



Secretariat

ST/AI/285
1 March 1982

ADMINISTRATIVE INSTRUCTION

**To: All Heads of offices and departments
All executive and administrative officers**

From: The Assistant Secretary-General for Financial Services

Subject: TECHNICAL CO-OPERATION TRUST FUNDS

1. The purpose of this administrative instruction is to set out in the annex hereto the procedures to be followed by the implementing office and the Office of Financial Services in establishing, administering and controlling technical co-operation trust funds in accordance with the policies contained in the Secretary-General's bulletin (ST/SGB/188) on the establishment and management of trust funds.
2. This instruction is effective as from 1 January 1982.

Annex

PROCEDURES FOR THE ESTABLISHMENT AND MANAGEMENT
TECHNICAL CO-OPERATION TRUST FUNDS

I. General

- A. The approval of technical co-operation trust funds should be made within the context of the policy directives for the economic and social sectors contained in paragraph 10 of document ST/SGB/188.
- B. Within the guidelines established in this instruction, the authority to approve technical co-operation trust funds will be delegated by the Assistant Secretary-General for Financial Services to the heads of offices at Headquarters and away from Headquarters authorized to execute such projects. As an exception to the general delegation, the establishment of posts at the L-6 (or D-1) level and above financed from a technical co-operation trust fund and located at an established office of the United Nations must also receive the prior approval of the Office of Financial Services.
- C. Each technical co-operation trust fund requires an agreement between the Organization and the prospective donor Government. The agreement is to be in conformity with the provisions of the model agreement set out in the appendix hereto. a/ The provision of associate experts or junior professional officers is also subject to an agreement between the Organization and the donor Government. The Office of the Legal Counsel, the Office of Financial Services and the Office of Personnel Services are to be consulted in the preparation of such an agreement to ensure the uniform application of basic policies and procedures.
- D. All trust funds are charged for programme support functions executed by the Organization. The rate charged is that which has been approved by the General Assembly and communicated by the Assistant Secretary-General for Financial Services. Any exception to this provision must be approved by him.

a/ The model agreement is intended to set