Rules to the members of the Executive Board for information at least 30 days before they become effective;
- (b) The Administrator may amend the Financial Rules and shall circulate amendments to these Rules to the members of the Executive Board for information at least 30 days before they become effective;
- (c) The Administrator may, when he/she deems it necessary, suspend the application of any of these Financial Rules and shall circulate suspensions of these Rules to the members of the Executive Board for information as soon as they become effective.

### **Regulation 2.03:**

There shall be established UNDP Accounts to which all resources administered by UNDP and receivable in cash shall be credited and against which all expenditures on behalf of UNDP shall be charged.

### **Regulation 2.04:**

The financial period for the purpose of both the proposed utilization of resources and the incurring of and accounting for expenditures in respect of the biennial support budget shall consist of two consecutive calendar years (hereinafter referred to as a biennium), the first of which shall be an even year.

#### ***Rule 102.01:***

- (a) Powers and responsibilities delegated by the Administrator to other UNDP staff shall follow these Rules. A record of such delegations shall be maintained by the Assistant Administrator, Bureau of Management.
- (b) The Assistant Administrator, Bureau of Management, shall be responsible, on behalf of the Administrator, for the administrative maintenance of these Regulations and Rules, including any application of the United Nations Financial Regulations and Rules.
- (c) The Assistant Administrator, Bureau of Management, shall issue such instructions or establish such procedures as she/he may deem necessary for the administration of these Rules.

#### ***Rule 102.02:***

All personnel of UNDP are responsible to the Administrator for the regularity of actions taken by them in the course of their official duties. Any personnel who take any action contrary to these Financial Rules or to the instructions which may be issued in connection therewith may be held personally responsible and financially liable for the consequences of such action.

## **Article 3: Internal control**

### **Regulation 3.01:**

The Administrator shall maintain an internal financial control mechanism which shall provide for an effective current examination and review of financial, management and operational activities, in order to ensure:

- (a) The regularity of the receipt, custody and disposal of all financial resources administered by UNDP;
- (b) The conformity of commitments and expenditures with the allocations, appropriations or other financial provisions decided upon by the Executive Board, with allocations decided upon by the Administrator or with agreements with other United Nations organizations and other entities;
- (c) The effective and efficient management of UNDP and the effective, efficient and economic use of all resources administered by UNDP.

**Rule 103.01:**

Unless specified otherwise in these financial Rules, authority and responsibility to issue instructions and establish procedures for the implementation of these Regulations and Rules are delegated by the Administrator to:

- (a) The Associate Administrator for chapter E of these Financial Regulations and Rules governing the utilization of resources by executing entities or, under the harmonized operational modalities, implementing partners;
- (b) The Assistant Administrator, Bureau for Resources and Strategic Partnerships, for Chapter C of these Financial Regulations and Rules governing the mobilization of resources;
- (c) The Assistant Administrator, Bureau of Management, for Chapters D, F and G of these Financial Regulations and Rules governing, respectively, resource planning and financial authorizations, the utilization of resources by UNDP and the administration of resources.

**Rule 103.02:**

The Office of Audit and Performance Review shall be responsible for the internal audit of UNDP and shall have free access to all books, records and other documents which are, in its opinion, necessary for the performance of the audit. Its reviews shall be conducted in accordance with generally accepted auditing standards, shall provide comments and recommendations to the Administrator on financial, management and operational activities, in respect of:

- (a) The regularity of the receipt, custody, expenditure, accounting and reporting of all financial resources administered by UNDP, and the effectiveness of existing internal controls and accounting systems;
- (b) The conformity of expenditures with the purposes for which funds were appropriated or otherwise provided by the Executive Board and the financial authorizations issued thereunder, or with the purposes and Rules relating to other funds administered by UNDP or with agreements with other United Nations organizations and other entities;
- (c) The compliance of all financial activities and transactions with established regulations, rules, policies, procedures and administrative instructions;
- (d) The effective and efficient management of UNDP and the effective, efficient and economic use of UNDP resources, funds administered by UNDP and non-UNDP funds administered by UNDP.

## **Article 4: External Audit**

**Regulation 4.01:**

The External Audit provisions of Article XII of the United Nations Financial Regulations have been annexed to these Regulations and shall apply to UNDP, except that:

- (a) The reports of the Board of Auditors, together with the audited financial statements and the comments thereon of the Advisory Committee, shall also be transmitted to the Members of the Executive Board;
- (b) Organizations of the United Nations system and the United Nations Office for Project Services, entrusted with the execution or implementation of UNDP programme activities shall transmit to the Administrator, for submission to the Executive Board, biennial accounts showing the status of funds allocated to them by the Administrator. Such accounts shall bear audit certificates from the External Auditors of the organizations 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 biennial accounts to the Executive Board, and as part of the comments submitted with the audited financial statements of UNDP, the Administrator shall comment on the Auditors' substantive observations and on their follow-up.

## Chapter C: Resources

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	31/01/2001	OF	Regulations 5.02 and 5.09 amended, and rule 105.01 introduced as per <a href="#">EB decision 2001/6</a> (see <a href="#">DP/2001/9</a> )
	01/03/2005	OF	Regulations 6.03, 6.05, 9.03 and 9.04 amended as per <a href="#">EB decision 2005/1</a> (see <a href="#">DP/2005/3</a> )
	01/05/2005	BDP	Rule 107.02 amended in harmony with revised financial regulations as per <a href="#">EB decision 2005/1</a> (see <a href="#">DP/2005/3</a> )
	22/06/2005	OF	Regulation 5.07 amended and Rule 105.02 created as reflected in <a href="#">DP/2005/CRP.6</a> . Changes were approved by EB on a three-year provisional basis, as per <a href="#">EB decision 2005/17</a> .

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### Article 5: General Framework

#### Regulation 5.01:

- (a) The Administrator is responsible for mobilizing effectively and efficiently UNDP resources in furtherance of the mandate and activities of UNDP.
- (b) The Administrator may delegate authority, as appropriate, for the mobilization of resources.

#### Regulation 5.02:

Contributions may be accepted by UNDP from Governments of States Members of the United Nations, of the specialized agencies and of the International Atomic Energy Agency, as well as from those organizations and agencies themselves. Other contributions, including those from intergovernmental, non-governmental, or private sector sources, may be accepted by UNDP and utilized for the general support of UNDP or for purposes consistent with those of UNDP.



**Regulation 5.03:**

- (a) The Administrator may indicate to the contributing party the currency or currencies required for UNDP activities.
- (b) Contributions in cash shall be denominated in United States dollars; however, the Administrator may accept payment in the local currency of the contributing party to the extent the Administrator considers that such currency could be used to meet operational requirements.

**Regulation 5.04:**

Should the Administrator agree to accept payment of a contribution in a currency other than United States dollars, the recorded contribution shall be adjusted by any consequent identifiable loss or gain on exchange, unless, in the case of loss, the contributing party agrees to reimburse it.

**Regulation 5.05:**

Where the purpose of the contribution is the general support of UNDP and no limitations are imposed by the contributor as to its use, the monies or in-kind provisions received shall be credited to the UNDP Regular Resources Account.

**Regulation 5.06:**

Where the contribution is for specific purposes consistent with the policies, aims and activities of UNDP, the contributions received shall be credited to the UNDP Other Resources Account and shall be treated under the provisions of Article 7, 8 or 9 below, as appropriate.

**Regulation 5.07:**

Contributions to Other Resources shall be subject to the following conditions:

- (a) Contributions shall be paid pursuant to an agreement made between the contributor and the Administrator;
- (b) Contributions shall be paid in advance of the allocation made for the implementation of planned UNDP programme activities, except as provided under the terms of Regulation 5.07(c);
- (c) Notwithstanding the provision of Regulation 5.07(b), allocations may be made on the basis of receivable co-financing contributions, in accordance with risk guidelines established by the Administrator.
- (d) Additional costs incurred by UNDP in administering the contribution shall be fully covered from the contribution.

**Regulation 5.08:**

In cases of default by a contributor of payment of part or all of a contribution to UNDP Other Resources, or in the case of unforeseen contingencies, the resources available for UNDP programme activities at the country level or at the respective regional level shall be charged with those costs which would otherwise have been financed from the contribution to Other Resources.

**Regulation 5.09:**

The Administrator shall report annually to the Executive Board on individual contributions received from intergovernmental, non-governmental, or private sector sources, subject to such limits as the Executive Board may specifically decide.

**Regulation 5.10:**

Entities headquartered in a net contributor country which has contributed in a non-convertible currency shall be reimbursed for services and equipment purchased for the programme activities 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 a convertible currency.

**Regulation 5.11:**

The Administrator shall provide annually information to the Executive Board on any difficulties encountered in fully utilizing the currencies available to UNDP, together with any additional information requested by the Executive Board on currency utilization.

***Rule 105.01:***

Individual contributions above a value of \$100,000 received from intergovernmental, non-governmental, or private sector resources shall be reported annually to the Executive Board.

***Rule 105.02:***

Further to regulation 5.07, the Administrator will promulgate guidelines to ensure risks are mitigated to the extent possible.

## **Article 6: Voluntary contributions to Regular Resources**

**Regulation 6.01:**

The overall target for voluntary contributions shall be established by the Executive Board.

**Regulation 6.02:**

Voluntary contributions may be pledged either on a multi-year or on an annual basis.

**Regulation 6.03:**

Voluntary contributions and other contributions to Regular Resources shall be made without limitation as to use. No contributing Government shall receive special treatment with respect to its voluntary contribution, nor shall negotiation take place for the use of currencies contributed to UNDP between contributing Governments and programme countries.

**Regulation 6.04:**

Voluntary contributions shall be made in currencies which are readily usable by UNDP, consistent with the need for efficiency and economy of operations.

#### **Regulation 6.05:**

Without prejudice to the annual pledging conference convened by the Secretary-General, a special UNDP funding meeting will be convened on an annual basis within the context of the annual session of the UNDP/UNFPA Executive Board, at which voluntary contributions to UNDP Regular Resources will be formally announced. This funding meeting will be the time when all member States would:

- (a) Announce their voluntary contributions to UNDP as follows: a firm funding commitment for the current year; for those in a position to do so, a firm contribution or indication of the contribution for the following year; and a firm or tentative contribution for the third year;
- (b) Announce payment schedules for the current year, taking into account that early payments are encouraged;
- (c) Review the past payments of contributions to UNDP Regular Resources and government contributions to local office costs made in the previous calendar year as well as the timing of the payments.

### **Article 7: Cost-sharing contributions to Other Resources**

#### **Regulation 7.01:**

The Administrator is authorized to enter into cost-sharing agreements provided these have been agreed by the programme country or countries, subject to such principles as the Executive Board may establish.

#### ***Rule 107.01:***

The authority to mobilize cost-sharing resources is delegated to the Associate Administrator, who may delegate this authority, through the Director of the Regional Bureau concerned, to UNDP resident representatives in programme countries.

#### ***Rule 107.02:***

Cost-sharing contributions shall be set forth in the project document and/or in an agreement with the contributing party. These contributions shall be due in advance of the related expenditures according to a schedule of payments agreed to in writing by UNDP.

#### ***Rule 107.03:***

Any unexpended cost-sharing contributions remaining after the related UNDP programme activities are financially completed shall be disposed of by UNDP in accordance with the agreement under which the contribution is made.

## **Article 8: Trust fund contributions to Other Resources**

### **Regulation 8.01:**

Trust funds may be established by the Executive Board or by the Administrator for specified purposes consistent with the policies, aims and activities of UNDP. Trust funds which directly or indirectly involve additional financial liability for UNDP shall be established only by the Executive Board.

### **Regulation 8.02:**

The Administrator shall issue guidelines for the establishment and administration of trust funds. To ensure cost-effective administration of trust funds, the Administrator may determine a minimum contribution level below which he/she may refuse the establishment of a trust fund.

### **Regulation 8.03:**

The Administrator may establish trust funds at the request of the Secretary-General to provide assistance in responding to resolutions of the Security Council or the General Assembly.

#### ***Rule 108.01:***

- (a) Each trust fund shall be established either on the basis of a written agreement signed on behalf of UNDP and one or more contributors or by the issuance of terms of reference for the trust fund concerned in anticipation of receipt of contributions from prospective contributors.
- (b) The authority to mobilize trust fund resources, including the authority to sign trust fund agreements and to issue terms of reference for trust funds, is delegated to the Associate Administrator, who may delegate this authority, through the Director of the Regional Bureau concerned, to UNDP resident representatives in programme countries.
- (c) Unless otherwise provided by the Executive Board, the trust fund and activities financed therefrom shall be administered in accordance with the applicable UNDP regulations, rules and directives

#### ***Rule 108.02:***

Any unexpended trust fund contributions remaining after the related UNDP programme activities are financially completed shall be disposed of by UNDP in accordance with the agreement under which the contribution is made.

## **Article 9: Other contributions and income**

### **Regulation 9.01:**

Host Government contributions to the costs of UNDP country offices.

- (a) The Administrator shall arrange for the collection from host Governments of their contributions in cash and/or in kind towards the costs of UNDP country offices, in accordance with the agreements between the Administrator and the host Governments concerned. Negotiations with respect to the amount and/or form of such contributions shall be in accordance with relevant Executive Board

decisions and take into consideration the economic conditions of the countries concerned and may result in the granting by the Administrator of a partial waiver of contributions.

- (b) Contributions in cash towards the costs of UNDP country offices shall be credited to the biennial support budget of UNDP.

**Regulation 9.02:**

Programme country counterpart contributions.

- (a) Programme countries shall assist in defraying costs associated with UNDP programme activities in their countries by making available, either in cash or in kind or both, a substantial part of the requirements necessary for the implementation of UNDP programme activities, except in cases of hardship. In the light of policies established by the Executive Board, the level, nature and timing of such contributions will be determined in agreement with the programme country or countries and will be described in the relevant project or programme support document.
- (b) Programme country counterpart contributions shall be credited to the UNDP Other Resources Account.

**Regulation 9.03:**

At the request of programme countries, UNDP may provide management and other support services associated with the financing of activities by Governments, or intergovernmental or governmental organizations. Such management and other support services shall be consistent with the policies, aims and activities of UNDP. The income derived from the provision of such management and other support services shall be considered as Other Resources income to UNDP.

**Regulation 9.04:**

All income to UNDP shall be classified as miscellaneous income, except:

- (a) The income from the contributions specified in this Chapter C(Resources);
- (b) Direct refunds of expenditures in respect of programme activities during the approved duration of a programme activity, i.e., before the final allocation for UNDP assistance to a programme activity is made;
- (c) Direct refund of expenditures in respect of the biennial support budget during the current biennium;
- (d) Advances or deposits to funds;
- (e) Revenue derived from the staff assessment plan

**Rule 109.01:**

Host Government contributions in kind to support the cost of UNDP country offices (e.g., goods, services or premises) shall be appropriately recognized in the biennial support budget of UNDP.

***Rule 109.02:***

Each management services and support services arrangement shall be covered by a written agreement between UNDP and the programme country concerned, which agreement shall, inter alia, specify the services which UNDP is to furnish and provide for full reimbursement to UNDP of any costs incurred thereby by UNDP headquarters and/or country offices.

## Chapter D: Resource Planning and Financial Authorization

<b>Document Name</b>	Financial Regulations and Rules		
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	01/05/2005	OPB  BDP/OLPS	<ul style="list-style-type: none"> <li>Rules 110.01, 111.01, 113.01-113.03, 114.01, 114.02, 114.04, 114.05, 115.01 and 115.02 amended to reflect changes due to Atlas implementation etc.</li> <li>Rule 112.02 of 1 April 2000 deleted</li> </ul>

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### Article 10: General framework

#### Regulation 10.01:

- (a) The Administrator is responsible and accountable for planning the use of UNDP resources and issuing financial authorizations effectively and efficiently in furtherance of the policies, aims and activities of UNDP;
- (b) The Administrator may delegate authority, as appropriate, for the planning of the use of UNDP resources and issuance of financial authorizations.

#### Regulation 10.02:

- (a) UNDP shall have an integrated financial framework for the planning and management of Regular Resources that shall cover a fixed multi-year period;

- (b) This fixed multi-year financial framework period shall consist of four consecutive calendar years known as the "financial framework period";
- (c) Within this financial framework period, and at least two years prior to the beginning of a new such framework, the Administrator shall submit to the Executive Board for its approval a distribution of UNDP Regular Resources in percentage shares among specific categories as defined in Regulation 11.01.

**Regulation 10.03:**

Subject only to the maintenance on a continuous basis of there serves set forth under Article 25 and for working capital, and after provision has been made for the biennial support budget, all resources of UNDP shall be available to the maximum extent possible for programme activities.

**Regulation 10.04:**

Financial authorizations against UNDP Regular Resources shall be issued on a partially funded basis.

**Regulation 10.05:**

To provide for continuity in UNDP programme activities, subject to guidelines that the Executive Board may set forth, the Administrator is authorized to take the measures that may be necessary to ensure a smooth transition from one financial framework period to the next.

***Rule 110.01:***

The Assistant Administrator, Bureau of Management, shall be responsible, on behalf of the Administrator, for planning and allocating the resources made available to UNDP so as to optimize their use.

***Rule 110.02:***

For internal planning purposes, UNDP will have a rolling resource planning period which will formally rollover at the end of the calendar year and normally cover at least the current year and two future years.

## **Article 11: Programme activities: Distribution of resources**

**Regulation 11.01:**

Regular Resources available for UNDP programme activities are distributed by the Executive Board in the following main categories:

- (a) Programme activities at the country level, including targets for resource assignment from the core (hereinafter referred to as TRAC);
- (b) Programme activities at the regional level;
- (c) Programme activities at the global level;
- (d) Evaluation;



- (e) Technical cooperation between developing countries activities;
- (f) UN Resident Coordinator system;
- (g) Other categories as may be established by the Executive Board.

**Regulation 11.02:**

The distribution of resources among the different programme categories may be changed only by the Executive Board on the basis of principles it shall have established.

**Regulation 11.03:**

Percentage shares for programme countries, in the form of TRAC-1 and TRAC-2, shall be calculated using the criteria and methodology endorsed by the Executive Board, under the separate categories established by the Executive Board for programme activities at the country level.

**Regulation 11.04:**

Consistent with the objectives set forth in the programme categories established by the Executive Board, the Administrator shall plan for the delivery of all UNDP programme activities at rates expected to achieve the targeted resource levels.

**Regulation 11.05:**

Subject to decisions that the Executive Board may make with regard to specific programme categories, at the end of a financial framework period, any unexpended available balance of resources assigned to a specific programme category shall in principle be available for the same respective category in the next financial framework period. Similarly, any overexpenditure in a specific category in a financial framework period shall constitute a first charge against the respective category in the next financial framework period.

**Rule 111.01:**

- (a) At least annually, at the end of each calendar year, the Assistant Administrator, Bureau of Management, shall incorporate for the rolling planning period estimates of the resources expected to be available for programme expenditures, and existing commitments against those resources.
- (b) Should these estimates exceed or fall short of the targets set, the Assistant Administrator, Bureau of Management, shall propose adjustments upwards or downwards in the authorized programming levels. Such adjustments shall be applied on an across-the-board basis to the percentage share established by the Executive Board for each programme category.
- (c) The Assistant Administrator, Bureau of Management, will prepare a separate resource planning framework for each separate programme category that the Executive Board may have established.
- (d) Within the resource planning framework, the Administrator shall set authorized spending limits, or ceilings for commitments, and expenditure targets for each year of the planning period and for the planning period as a whole.

## **Article 12: Programme activities: Resource assignment**

### **Regulation 12.01:**

- (a) Within the Regular Resources distributed to programme countries and to regional and global programme activities, and taking into account anticipated Other Resources, the Administrator shall submit, on the basis of principles laid down by the Executive Board, programme documents for approval by the Executive Board;
- (b) Programme documents shall each contain a results and resources framework outlining the level of funding targeted from both Regular and Other Resources for the entire planning period for each outcome covered by the programme document.

### **Regulation 12.02:**

The approval of a programme document by the Executive Board forms the basis for subsequent allocation of UNDP resources towards the achievement of the development results specified in the programme document.

### **Regulation 12.03:**

To provide for continuity in the programming and implementation of UNDP programme activities, the financial period for the purpose of the proposed utilization of resources and of the entering into commitments shall be the duration of each UNDP programme activity.

### **Regulation 12.04:**

The Administrator may expend annually up to one tenth of 1 per cent of the resources available for the regional and global programme documents for preparation and review of such programmes without further recourse to Governments or to the Executive Board.

### ***Rule 112.01:***

All resources available for UNDP programme activities, including those transferred from the previous fixed financial framework period, shall be either fully distributed by the end of the current fixed financial framework period or transferred to the next period.

### ***Rule 112.02:***

The Associate Administrator may determine a TRAC-1 threshold below which the approval process of the country cooperation framework shall be simplified. The Executive Board and those programme countries to which the simplified process is applied shall be informed of this threshold.

## **Article 13: Biennial support budget: Submission and approval**

### **Regulation 13.01:**

The Administrator shall prepare the proposed biennial support budget, which shall cover programme support, management and administration of the organization, and support to operational activities of

the United Nations. The proposed biennial support budget shall be related to the current planning period.

**Regulation 13.02:**

The biennial support budget shall cover proposed expenditures and anticipated income relating to the biennium and shall be submitted in United States dollars.

**Regulation 13.03:**

The Administrator shall, in the second year of a biennium, submit the proposed biennial support budget for the following biennium to the Executive Board. This proposed biennial support budget shall be transmitted to all members of the Executive Board at least six weeks prior to the opening of that session of the Board.

**Regulation 13.04:**

- (a) The biennial support budget estimates shall be submitted to the Advisory Committee for comment prior to presentation to the Executive Board.
- (b) The proposed budget, together with the Advisory Committee report thereon, shall be considered for approval by the Executive Board in September of the year preceding the biennium to which the budget relates.
- (c) The approved budget and the related comments of the Advisory Committee shall be submitted to the General Assembly for information at the time the relevant annual report of the Executive Board is considered.

**Regulation 13.05:**

The Advisory Committee is requested to prepare a report for submission to the Executive Board on the proposed biennial support budget. This report shall be transmitted to all members of the Executive Board as soon as it is available.

**Regulation 13.06:**

The Executive Board shall, in the second year of a biennium, adopt the biennial support budget for the following biennium.

**Regulation 13.07:**

The proposed biennial support budget, both for income and expenditure, shall be prepared in the form adopted by the Executive Board in relevant decisions on the harmonization of budget presentations.

**Regulation 13.08:**

The Administrator may submit supplementary proposals to amend the biennial support budget whenever necessary.

**Regulation 13.09:**

The Administrator, in preparing supplementary proposals to amend the biennial support budget, shall do so in a form consistent with the approved biennial support budget and shall submit such proposals

to the Executive Board. They shall also be submitted to the Advisory Committee, which is requested to review them and report thereon to the Executive Board.

**Regulation 13.10:**

Subsequent to a session of the Executive Board in the second year of a biennium, the Administrator may utilize the budgetary contingency provision of 3 per cent of the approved gross appropriations for unforeseen requirements resulting from currency movements, inflation or decisions of the General Assembly. Such usage shall be reported to the Executive Board at its next regular session and to the Advisory Committee, which is requested to review it and report thereon to the Executive Board.

**Rule 113.01:**

- (a) For each biennium, the UNDP biennial support budget shall be established within the parameters of the current planning framework.
- (b) The Assistant Administrator, Bureau of Management, shall develop the budget proposals in consultation with the heads of business units of UNDP and make his/her recommendations to the Administrator.
- (c) The Administrator shall decide as to the proposed biennial support budget to be submitted to the Executive Board.

**Rule 113.02:**

Any supplementary biennial support budget proposals shall be reviewed by the Assistant Administrator, Bureau of Management, who shall make recommendations to the Administrator. In each case, the Administrator shall decide whether or not to submit a supplementary biennial support budget proposal.

**Rule 113.03:**

The proposed biennial support budget shall comprise:

- (a) An executive summary, providing an overview and the strategy adopted;
- (b) The financial framework of the organization, covering resources available and the use of resources, for both regular and other resources;
- (c) The budget proposals, with explanatory statements covering programme support, management and administration, and the United Nations Resident Coordinator system;
- (d) Relevant tables and figures on budget estimates and posts;
- (e) The draft appropriations decision.

**Rule 113.04:**

- (a) Supplementary proposals to amend the biennial support budget may be submitted if inflation forecasts, currency fluctuations, or other cost factors are expected to have a significant impact on approved appropriations.

- (b) The proposed biennial support budget shall contain provision for the refund to UNDP staff members of income taxes levied on them in respect of earnings derived from employment with UNDP.

## **Article 14: Biennial support budget: Appropriations**

### **Regulation 14.01:**

Appropriations for the biennial support budget approved by the Executive Board shall constitute an authorization to the Administrator to incur obligations and to make payments for the purposes for which the appropriations were approved and up to the amounts so approved.

### **Regulation 14.02:**

Appropriations for the biennial support budget shall be available for obligation during the biennium to which they relate.

### **Regulation 14.03:**

- (a) Appropriations shall remain available for 12 months following the end of the biennium to which they relate to the extent that they are required to discharge any outstanding legal obligation of the biennium. The balance of the appropriations shall revert to the UNDP Regular Resources Account.
- (b) Any unliquidated obligations of the biennium in question shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations.

### **Regulation 14.04:**

Transfers between the appropriation lines for the biennium may be made by the Administrator, subject to such limits as the Executive Board may specifically decide with the prior concurrence of the Advisory Committee.

### **Rule 114.01:**

- (a) The Assistant Administrator, Bureau of Management, is responsible for ensuring that the authorized spending limits remain within the approved appropriations.
- (b) Authorization by the Assistant Administrator, Bureau of Management, to expend biennial support budget appropriations may take the form of:
  - i. An authorized spending limit of funds or other authorization to commit funds for a specific period and/or a specific purpose; and/or
  - ii. An authorization for the employment of staff or of consultants.

### **Rule 114.02:**

- (a) An authorized spending limit shall be issued at least annually by the Assistant Administrator, Bureau of Management, to each business unit for the objects of expenditure under its control.

- (b) Each business unit is responsible for ensuring that expenditure control policies and procedures are adhered to as described in chapter G.

**Rule 114.03:**

Commitments in the interest of UNDP, against resources anticipated for future financial periods may be authorized only by the Assistant Administrator, Bureau of Management. Such commitments shall normally be restricted to administrative requirements of a continuing nature and to other contractual arrangements where longer lead-times are required to ensure timely delivery and shall be treated as a first charge to the relevant appropriations approved by the Executive Board.

**Rule 114.04:**

- (a) An authorized staffing table shall be issued biennially by the Assistant Administrator, Bureau of Management, to each business unit, indicating the number and level of approved posts.
- (b) The Assistant Administrator, Bureau of Management, shall be responsible for exercising overall control of the staffing table to ensure that total posts by level as authorized by the Executive Board are not exceeded.

**Rule 114.05:**

The Assistant Administrator, Bureau of Management, may redeploy resources among business units and objects of expenditure, provided such redeployments are within the total appropriations approved by the Executive Board for an appropriation line.

## **Article 15: Support services**

**Regulation 15.01:**

The Administrator is authorized to provide a range of support services consistent with the policies, aims and activities of UNDP, to the following:

- (a) Activities financed by organizations within the United Nations system;
- (b) National execution and execution by other entities, and to the implementation of UNDP programme activities, within the parameters established by the Executive Board.

**Regulation 15.02:**

The Administrator is authorized to make adequate arrangements with organizations which are within the United Nations system for reimbursement of costs incurred by UNDP in support of activities financed by such organizations.

**Regulation 15.03:**

The Administrator is authorized to make adequate arrangements with the programme country Government, executing entity or, under the harmonized operational modalities established in response to General Assembly resolution 56/201, implementing partner, for reimbursement of costs incurred by UNDP for support services it provides.

**Rule 115.01:**

Subject to the above regulations, goods and services may be provided to development partners such as Governments, international or intergovernmental or non-governmental organizations on a pre-financed, reciprocal or other basis as may be approved by the Assistant Administrator, Bureau of Management. The following provisions apply:

- (a) Where the supply of such goods and services is of a regular and continuing nature, except where reciprocal arrangements have been made with the approval of the Assistant Administrator, Bureau of Management, the relevant budget shall include provision both for the cost of such goods and services, and for any repayment thereof as income;
- (b) In the absence of pre-financing or budgetary provision, the Assistant Administrator, Bureau of Management, may institute a reimbursement arrangement by authorizing expenditures to be incurred and charged to accounts receivable pending recovery from the party concerned.

**Rule 115.02:**

Each support service shall be covered by a written agreement between UNDP and the entity concerned, which agreement shall, inter alia, specify the services which UNDP is to furnish and provide for payment to UNDP for costs incurred thereby by UNDP headquarters and/or country offices.

## Chapter E: Utilization of Resources by Executing Entities and Implementing Partners

<b>Document Name</b>	Financial Regulations and Rules		
<b>Language(s)</b>	English		
<b>Responsible (unit)</b>	Office of Finance (OF)		
<b>Creator (individual)</b>	Darshak Shah <a href="mailto:darshak.shah@undp.org">darshak.shah@undp.org</a>		
<b>Subject (Taxonomy)</b>	Financial Resources Management		
<b>Date created</b>	1 March 2005 (as per Executive Board decision 2005/1)		
<b>Mandatory Review</b>	To be amended at the time when policy changes associated with the Financial Regulations and Rules are recommended to the Executive Board		
<b>Audience</b>	These UNDP Financial Regulations and Rules are to be used by all UNDP staff who are performing duties in the financial management of UNDP operations, both at Headquarters, in the Country Offices and at other offices worldwide.		
<b>Applicability</b>	This component describes the financial regulations and rules applicable to all UNDP operations, at Headquarters, at the Country Offices and at other UNDP offices worldwide.		
<b>Replaces</b>	Replaces the version of 1 April 2000		
<b>Is part of</b>	Financial Regulations and Rules		
<b>Related documents</b>			
<b>UN Record Ref.</b>			
<b>Version</b>	<b>Date</b>	<b>Author(s)</b>	<b>Revision Notes</b>
	Sept. 2001	OAPR	Rule 116.04 amended as per <a href="#">EB decision 2001/17</a> (see <a href="#">DP/2001/CRP.18</a> )
	01/03/2005	BDP/OLPS  OPB	As per <a href="#">EB decision 2005/1</a> (see <a href="#">DP/2005/3</a> ): <ul style="list-style-type: none"> <li>• Regulations 16.03-16.06, 17.01-17.03, 18.01, 18.04 and 18.05 amended</li> <li>• Regulations 17.04 and 17.05 of 1 April 2000 deleted</li> <li>• Regulation 17.04 of 1 March 2005 (previously Regulation 17.06) amended</li> <li>• Regulations 18.06 and 18.07 of 1 April 2000 deleted</li> </ul>
	01/05/2005	BDP/OLPS	In harmony with revised financial regulations as per <a href="#">EB decision 2005/1</a> (see <a href="#">DP/2005/3</a> ): <ul style="list-style-type: none"> <li>• Rules 116.01-116.04, 117.01-117.04, and 118.02-118.06 amended</li> <li>• Rule 118.07 of 1 April 2000 deleted</li> <li>• Rules 118.07-118.09 of 1 May 2005 (previously rules 118.08-118.10) amended</li> </ul>

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### Article 16: General framework

#### **Regulation 16.01:**

The Executive Board shall have sole authority to approve, within the limits of resources allocated, UNDP programme activities, a proposal for which the Executive Board or the requesting Government has specifically asked the Administrator to submit to the Executive Board.



**Regulation 16.02:**

Under such limits prescribed by the Executive Board and within the limits of resources allocated for UNDP programme activities, the Administrator is authorized to approve UNDP programme activities at the country, regional and global levels.

**Regulation 16.03:**

UNDP programme activities shall be subject to the following arrangements:

- (a) Agreements shall be entered into between UNDP and individual programme country Governments, specifying the general terms and conditions which are to govern UNDP programme activities in their respective countries and territories;
- (b) Arrangements for the establishment and financing of UNDP programme activities shall be subject to the agreement between the programme country or countries and UNDP, in the form of project documents.

**Regulation 16.04:**

The Administrator shall ensure that, except for organizations of the United Nations system, executing entities or, under the harmonized operational modalities, implementing partners, shall require auditors to follow the audit principles and procedures prescribed for the United Nations in respect of resources obtained from or through UNDP and shall ensure that each UNDP programme activity is audited at least once in its lifetime, or as otherwise required pursuant to the relevant agreements governing such programme activity.

**Regulation 16.05:**

- (a) The administration by executing entities or, under the harmonized operational modalities, implementing partners, of resources obtained from or through UNDP shall be carried out under their respective financial regulations, rules, practices and procedures only to the extent that they do not contravene the principles of the Financial Regulations and Rules of UNDP.
- (b) Where the financial governance of an executing entity or, under the harmonized operational modalities, implementing partner, does not provide the required guidance to ensure best value for money, fairness, integrity, transparency, and effective international competition, that of UNDP shall apply.

**Regulation 16.06:**

The Administrator shall establish, from time to time, in consultation with the Board of Auditors, criteria determining which UNDP programme activities carried out by an executing entity, or under the harmonized operational modalities, implementing partner, are to be audited biennially. Such criteria shall be made available to the Board of Auditors.

**Rule 116.01:**

UNDP programme activities in countries in special development situations and for which no country programme document has been approved shall be approved by the Executive Board.

**Rule 116.02:**

- (a) The authority to approve UNDP programme activities, within the limit of resources allocated to those activities, is delegated to the Associate Administrator. The Associate Administrator may delegate this authority, through the Director of the Regional Bureau concerned, to UNDP resident representatives in the programme countries;
- (b) Approval of UNDP programme activities becomes effective upon signature of the project document by the Government or Governments and UNDP and, where appropriate, by the executing entity or, under the harmonized operational modalities, the implementing partner.
- (c) The Associate Administrator shall issue such instructions and establish such operational procedures as he/she may deem necessary for the approval of UNDP programme activities.

**Rule 116.03:**

- (a) The existence of an agreement governing UNDP programme activities in a programme country, in the form of a standard agreement or, in the absence of a standard agreement, of a standard annex to the project document, is a precondition for the approval of UNDP programme activities or for otherwise entering into a commitment for UNDP programme activities.
- (b) Such agreements shall provide that UNDP programme activities shall in each instance be subject to the availability of the necessary resources. Other general terms and conditions of such agreements shall, inter alia, indicate the financial responsibilities which the Government shall assume, the services and facilities, including privileges and immunities it shall provide, and arrangements for the suspension or termination of activities, settlement of disputes, and orderly winding up of operations.

**Rule 116.04:**

The Associate Administrator and the Director of the Office for Audit and Performance Review shall be responsible for establishing the criteria determining UNDP programme activities carried out by executing entities, or under the harmonized operational modalities, implementing partners, other than organizations within the United Nations system, which are to be audited annually for those projects that exceed annual expenditure of \$100,000, and shall inform the Board of Auditors accordingly.

**Rule 116.05:**

Responsibility for the signature, on behalf of UNDP, of preparatory assistance and advance authorization documents relating to UNDP programme activities at the country level shall rest with resident representatives. Signature of such a document shall constitute its approval. The document shall become effective upon such signature.

**Rule 116.06:**

The Associate Administrator shall be responsible for monitoring all advances made prior to the receipt of other resources contributions in accordance with Regulation 16.03 and for reporting the status of such advances to the Administrator annually.

## **Article 17: Designation, selection and termination of the executing entity and implementing partner**

### **Regulation 17.01:**

- (a) In consultation with and with the agreement of the programme country Government, the Administrator shall select a single executing entity or, under the harmonized operational modalities, implementing partner, among the designated entities for each specific UNDP programme activity. With the agreement of the programme country Government and UNDP, such selected executing entity or implementing partner, may associate one or more other entities with it in carrying out UNDP programme activities.
- (b) The selection of an executing entity or, under the harmonized operational modalities, implementing partner, shall be conditional upon the existence of a signed agreement or other arrangement between UNDP and the entity or partner concerned, specifying the terms and conditions which are to govern the UNDP programme activities for which that entity or partner has been selected.
- (c) The Administrator may delegate authority, as appropriate, for the selection of executing entities or, under the harmonized operational modalities, implementing partners, and the oversight of their performance.

### **Regulation 17.02:**

For UNDP programme activities not carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201:

- a) National execution shall be the norm for UNDP programme activities, taking into account the capacities of programme countries and the nature of UNDP programme activities.
- b) Where national execution is found not to be appropriate, consideration in the selection of an executing entity shall be given to organizations of the United Nations system, and the United Nations Office for Project Services, or UNDP itself.
- c) The Administrator may select UNDP as executing entity only when it can be demonstrated that such a step is essential to safeguard the full responsibility and accountability of the Administrator for the effective delivery of UNDP programme activities.
- d) Subject to conditions established by the UNDP Executive Board in its decision 94/28, the Administrator may, subject to the agreement of the requesting Government or Governments, contract for the services of other agencies, private firms or individual experts in the execution of projects and assign projects to a governmental, intergovernmental, or organization not part of the United Nations system.

### **Regulation 17.03:**

For UNDP programme activities carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201:

- a) Programme country Governments shall normally serve as executing entity over UNDP programme activities, except where UNDP fulfils such a role in accordance with Regulation 17.02(c).

- b) Subject to conditions established by the UNDP Executive Board, consideration shall be given to the selection of government entities, organizations of the United Nations system, and the United Nations Office for Project Services, as well as inter-governmental and non-governmental organizations and UNDP itself, as implementing partners for specific programme activities.

**Regulation 17.04:**

- (a) The Administrator may, by written notice to the Government and the executing entity or, under the harmonized operational modalities, implementing partner, under the terms and conditions of the UNDP agreement with such party, suspend UNDP programme activities if any circumstance arises which in his/her opinion interferes or is likely to interfere with their successful completion or the accomplishment of their purposes and results.
- (b) If such circumstance continues for a period of 14 days after written notice of such suspension to the programme country and the executing entity or, under the harmonized operational modalities, implementing partner, the Administrator may, by written notice to the same parties: (i) terminate UNDP programme activities or (ii) terminate the execution by the executing entity or, under the harmonized operational modalities, implementation by the implementing partner, of UNDP activities in the country and, with the consent of the Government, takeover such execution or implementation, or entrust it to another executing entity or, under the harmonized operational modalities, implementing partner.

**Rule 117.01:**

- (a) The authority to select executing entities or, under the harmonized operational modalities, implementing partners, and responsibility to oversee their performance is delegated to the Associate Administrator. The Associate Administrator may delegate this authority, through the Director of the Regional Bureau concerned, to UNDP resident representatives in the programme countries;
- (b) The Associate Administrator shall issue operational procedures and guidelines governing the selection of executing entities or, under the harmonized operational modalities, implementing partners.

**Rule 117.02:**

The existence of an arrangement agreed on between UNDP and an entity to be selected executing entity or, under the harmonized operational modalities, implementing partner, is a precondition for the selection of this or partner. Such agreed arrangement shall be constituted by:

- (a) The standard basic execution agreement for organizations of the United Nations system;
- (b) An agreement specifically relating to the relevant UNDP programme activities to be administered for executing entities or, under the harmonized operational modalities, implementing partners, that are non-governmental organizations;
- (c) The relevant project document for national executing entities or, under the harmonized operational modalities, implementing partners.

**Rule 117.03:**

- (a) UNDP shall limit its role as executing entity to countries in special development situations;
- (b) The Associate Administrator is authorized to approve the selection of UNDP as executing entity for specific UNDP programme activities and shall establish criteria according to which such designation may take place;
- (c) Whenever UNDP has been selected as executing entity or, under the harmonized operational modalities, implementing partner, policies and procedures governing the use of resources by UNDP under chapter F shall apply.

**Rule 117.04:**

In the event of the termination of any UNDP programme activities, UNDP shall pay the executing entity or, under the harmonized operational modalities, implementing partner, for the costs it may incur or may have incurred (and for which provision has been made in the agreed document) in carrying out UNDP programme activities up to the effective date of the termination, including:

- (a) Reasonable costs incurred in phasing out UNDP programme activities; and
- (b) Support costs as per agreed arrangements.

## **Article 18: Financial oversight of the executing entity and implementing partner functions**

**Regulation 18.01:**

The budget covering UNDP programme activities, as contained in an approved document, shall constitute the allocation of resources by the Administrator to the executing entity or, under the harmonized operational modalities, implementing partner, and the authorization to incur expenditures and enter into commitments.

**Regulation 18.02:**

The budget covering UNDP programme activities shall be presented in annual segments and shall constitute a ceiling on expenditures for the current year and on commitments for future years in connection with UNDP programme activities for which the allocation was made.

**Regulation 18.03:**

UNDP programme activities approved by the Executive Board may be revised without further reference to the Executive Board, after appropriate consultations with the parties involved in the preparation of such UNDP programme activities, provided that the major development objectives of those UNDP programme activities remain unchanged and only limited financial adjustments are involved.

**Regulation 18.04:**

To ensure the effective management of resources allocated to executing entities or, under the harmonized operational modalities, implementing partners, the Administrator is authorized to specify in the relevant agreements with such entities or partners, the basis, content and periodicity of reports on funds obtained from or through UNDP which are to be submitted by executing entities or, under the harmonized operational modalities, implementing partners.

**Regulation 18.05:**

Each executing entity or, under the harmonized operational modalities, implementing partner, shall maintain such accounts and records as are necessary to enable it to report on the financial status of funds obtained from or through UNDP, including in particular the balance of recorded allocations, expenditures and commitments.

**Regulation 18.06:**

- (a) Following completion of UNDP programme activities, the balance of the allocation between actual expenditure and the allocation shall revert to the respective source of resources;
- (b) The final allocation shall remain available for the period of time required to discharge any outstanding legal obligation for UNDP programme activities to which it relates.

***Rule 118.01:***

Agreed documents describing UNDP programme activities shall include a budget to be established on an annualized basis for the duration of UNDP programme activities. The budgetary provision contained in the agreed document shall constitute an allocation and a commitment by UNDP to finance UNDP programme activities described therein, subject to the availability of resources.

***Rule 118.02:***

At agreed regular intervals, all executing entities or, under the harmonized operational modalities, implementing partners, shall be required to submit to UNDP reports on the status of allocations made to them by UNDP, including information in respect of their total recorded allocations, disbursements, unliquidated obligations, commitments, cash holdings and other financial data.

***Rule 118.03:***

While budget revision may be proposed by all parties, it shall be the responsibility of the executing entity or, under the harmonized operational modalities, implementing partner, to ensure that budgets are realistic at all times and to prepare budget revisions whenever necessary.

***Rule 118.04:***

- (a) Budget revisions which do not increase the total budgeted amounts at the line level by more than an amount to be specified by the Associate Administrator and budget revisions which do not increase the total budgeted amount at the total level shall require only the approval of UNDP and the executing entity or, under the harmonized operational modalities, implementing partner;

- (b) All other budget revisions shall require the approval of the Government, the executing entity or, under the harmonized operational modalities, implementing partner, and UNDP.

**Rule 118.05:**

Governments are not eligible to reimbursement by UNDP of the indirect costs associated with the execution or implementation of UNDP programme activities.

**Rule 118.06:**

Indirect costs incurred by organizations of the United Nations system and non-governmental organizations in the execution or implementation of UNDP programme activities, are paid from project resources, as negotiated between the parties.

**Rule 118.07:**

- (a) Except as provided under (b) below, project budgets and authorized spending limits shall constitute ceilings for expenditures on UNDP programme activities for current and future years;
- (b) In any given year, the expenditures of an executing entity or, under the harmonized operational modalities, implementing partner, may exceed an approved project budget for that year by 4 per cent of that year's annual project budget (excluding the cost-sharing budget). These expenditures are authorized provided that the total amount of excess expenditures of such entity or partner for that year does not exceed 2 per cent of the total UNDP fund (excluding cost-sharing funds) approved for the expenditure by that entity or partner for that year.

**Rule 118.08:**

- (a) As soon as UNDP programme activities have ceased, the executing entity or, under the harmonized operational modalities, implementing partner, shall declare them operationally completed. It shall inform UNDP of such operational completion and submit to UNDP a budget revision, in conformity with established procedures for budget revision, reflecting actual and estimated expenditures to date.
- (b) UNDP programme activities shall be considered financially completed when they have been operationally completed or terminated, and if all financial transactions have been recorded, the relevant accounts closed, and a final project budget revision approved.
- (c) The financial completion of UNDP programme activities shall be accomplished within 12 months after the month in which they are operationally completed or terminated.

## **Article 19: Grants**

**Regulation 19.01:**

The Administrator is authorized to incorporate micro-capital grant support in association with technical cooperation programmes. Such micro-capital assistance may be in the form of small grants, credits or loans implemented through an intermediary which includes non-governmental or grass-roots organizations.

## Chapter F: Utilization of Resources by UNDP

<b>Document Name</b>	Financial Regulations and Rules		
<b>Language(s)</b>	English		
<b>Responsible (unit)</b>	Office of Finance (OF)		
<b>Creator (individual)</b>	Darshak Shah <a href="mailto:darshak.shah@undp.org">darshak.shah@undp.org</a>		
<b>Subject (Taxonomy)</b>	Financial Resources Management		
<b>Date created</b>	1 March 2005 (as per Executive Board decision 2005/1)		
<b>Mandatory Review</b>	To be amended at the time when policy changes associated with the Financial Regulations and Rules are recommended to the Executive Board		
<b>Audience</b>	These UNDP Financial Regulations and Rules are to be used by all UNDP staff who are performing duties in the financial management of UNDP operations, both at Headquarters, in the Country Offices and at other offices worldwide.		
<b>Applicability</b>	This component describes the financial regulations and rules applicable to all UNDP operations, at Headquarters, at the Country Offices and at other UNDP offices worldwide.		
<b>Replaces</b>	Replaces the version of 1 April 2000		
<b>Is part of</b>	Financial Regulations and Rules		
<b>Related documents</b>			
<b>UN Record Ref.</b>			
<b>Version</b>	<b>Date</b>	<b>Author(s)</b>	<b>Revision Notes</b>
	01/05/2005	OF/Comptroller	Rules 120.01, 122.01 and 122.02 amended to reflect changes due to Atlas implementation etc.
	22/06/2005	OF/Comptroller	Regulation 20.02 amended and Rule 120.04 created as reflected in <a href="#">DP/2005/CRP.6</a> . Changes were approved by EB on a three-year provisional basis, as per <a href="#">EB decision 2005/17</a> .

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### Article 20: General framework

#### Regulation 20.01:

Expenditures for the current year and commitments for future years shall be incurred only after allocations for UNDP programme activities, allotments in respect of the biennial support budget or other appropriate authorizations have been made in writing under the authority of the Administrator.

#### Regulation 20.02:

Unless otherwise expressly authorized by the Administrator, there shall be a separation of duties:

- (a) Between the staff who may incur obligations or commitments on behalf of UNDP and the staff who may verify that payments may be made on behalf of UNDP; and
- (b) Between the staff who may verify that payments may be made on behalf of UNDP and the staff who may disburse resources on behalf of UNDP.

#### Regulation 20.03:

The Administrator shall:



- (a) Designate the staff who may make commitments on behalf of UNDP;
- (b) Cause all commitments to be made on the basis of supporting documents which ensure that funds are available to cover the anticipated claim, in the form of an allocation or an allotment;
- (c) Ensure that all commitment decisions are within the UNDP mandate and provide best value for money to the organization.

**Rule 120.01:**

- (a) The Assistant Administrator, Bureau of Management, in his/her capacity of Chief Procurement Officer, shall designate for each business unit one or more staff as committing officer for the procurement of all goods and services, including those services rendered by individuals under direct contract with UNDP. The responsibilities of those committing officers shall be established by the Chief Procurement Officer.
- (b) Any authority granted and responsibility assigned to such staff is for the individual and cannot be delegated. Alternates may also be designated to act in the absence of the committing officer(s).
- (c) The purpose of committing funds is to ensure, ahead of the facts, that:
  - i. The activities to be financed are within the UNDP mandate and policies, within the approved strategy, and within the framework and plans of UNDP;
  - ii. Funds necessary to satisfy the present or anticipated claim are currently available in the relevant account for which the committing officer is responsible;
  - iii. The commitment decision provides best value for money to the organization.
- (d) The Chief Procurement Officer may arrange for an electronic/digital committing process provided that the payments ledger and the associated payment system have adequate safeguards to ensure the integrity of the committing process as required by this Rule.

**Rule 120.02:**

- (a) The Chief Procurement Officer shall specify the amounts above which establishment or amendment of an obligation document are required. Such amounts shall include a series of obligations for the same purpose.
- (b) For commitments or changes in commitments above the amounts specified by the Chief Procurement Officer, and apart from the employment of staff under an authorized staffing table and consequential commitments under the Staff Regulations and Rules, no contract, agreement or undertaking of any nature shall be entered into until resources have been reserved in the accounts.
- (c) Resources must be obligated, by means of an obligating document, as soon as a contract, agreement or undertaking of any nature has been entered into.

**Rule 120.03:**

- (a) Each proposed obligation document, accompanied by appropriate supporting documentation, shall be signed by a committing officer.
- (b) Committing officers shall submit such further explanations or justifications as the Chief Procurement Officer may require.
- (c) The Chief Procurement Officer may reject any proposal for obligation or expenditure.
- (d) The Chief Procurement Officer shall have authority to certify obligations under all accounts.

**Rule 120.04:**

Further to regulation 20.02, regarding exceptions to the separation of duties:

- (a) All exceptions will be granted by the Comptroller;
- (b) At least two signatories are required to authorize the expenditure of funds;
- (c) The exception will be granted for a maximum of 30 calendar days; and
- (d) The exception will be granted on the basis of proposed compensating controls by the country office or Regional Bureaux, including post facto review by another unit of all transactions made during the period of waived separation of duties.

## **Article 21: Procurement of goods and services**

**Regulation 21.01:**

The Administrator is responsible and accountable for carrying out the procurement functions of UNDP effectively and efficiently in furtherance of its mandate and activities.

- (a) The procurement functions include all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works;
- (b) The Administrator may delegate authority, as appropriate, for such procurement functions.

**Regulation 21.02:**

The following general principles shall be given due consideration when exercising the procurement functions of UNDP:

- (a) Best value for money;
- (b) Fairness, integrity and transparency;
- (c) Effective international competition;
- (d) The interest of UNDP.

**Rule 121.01:**

Procurement Authority:

- (a) The Chief Procurement Officer of UNDP is accountable to the Administrator for all procurement functions of UNDP for all its locations, except for those procurement actions governed by paragraph (c) below. The Chief Procurement Officer may further delegate authority to staff at headquarters and other locations, as may be appropriate in fulfilling the purposes of these Rules. Hereinafter references to the Chief Procurement Officer shall also be understood to mean, as appropriate, those acting under delegated authority from the Chief Procurement Officer.
- (b) The Chief Procurement Officer shall ensure that the procurement functions are carried out in accordance with the relevant financial Regulations and Rules. To this end, the Chief Procurement Officer:
  - i. Shall establish the necessary controls, including those for delegations of authority, and shall issue administrative instructions for purposes necessary to protect the integrity of the procurement process and the interest of UNDP;
  - ii. Shall establish review committees, at headquarters and other locations, to render written advice to the Chief Procurement Officer on procurement actions leading to the award or amendment of procurement contracts, which, for purposes of these Regulations and Rules, includes agreements or other written instruments such as purchase orders, and contracts that involve income to UNDP. The Chief Procurement Officer shall establish the composition and the terms of reference of such committees, which shall include the types and monetary values of proposed procurement actions subject to review;
  - iii. Shall ensure that when the advice of the review committee established under the preceding provisions of this Rule is required, no commitment may be entered into before such advice is acted upon by the Chief Procurement Officer or his/her authorized delegates. In cases where the Chief Procurement Officer or his/her authorized delegates decides not to accept the advice of such committee, he/she shall record the reasons for such decision.
- (c) The Assistant Administrator, Bureau of Management, pursuant to a delegation of authority from and on behalf of the Administrator, is accountable for the contracting of individual consultants who provide personal or professional services to UNDP. The Assistant Administrator, Bureau of Management, shall establish the necessary controls and may delegate authority to staff in fulfilling the purposes of this paragraph. The contracting of individual consultants shall be governed by the relevant Executive Board legislation, and administrative instructions related thereto.

**Rule 121.02:**

Procurement Modalities

- (a) Entering into procurement by contract. No contract shall be entered into on behalf of UNDP except by the Chief Procurement Officer.

- (b) Cooperating with other United Nations organizations. The Chief Procurement Officer may cooperate with other a) organizations of the United Nations system to meet the procurement requirements of UNDP, provided that the regulations and rules of those organizations are consistent with those of UNDP. The Chief Procurement Officer may, as appropriate, enter into agreements for such purposes. Such cooperation may include carrying out common procurement actions together, or UNDP may enter into a contract relying on a procurement decision of another organization, or may request another organization to carry out procurement activities on behalf of UNDP.
- (c) Cooperating with Governments and other organizations. The Chief Procurement Officer may, to the extent authorized by relevant legislation of the Executive Board, cooperate with a Government, non-governmental organization, or other public international organization, in respect of procurement activities, and enter into agreements for such purposes.

**Rule 121.03:**

Reliance on Competition

Consistent with the provisions contained in Regulation 21.02 and except as otherwise provided in Rule 121.05, procurement contracts shall be awarded on the basis of effective competition, and to this end, the competitive process will, as necessary, include:

- (a) Acquisition planning for developing an overall procurement strategy and procurement methodologies;
- (b) Market research to identify potential suppliers;
- (c) Competition on as wide a geographical basis as practicable and suited to market circumstances;
- (d) Consideration of prudent commercial practice;
- (e) Formal methods of solicitation: invitations to bid or requests for proposals on the basis of advertisements or direct solicitation of invited suppliers; or informal methods of solicitation, such as requests for quotations. The Chief Procurement Officer shall issue administrative instructions concerning the types of procurement activities and monetary values for which such methods of solicitation are to be used.

**Rule 121.04:**

Award of procurement contracts on the basis of formal methods of solicitation

- (a) The award of a contract shall be made after due consideration has been given to the general principles described in Regulation 21.02 and in accordance with the following:
  - i. When a formal invitation to bid has been issued, the procurement contract shall be awarded to the qualified bidder whose bid substantially conforms to requirements set forth in the solicitation documentation and offers the lowest cost to UNDP;

- ii. When a formal request for proposals have been issued, the procurement contract shall be awarded to the qualified proposer whose proposal, all factors considered, is the most responsive to the requirements set forth in the solicitation documentation.
- (b) The Chief Procurement Officer may, in the interests of UNDP, reject bids or proposals for a particular procurement action, recording the reasons for rejection in writing. The Chief Procurement Officer shall then determine whether to undertake a new solicitation or to negotiate a procurement contract directly pursuant to Rule 121.05, or to terminate or to suspend the procurement action.

**Rule 121.05:**

Award of procurement contracts on the basis of exceptions to the use of formal methods of solicitation

- (a) The Chief Procurement Officer may determine for a particular procurement action that using formal methods of solicitation is not in the best interest of UNDP when:
- i. The value of the procurement is below the monetary amount established for formal methods of solicitation;
  - ii. There is no competitive market-place for the requirement, such as where a monopoly exists, where prices are fixed by legislation or government regulation, or where the requirement involves a proprietary product or service;
  - iii. There has been a previous determination or there is a need to standardize the requirement;
  - iv. The proposed procurement contract is the result of cooperation with other organizations of the United Nations system, pursuant to Rule 121.02;
  - v. Offers for identical requirements have been obtained competitively within a reasonable period and the prices and conditions offered remain competitive;
  - vi. A formal solicitation has not produced satisfactory results within a reasonable prior period;
  - vii. The proposed procurement contract is to purchase or lease real property;
  - viii. There is a genuine exigency for the requirement;
  - ix. The proposed procurement contract relates to obtaining services that cannot be objectively evaluated;
  - x. The Chief Procurement Officer otherwise determines that a formal solicitation will not give satisfactory results.

- (b) When a decision is made pursuant to subparagraph (a) above, the Chief Procurement Officer shall record the reasons in writing and may then award a procurement contract, either on the basis of an informal method of solicitation, or on the basis of a directly negotiated contract, to a qualified vendor whose offer substantially conforms to the requirements at an acceptable price.

**Rule 121.06:**

Written procurement contracts

Written procurement contracts shall be used to formalize every procurement for a monetary value over specific thresholds established by the Chief Procurement Officer. Such arrangements shall, as appropriate, specify in detail:

- (a) The nature of the products or services being procured;
- (b) The quantity being provided;
- (c) The contract or unit price;
- (d) The period covered;
- (e) Conditions to be fulfilled, including the United Nations standard conditions of contract;
- (f) Terms of delivery and payment;
- (g) Name and address of supplier.

The requirement for written procurement contracts shall not be interpreted to restrict the use of any electronic means of data interchange. Before using any electronic means of data interchange, the Chief Procurement Officer shall ensure that the electronic data interchange system is capable of ensuring authentication and confidentiality of the information.

## **Article 22: Verification for payments**

**Regulation 22.01:**

The Administrator shall:

- (a) Designate the staff who may verify that payments may be made on behalf of UNDP;
- (b) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received, and that payments have not previously been made.

**Rule 122.01:**

- (a) The Comptroller, Bureau of Management, shall have authority to approve all payments under all accounts;

- (b) The Comptroller, Bureau of Management, shall, where appropriate, designate certain staff in other business units as verifying officers.
- (c) Those staff so designated shall have the responsibility to verify that payments and other financial transactions may be carried out on behalf of UNDP. The responsibility assigned to a verifying officer cannot be delegated.

**Rule 122.02:**

- (a) A verifying officer shall approve a voucher for payment when:
  - i. It has been determined that payment had not previously been made;
  - ii. It is supported by documents which indicate that the goods or services for which payment is claimed have been received or rendered in accordance with the terms of the contract and the related obligation;
  - iii. The payment is made against a recorded commitment of resources entered into by an appropriate committing officer;
  - iv. No other information is available which would bar the payment.
- (b) Should an invoice be presented for payment in an amount which exceeds the existing relevant obligation by the amount specified by the Chief Procurement Officer in Rule 120.02 or more, prior commitment of resources by a committing officer is required.
- (c) For payments for which funds did not need to be reserved by the recording of an obligation in accordance with Rule 120.02, the documentation supporting the payment voucher must be signed by a committing officer before the payment may be approved by a verifying officer.
- (d) The Comptroller may arrange for an electronic/digital verification process provided that the ledger and the associated payment system have adequate safeguards to ensure the integrity of the verification process.

## **Article 23: Ex gratia payments**

**Regulation 23.01:**

The Administrator may make such ex gratia payments not exceeding \$50,000 as he/she deems to be necessary in the interest of UNDP, provided that a statement of such payments shall be submitted to the General Assembly and the Executive Board with the financial statements.

**Rule 123.01:**

- (a) Ex gratia payments may be made in cases where, although in the opinion of the United Nations Office of Legal Affairs there is no legal liability on UNDP, the moral obligation is such as to make payment desirable in the interest of UNDP.
- (b) Requests for the approval of all ex gratia payments shall be cleared by the Assistant Administrator, Bureau of Management.

## Chapter G: Administration of Resources

<b>Document Name</b>	Financial Regulations and Rules		
<b>Language(s)</b>	English		
<b>Responsible (unit)</b>	Office of Finance (OF)		
<b>Creator (individual)</b>	Darshak Shah <a href="mailto:darshak.shah@undp.org">darshak.shah@undp.org</a>		
<b>Subject (Taxonomy)</b>	Financial Resources Management		
<b>Date created</b>	1 March 2005 (as per Executive Board decision 2005/1)		
<b>Mandatory Review</b>	To be amended at the time when policy changes associated with the Financial Regulations and Rules are recommended to the Executive Board		
<b>Audience</b>	These UNDP Financial Regulations and Rules are to be used by all UNDP staff who are performing duties in the financial management of UNDP operations, both at Headquarters, in the Country Offices and at other offices worldwide.		
<b>Applicability</b>	This component describes the financial regulations and rules applicable to all UNDP operations, at Headquarters, at the Country Offices and at other UNDP offices worldwide.		
<b>Replaces</b>	Replaces the version of 1 April 2000		
<b>Is part of</b>	Financial Regulations and Rules		
<b>Related documents</b>			
<b>UN Record Ref.</b>			
<b>Version</b>	<b>Date</b>	<b>Author(s)</b>	<b>Revision Notes</b>
	Sept. 2001	OF/Treasury	Rule 125.11(c) amended as per <a href="#">EB decision 2001/17</a> see <a href="#">(DP/2001/CRP.18)</a>
	01/03/2005	OF/Treasury OPB	As per <a href="#">EB decision 2005/1</a> (see <a href="#">DP/2005/3</a> ): <ul style="list-style-type: none"> <li>• Regulation 25.01 amended</li> <li>• Regulation 25.02 of 1 April 2000 deleted</li> <li>• Regulation 26.05 amended</li> </ul>
	01/05/2005	OF/Treasury	Rules 125.06, 125.08, 125.09, 125.12, 126.07 amended

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### Article 24: Assets management

#### Regulation 24.01:

The Administrator is responsible and accountable for managing the property of UNDP effectively and efficiently in furtherance of its mandate and activities.

- (a) The management of property includes all actions necessary for its receipt, custody, maintenance and disposal;
- (b) The Administrator may delegate authority, as appropriate, for such management of property.

#### Regulation 24.02:

Non-expendable equipment and other property financed or provided by UNDP shall belong to UNDP unless and until such time as ownership thereof is transferred, on terms and conditions mutually agreed upon between the programme country and UNDP.



**Rule 124.01:**

- (a) The Assistant Administrator, Bureau of Management, shall determine the types of supplies, equipment and other property for which records shall be maintained and shall establish the nature and extent of the records in keeping with the purpose of these Rules.
- (b) The Assistant Administrator, Bureau of Management, shall be responsible for the maintenance of the property records established under (a) above. Such records shall be maintained both for headquarters and for UNDP country offices and shall show separately supplies, equipment and other property belonging to UNDP and/or entrusted to the charge of UNDP.
- (c) Physical inventories shall be taken of supplies, equipment or other property owned by UNDP, or entrusted to the charge of UNDP, annually or at such intervals as deemed necessary to ensure adequate control over such property. The selection of items to be inventoried shall be the responsibility of the Assistant Administrator, Bureau of Management, who shall also arrange for the conduct of physical inventories at headquarters.
- (d) The Assistant Administrator, Bureau of Management, may delegate the responsibilities assigned to him under (a),(b), and (c) above.

**Rule 124.02:**

The Assistant Administrator, Bureau of Management, shall establish property survey boards for headquarters and other locations, to render written advice to him/her in respect of loss, damage or other discrepancy in relation to the property of UNDP. The Assistant Administrator, Bureau of Management, may delegate responsibility under this Rule as may be appropriate in fulfilling the purposes of this Rule. He/she shall establish the composition and terms of reference of such boards, which shall include procedures on determining the cause of such loss, damage or other discrepancy, the disposal action, and the degree of responsibility, if any, attaching to any official of UNDP or other party, for such loss, damage or other discrepancy. The Assistant Administrator, Bureau of Management, shall be responsible for the disposal of property by means other than sale and shall issue administrative instructions for such disposal actions.

**Rule 124.03:**

- (a) The Assistant Administrator, Bureau of Management, shall be responsible for the disposal of property by sale. He/she shall establish administrative instructions for the sale of property and may delegate authority as necessary.
- (b) Supplies, equipment or other property declared surplus or unserviceable following a recommendation by a Property Survey Board shall be sold after competitive bidding, unless:
  - i. The inventoried value per item is less than an amount to be specified by the Assistant Administrator, Bureau of Management;
  - ii. The exchange of surplus property in partial or full payment for replacement equipment or supplies will, in the opinion of the Board, be in the interest of UNDP;

- iii. It will be more economical to destroy the surplus or unserviceable material or its destruction is required by law or by the nature of the property;
- iv. The interests of UNDP will be served by disposal by gift or sale at nominal prices to a Government or government agency or some other non-profit-making organization.

**Rule 124.04:**

All supplies, equipment or other property received by UNDP shall immediately be inspected to ensure that the items comply with the specifications of the purchase contract and that their condition is satisfactory. As an item is received, an appropriate receiving report shall be issued and the item shall be entered, if required under Rule 124.01(a), into the property records.

**Rule 124.05:**

UNDP property shall be sold on the basis of payments on or before delivery. Exceptions to this Rule may be authorized in writing by the Assistant Administrator, Bureau of Management, when, in his/her view, this is in the interest of UNDP.

**Rule 124.06:**

Ownership of equipment may be transferred, on terms and conditions mutually agreed upon between the programme country and UNDP, at any time after its arrival in the country being assisted and shall be effected by the Resident Representative after consultation with the parties concerned.

## **Article 25: Cash management**

**Regulation 25.01:**

The Administrator, under the authority delegated by the Secretary-General as custodian of all funds, is responsible and accountable for the effective and efficient management of cash resources in UNDP custody.

- (a) Cash management includes all actions necessary for receipt, deposit, advance, investment and disbursement of cash, including the designation of banks and opening and closing of bank accounts.
- (b) The Administrator may delegate authority, as appropriate, to staff for such cash management.

**Regulation 25.02:**

Working capital shall be provided from the cash resources of the UNDP Accounts.

**Regulation 25.03:**

Taking into account the objectives and policies of UNDP and the special requirements of its operations, including liquidity, moneys not required immediately may be placed in liquid fixed-term instruments by the Administrator.

**Regulation 25.04:**

Notwithstanding the provisions of Regulation 25.04 above, and within limits and terms established by the Executive Board, UNDP funds may be placed in the form of participation in development loans by international or regional development banks, or loaned under the provisions of the Reserve for Field Accommodation.

**Regulation 25.05:**

Within the UNDP Accounts, the following reserves shall be established at levels set by the Executive Board:

- (a) An Operational Reserve, the purpose of which is to guarantee the financial viability and integrity of UNDP. The Reserve shall be fully funded and held in irrevocable and promptly available liquid assets. The elements to be compensated for and covered by it shall be limited to:
  - i. Downward fluctuations or shortfalls in resources;
  - ii. Uneven cash flows;
  - iii. Increases in actual costs as compared to planning estimates or fluctuations in delivery; and
  - iv. Other contingencies which result in a loss of resources for which UNDP has made commitments for programming;

The decision to make a drawdown from the Operational Reserve shall rest solely with the Administrator, who will report all drawdowns to the Executive Board at its next regular session, and between sessions, to the members of the Executive Board as may be prescribed by the Board or whenever, in the opinion of the Administrator, the situation so merits;

- (b) An Other Resources Reserve, the purpose of which is to ensure that financial risks associated with Other Resources activities are prudently managed. The decision to make a drawdown from the Other Resources Reserve shall rest solely with the Administrator, who will report all drawdowns to the Executive Board at its next regular session and between sessions, to the members of the Executive Board as may be prescribed by the Board or whenever, in the opinion of the Administrator, the situation so merits.
- (c) A fully funded Reserve for Field Accommodation, for housing for internationally recruited, UNDP-financed field personnel and, exceptionally, for office accommodation. The terms and conditions under which the Administrator may agree to such loans shall be established by the Executive Board. The Administrator shall report annually to the Executive Board on the status of such loans;
- (d) Such other reserves as may be approved by the Board.

**Regulation 25.06:**

The specific advance approval of the Executive Board shall be required for any loan of UNDP resources not authorized under the provision of these Regulations.

**Rule 125.01:**

The Treasurer, Bureau of Management, is authorized to designate the bank or banks in which UNDP funds and UNDP-administered funds will be deposited and maintained. The designation of a bank shall cover all branches of that bank. The Treasurer shall promulgate criteria for the qualification of such banks.

**Rule 125.02:**

The Treasurer shall establish criteria for the opening of bank accounts in emergency situations.

**Rule 125.03:**

The Treasurer shall designate the initial signatories to operate UNDP bank accounts, and the staff authorized to amend the signatory panels.

**Rule 125.04:**

- (a) The Treasurer shall make full and effective use of all currencies available to UNDP to the extent possible, and in doing so may effect the purchase or sale of one currency for another whenever it is deemed to be in the best interest of UNDP.
- (b) The Treasurer, or other official designated by him/her, may utilize commercial foreign exchange markets or other United Nations programmes under parameters approved in the "Investment and Cash Management Guidelines" of UNDP.

**Rule 125.05:**

The Treasurer shall communicate the United Nations operational rates of exchange to the organizations of the United Nations system associated with the implementation of UNDP programme activities and UNDP country offices for their use in the recording of all UNDP-financed activities.

**Rule 125.06:**

- (a) All disbursements shall be made by cheque or bank transfer, except to the extent that cash disbursements are authorized by the Treasurer or by a duly authorized staff member in a country office.
- (b) Cheques or payment instruction letters to banks shall be signed by two authorized signatories. The Treasurer may, where adequate safeguards are provided, authorize the signing of cheques by one signatory only.

**Rule 125.07:**

Oversight of liquidity management activities is the responsibility of the Investment Committee, which is chaired by the Assistant Administrator, Bureau of Management, through delegation from the Administrator. The Administrator shall approve the mandate of the Committee and its membership.

**Rule 125.08:**

- (a) Executing entities or, under the harmonized operational modalities, implementing partner, and organizations from the United Nations system associated with the implementation of UNDP programme activities may obtain funds through remittances from UNDP. Such remittances shall not exceed the amount needed to cover a reasonable period of foreseen cash requirements relating to UNDP-financed activities. Prior to the remittance of funds, the Treasurer may request information to substantiate the need for such remittances.

- (b) Country offices may obtain funds through remittances from headquarters. Such remittances shall be limited, unless otherwise justified, to the monthly cash-advance level established for each country office by the Treasurer. Those country offices maintaining a zero-balance account in New York may not draw funds in excess of the monthly cash advance level established for the country office without prior approval of the Treasurer, or his/her designate.

**Rule 125.09:**

Petty cash accounts may be made available to officials designated by the Treasurer or his/her designate. These cash accounts shall be maintained on an imprest basis. The amount and purposes of each account shall be defined by the Treasurer; the amount shall be held to the minimum compatible with working requirements.

**Rule 125.10:**

All bank accounts shall be reconciled on a regular basis, at least monthly, with the statements submitted by the banks.

**Rule 125.11:**

Advance Payments

- (a) Except where normal commercial practice or the interests of UNDP so require, no contract shall be made on behalf of UNDP which requires a payment or payments on account in advance of the delivery of products or the performance of contractual services. Whenever an advance payment is agreed to in accordance with UNDP administrative instructions issued by the Comptroller, the reasons therefore shall be recorded.
- (b) Progress payments may be permitted pursuant to normal commercial practice or in the interests of UNDP, in accordance with administrative instructions issued by the Comptroller.
- (c) The Treasurer may establish such guarantee facilities as are necessary to facilitate the financial operations of UNDP in the commercial marketplace. Such guarantees may take the form of bank issued guarantees and/or bank issued commercial letters of credit, with the proviso that there be no borrowing of funds by UNDP by connection with such issuance.

**Rule 125.12:**

In addition to advances specified above, the Treasurer or his/her designate may authorize other cash advances such as advances permitted by the Staff Rules and administrative instructions.

## **Article 26: Accounting**

**Regulation 26.01:**

The Administrator shall submit financial statements biennially in respect of the UNDP Regular Resources Account, the Other Resources Account and in respect of all Funds and Programmes

administered by UNDP, in accordance with the United Nations System Accounting Standards showing:

- (a) Income and expenditures;
- (b) Assets and liabilities, reserves and resource balances;
- (c) Statement of cash flows;
- (d) Movement in resource balances;
- (e) The status of allocations for UNDP programme activities and the amounts charged against those allocations;
- (f) The status of appropriations approved by the Executive Board for the biennial support 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 accounting records and other records as are necessary to report to the Executive Board and to the General Assembly on the financial status of Funds and Programmes administered by UNDP.

**Regulation 26.02:**

The financial statements shall be presented in United States dollars. Accounting records may, however, be kept in such currency or currencies as the Administrator may deem necessary.

**Regulation 26.03:**

Separate accounting records shall be maintained for all reserves within the UNDP Accounts.

**Regulation 26.04:**

Miscellaneous income shall be credited to the relevant UNDP Account to which the income accrued or from which it derived.

**Regulation 26.05:**

The financial period for the purpose of incurring and accounting for expenditures in respect of UNDP programme activities, shall consist of a single calendar year.

**Regulation 26.06:**

The Administrator may, after full investigation, authorize the writing-off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the Board of Auditors with the accounts. The Administrator may establish, from time to time, an amount below which full investigation and formal write-off are not required. Such amounts shall, for administrative efficiency, be charged directly to the relevant allotment/budget line.

**Regulation 26.07:**

All trust funds shall be reported in detail to the Executive Board through the Advisory Committee.

**Regulation 26.08:**

The financial statements shall be submitted by the Administrator, not later than 30 April of the year following the end of each biennium, to the United Nations Board of Auditors for examination and opinion.

**Rule 126.01:**

The Comptroller, Bureau of Management, shall prescribe and maintain financial records and subsidiary records and shall institute systems and procedures, including those in respect of UNDP country offices, which will permit accurate and timely financial reporting on all activities to the Administrator and to appropriate governing bodies.

**Rule 126.02:**

The accounting and other financial records and all supporting documents shall be retained for such periods as may be agreed with the Board of Auditors, after which, on the authority of the Comptroller, such records and documents may be destroyed.

**Rule 126.03:**

A record of pledges shall be maintained in the currency pledged. Pledges made in currencies other than United States dollars shall be reported in the equivalent of United States dollars converted at the United Nations operational rate of exchange in effect on the date of the report or, if paid, on the date of payment.

**Rule 126.04:**

Payments of voluntary contributions intended for credit to UNDP in United States dollars shall be recorded as income in the actual amount received by UNDP. Payments of voluntary contributions in other than United States dollars shall be recorded as income expressed in United States dollars at the United Nations operational rate of exchange in effect on the date of payment.

**Rule 126.05:**

Host Government cash contributions towards the cost of UNDP country offices shall be credited as income in the gross biennial support budget of UNDP. If received in local currency, credit in United States dollars will be at the United Nations operational rate of exchange in effect on the date of payment.

**Rule 126.06:**

- (a) Gains or losses resulting from exchange adjustments arising from payment of voluntary contributions shall be recorded separately as an offset to these contributions.
- (b) Exchange adjustments arising from other financial transactions shall be recorded separately as miscellaneous income or expenditure, as appropriate.

**Rule 126.07:**

- (a) Income from investments shall be recorded as miscellaneous income in the relevant UNDP Account or the appropriate account to the programme, trust fund, or

development activity, the financial administration of which has been entrusted to the Administrator.

- (b) Investment income derived from a third-party cost-sharing contribution may be charged to miscellaneous income in the relevant UNDP Account and credited to the project or programme to which the contribution had been made, or returned to the concerned third-party donor, as agreed between UNDP and the donor.
- (c) Investment income derived from programme country cost-sharing contributions may be charged to miscellaneous income in the relevant UNDP Account and may be made available to the project for which the cost-sharing contribution had been made, or to the programme cost-sharing account of the programme country, or returned to the Government which made the cost-sharing contribution.

**Rule 126.08:**

The proceeds from the sale of property shall be credited as miscellaneous income to the source of funds originally charged with the purchase thereof, except:

- (a) Where a property survey board has recommended the application of these proceeds directly against the purchase price of replacement equipment or supplies, any excess shall be taken into account as miscellaneous income;
- (b) When the trade-in of property is not considered to be a sale and the trade-in allowance shall be applied against the cost of the replacement property;
- (c) Where normal practice is to secure and use certain material or equipment in connection with a contract and to salvage and sell such material or equipment at a later stage, the Assistant Administrator, Bureau of Management, may authorize the crediting of these proceeds to the account from which they were procured, provided that the account has not been closed;
- (d) When the proceeds from the sale of surplus project equipment shall be credited to the accounts of that project provided that they have not been closed;
- (e) Where equipment is transferred from one project for use in another and the accounts of the releasing project are open, the fair market value of such equipment shall be credited to the accounts of the releasing project and charged to the accounts of the project receiving the equipment.

**Rule 126.09:**

- (a) Refunds of expenditures financed from a given biennial support budget shall be credited to the accounts originally charged, if received in the same financial period or, if received subsequent to that period, to miscellaneous income.
- (b) Refunds of project expenditures received during the life of a project, i.e., before the final allocation of UNDP assistance is made, shall be credited to the project account originally charged. Refunds subsequently received shall be credited to miscellaneous income.

**Rule 126.10:**



- (a) Savings/deficits on the liquidation of obligations charged to financially completed UNDP programme activities shall be credited/charged to the relevant UNDP Account under Miscellaneous Income.
- (b) Unforeseen disbursements or refunds in respect of financially completed UNDP programme activities shall be charged/credited to the relevant UNDP Account under Miscellaneous Income.
- (c) Such net adjustments on account of financially completed UNDP programme activities shall not exceed 10 per cent of the final allocation made to the relevant budget, or \$50,000, whichever is less, without the approval of the Assistant Administrator, Bureau of Management.

**Rule 126.11:**

The establishment of an obligation is to be based on a contract, agreement or other form of undertaking by UNDP or based on a liability recognized by UNDP.

**Rule 126.12:**

When a commitment is incurred in currencies other than United States dollars, it shall be recorded in the accounts in the United States dollar equivalent at the prevailing United Nations operational rate of exchange. At the time of payment, where currency fluctuation has resulted in a change in the United States dollar equivalent from the original amount obligated, the difference is to be charged or credited to the same account against which the obligation was recorded. In such cases, an amendment to the original obligation document is not required. Valid obligations at 31 December should be revalued to reflect the United Nations operational rate of exchange in effect on that date, and an amended obligation document issued, should the revalued obligation exceed the original by the amount specified by the Chief Procurement Officer in accordance with Rule 120.02.

**Rule 126.13:**

- (a) The Assistant Administrator, Bureau of Management, may, after full investigation in each case, authorize the writing-off of losses of UNDP property or such other adjustment of the records as will bring the balance shown by the records into conformity with the actual quantities, except for those proposals for write-offs which exceed \$100,000 and which shall be submitted to the Administrator for approval.
- (b) Final determination as to all recoveries to be made from staff members or others as the result of losses will be made by the Assistant Administrator, Bureau of Management.

**Rule 126.14:**

- (a) Outstanding obligations retained against appropriations of the previous financial period in accordance with Regulation 14.03 shall be jointly reviewed periodically by the committing or alternate committing officers and the Bureau of Management. Obligations which after review are no longer considered valid shall be cancelled and the resulting credit surrendered. If after 12 months of the ensuing biennium an outstanding obligation continues to be valid, it shall be reobligated against appropriations of the then-current financial period.

- (b) Reasonably frequent reviews of all unliquidated obligations shall be conducted in the interest of returning any resulting savings to the UNDP accounts.

**Rule 126.15:**

- (a) Disbursements shall be recorded as of the date they are made, that is, when the cheque is issued, the bank transfer is requested or cash is paid out;
- (b) Receipts shall be recorded on the date received.

**Rule 126.16:**

- (a) The Assistant Administrator, Bureau of Management, may, after full investigation, authorize the writing-off of losses of cash, accounts receivable and notes receivable deemed to be irrecoverable, except that proposals to write off amounts in excess of \$100,000 shall be submitted to the Administrator for approval.
- (b) The investigation shall, in each case, fix the responsibility, if any, attaching to any official of UNDP for the loss. Such official may be required to reimburse the loss either partially or in full.
- (c) The amount authorized for waiver of investigation and write-off is \$1,000.

**Rule 126.17:**

In addition to the financial statements, there shall be provided to the United Nations Board of Auditors information on:

- (a) Ex gratia payments;
- (b) Supplies, equipment and other property for which property records are kept;
- (c) Losses of cash, stores and other assets written off; and
- (d) Such other information as the Board may require.

**Rule 126.18:**

- (a) For purposes of accounting for and reporting on UNDP assets, liabilities and transactions, and the maintenance of other financial records, other currencies will be translated into United States dollars at the United Nations operational rate of exchange in effect on the date of the report or the date of the transaction as may be appropriate.
- (b) When the United Nations operational rate of exchange for a currency has been revised, any asset or liability held in that currency shall be revalued, for financial statement purposes, in terms of United States dollars and any gain or loss shall be debited or credited to miscellaneous income.

**Rule 126.19:**

The principal accounts shall consist of:

- (a) Project accounts by source of funds, showing:

- i. Project number;
  - ii. Project allocations;
  - iii. Disbursements;
  - iv. Unliquidated obligations; and
  - v. Unencumbered balances of allocations;
  - vi. Biennial support budget accounts showing:
  - vii. Original appropriations;
  - viii. Appropriations after modification by any transfers between programmes;
  - ix. Credits, if any, other than appropriations made available by the Executive Board;
  - x. Allotments made;
  - xi. Disbursements;
  - xii. Unliquidated obligations;
  - xiii. Unencumbered balances of allotments; and
  - xiv. Unencumbered balances of appropriations;
- (b) General ledger accounts showing for the UNDP Regular and Other resources all income, expenditure, cash at banks, investments, receivables and other assets, reserves, payables and other liabilities;
- (c) Other accounts similarly structured as those described under (a)-(c) above as may be appropriate for any trust funds or Funds administered by UNDP.

***Rule 126.20:***

Separate accounting records shall be maintained to record all financial transactions relating to management services agreements. The balances of such records shall be reported in the UNDP financial statements under accounts payable. Any interest earned on resources held shall be credited to the respective management services. The amount included in the agreement for reimbursement of UNDP costs shall be charged to the related management services and credited to the UNDP Other Resources Account as extrabudgetary income.

***Rule 126.21:***

The Comptroller, Bureau of Management, shall certify that to the best of his/her knowledge, information, and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the financial statements and supporting schedules.

## Chapter H: Definitions

<b>Document Name</b>	Financial Regulations and Rules		
<b>Language(s)</b>	English		
<b>Responsible (unit)</b>	Office of Finance (OF)		
<b>Creator (individual)</b>	Darshak Shah <a href="mailto:darshak.shah@undp.org">darshak.shah@undp.org</a>		
<b>Subject (Taxonomy)</b>	Financial Resources Management		
<b>Date created</b>	1 March 2005 (as per Executive Board decision 2005/1)		
<b>Mandatory Review</b>	To be amended at the time when policy changes associated with the Financial Regulations and Rules are recommended to the Executive Board		
<b>Audience</b>	These UNDP Financial Regulations and Rules are to be used by all UNDP staff who are performing duties in the financial management of UNDP operations, both at Headquarters, in the Country Offices and at other offices worldwide.		
<b>Applicability</b>	This component describes the financial regulations and rules applicable to all UNDP operations, at Headquarters, at the Country Offices and at other UNDP offices worldwide.		
<b>Replaces</b>	Replaces the version of 1 April 2000		
<b>Is part of</b>	Financial Regulations and Rules		
<b>Related documents</b>			
<b>UN Record Ref.</b>			
<b>Version</b>	<b>Date</b>	<b>Author(s)</b>	<b>Revision Notes</b>
	01/03/2005	BDP/OLPS	As per <a href="#">EB decision 2005/1</a> (see <a href="#">DP/2005/3</a> ): Regulation 27.01; Definition of “executing entity” revised, and definitions of “implementing entity” and “implementing partner” introduced
		BDP/OLPS	Regulation 27.02: <ul style="list-style-type: none"> <li>• Definitions of “country cooperation framework”, “global cooperation framework”, and “global cooperation framework” deleted.</li> <li>• Definition of “programme document” introduced</li> <li>• Definitions of “execution”, “implementation”, “UNDP programme activity or activities” and “working capital” amended</li> </ul>
		OPB	<ul style="list-style-type: none"> <li>• Definitions of “biennial support budget”, “cost-sharing”, “obligation”, “target for resources assignment from the core”, “trust fund” amended</li> </ul>
		OF	<ul style="list-style-type: none"> <li>• Definition of “support costs” deleted</li> <li>• Definition of “written” or “writing” introduced</li> <li>• Definition of “micro-capital grant” re-introduced, as omitted in previous printing</li> </ul>

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### Article 27: Definitions

#### Regulation 27.01:

For the purpose of the Financial Regulations of UNDP, the following definitions of the main entities involved in the activities of UNDP shall apply:

- (a) "UNDP" shall mean the United Nations Development Programme, established by General Assembly resolution 2029 (XX) of 22 November 1965;

- (a) "General Assembly" shall mean the General Assembly of the United Nations;
- (b) "Executive Board" shall mean the Executive Board of UNDP;
- (c) "Advisory Committee" shall mean the Advisory Committee on Administrative and Budgetary Questions;
- (d) "Secretary-General" shall mean the Secretary-General of the United Nations or the official to whom the Secretary-General has delegated authority and responsibility for the matter in question;
- (e) "Administrator" shall mean the Administrator of UNDP or the official to whom the Administrator has delegated authority and responsibility for the matter in question;
- (f) "Government" shall mean the Government of a State Member of the United Nations or of a specialized agency or of the International Atomic Energy Agency. Within these Regulations, the term "Government" has also been used in conjunction with the following:
  - i. "host" Government shall mean the Government, as defined above, of a country within whose legal boundaries an office of UNDP is located, or which receives administrative services from a UNDP office located elsewhere;
  - ii. "programme country Government" shall mean the Government of a country or territory which, as a result of an Executive Board decision, is eligible to benefit from UNDP programme activities;
- (g) "executing entity" shall mean:
  - i. For UNDP programme activities not carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, the entity responsible for the overall management of a specific UNDP programme activity, including accountability for the production of outputs, achievement of objectives and for the effective use of UNDP resources.
  - ii. For UNDP programme activities carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, the entity that assumes the overall ownership over and responsibility for UNDP programme activities and the acceptance of accountability for results, and shall normally be the programme country Government.
- (h) "implementing entity" shall mean, for UNDP programme activities not carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, the entity responsible for the procurement and delivery of UNDP programme activity inputs and their use in producing outputs.
- (i) "implementing partner" shall mean, for UNDP programme activities carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, the entity to which the Administrator has entrusted the implementation of UNDP assistance specified in a signed document along with the assumption of full responsibility and accountability for the effective use of UNDP resources and the delivery of outputs, as set forth in such document.

(j) "Fund" or "Programme" shall mean an independent accounting entity, established by resolution of an appropriate legislative organ, which resolution specifies in whom responsibility for both executive direction and legislative guidance is vested.

(k) "Programme": see Fund, (i) above.

### **Regulation 27.02:**

For the purposes of the Financial Regulations of UNDP, the following definitions of specific terms used shall apply. These terms are listed in alphabetical order.

**allocation** – a financial authorization issued by the Administrator to incur expenditures and commitments for specific purposes relating to UNDP programme activities and within specified limits, during a definite period;

**allotment** – a financial authorization issued by the Administrator to an official or to a unit to incur obligations for specific purposes relating to the biennial support budget and within specified limits, during a definite period;

**appropriations** – the total amount approved by the Executive Board for specified purposes for the current biennial support budget against which obligations may be incurred for those purposes up to the amounts so approved. The appropriations are divided into "appropriations lines", for each of which a specific amount is shown in the appropriate decision adopted for each biennium by the Executive Board and within which the Administrator is authorized to make transfers without prior approval;

**appropriation line** -a subdivision of the appropriations for which a specific amount is shown in the appropriate decision and within which the Administrator is authorized to make transfers without prior approval;

**biennial support budget** - the budget covering a period of two calendar years to cover the costs of UNDP relating to programme support, management and administration, and support to operational activities of the United Nations;

**balance of resources**- the available resources on a given date;

**capital assets** -assets intended for long-continued use or possession, e.g., land, buildings and non-expendable equipment;

**commitment** – an anticipated or contingent liability against resources of one or more future years;

**committing officer** -a UNDP staff member who has been delegated the authority to commit UNDP resources and has accepted accountability for it;

**contribution** – cash or in-kind resources (the latter being in the form of goods, services, or real property) provided to UNDP. Contributions are used to cover UNDP programme activities as well as programme support, management and administration, and support to operational activities of the United Nations, including costs associated with the administration of contributions received for special purposes; cost-sharing - a co-financing modality under which contributions from Other resources can be received as a supplement to Regular resources for specific UNDP programme activities, under the relevant cooperation framework;

**cost-sharing** - a co-financing modality under which contributions can be received for specific UNDP programme activities, in line with UNDP policies, aims and activities. Such contributions shall be recorded as Other Resources;

**disbursement** – the actual amount paid;

**ex gratia payment** -a payment made where there is no legal liability but the moral obligation is such as to make payment justifiable;

**execution** – shall mean:

- (a) For UNDP programme activities not carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, assuming the overall management of specific UNDP programme activities and the acceptance of accountability to the Administrator for the effective use of UNDP resources;
- (b) For UNDP programme activities carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, assuming the overall ownership over and responsibility for specific UNDP programme activities and the acceptance of accountability for results;

**expenditure** – total charges incurred whether paid or unpaid, i.e., the sum of disbursements and unliquidated obligations for the current year in respect of UNDP programme activities and for the biennium in respect of the biennial support budget;

**implementation** – shall mean:

- (a) For UNDP programme activities not carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, the procurement and delivery of UNDP programme activity inputs and their use in producing outputs.
- (b) For UNDP programme activities carried out under the harmonized operational modalities established in response to General Assembly resolution 56/201, the management and delivery of programme activities to achieve specified results including the procurement and delivery of UNDP programme activity inputs and their use in producing outputs, as set forth in a signed document between UNDP and the implementing partner;

**liquidity** - the difference between current assets and current liabilities. In the specific context of UNDP, this shall normally be taken to mean the sum of working capital and reserves;

**management and administration of the organization** - the activities of UNDP organizational units whose primary functions are the maintenance of the identity, direction and well-being of the organization. This shall typically include units that carry out the functions of executive direction, policy and evaluation, external relations, information, planning and resource management, finance and administration, and audit;

**management and support services** - a range of services, which may include procurement and full financial services, to be provided by UNDP against full reimbursement;

**micro-capital grant**– the financial assistance provided to an intermediary which includes non-governmental or grass roots organizations in an amount not exceeding \$150,000 for each individual grant;

**national execution** -the overall management of UNDP programme activities in a specific programme country carried out by an eligible national entity of that country;

**obligation** - an encumbrance or engagement involving a liability against the resources of the current year in respect of UNDP programme activities and the current biennium in respect of the biennial support budget;

**Other Resources** - the resources of UNDP, other than Regular Resources, which are received for a specific programme purpose, consistent with the policies, aims and activities of UNDP and for the provision of management and other support services to third parties;

**personnel** – UNDP staff and other persons engaged by UNDP under other contractual arrangements to perform services for UNDP programme activities or for programme support;

**programme document** – the document approved by the Executive Board that describes the framework for UNDP programme activities, and indicates the proposed UNDP resources to achieve results during a specified period. Programme documents are prepared at the country level in cooperation with the Government of that country, as well as at regional and global levels.

**programme support** -within the context of the form of presentation of the biennial support budget, organizational units whose primary function is the development, formulation, delivery and evaluation of UNDP programme activities. This will typically include units that provide backstopping of UNDP programme activities either on a technical, thematic, geographic, logistical or administrative basis;

**Regular Resources** - the resources of UNDP that are co-mingled and untied. These will include voluntary contributions, contributions from other governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous income;

**resources administered by UNDP** - all contributions received and all income earned by UNDP;

**target for resources assignment from the core (TRAC)** – the order of magnitude of the Regular Resources expected to be available from UNDP during a specified period for the financing of UNDP programme activities at the country level;

**trust fund** – a co-financing modality established as a separate accounting entity under which UNDP receives contributions to finance UNDP programme activities specified by the contributor;

**UNDP Accounts** - the Accounts established for the purposes of accounting for the receipt and use of all resources entrusted to the Administrator and activities thereby financed, and shall include:

- (a) The Regular Resources Account, which shall include all Regular Resources of UNDP, activities thereby financed, and related income; and
- (b) The Other Resources Account, which shall include all Other Resources of UNDP, activities thereby financed, and related income; and
- (c) The UNDP Funds Account, which shall include all resources received by Funds and Programmes entrusted to the Administrator, activities thereby financed, and related income;

**UNDP programme activity or activities** - activities funded from UNDP resources through projects. UNDP programme activities are planned and carried out through the means of project documents;

**UNDP resources** -resources credited to the UNDP Regular Resources Account or Other Resources Account and therefore excludes resources credited to the UNDP Funds Account;

**unliquidated obligation**- an obligation or that portion of an obligation which is not yet disbursed;

**verifying officer** -a UNDP staff member who has been delegated the authority to verify payments against UNDP resources and has accepted accountability for it;



**voluntary contributions** - contributions to UNDP Regular Resources from Governments of States Members of the United Nations, of the specialized agencies or of the International Atomic Energy Agency;

**working capital** - the residual of cash flows into and out of UNDP used to provide advances to executing entities or, under the harmonized operational modalities, implementing partners, fund unliquidated obligations and pay ongoing administrative expenses;

**“written” or “writing”** - a duly signed paper document or a document in electronic/digital form that that can be authenticated as being produced by an authorized individual.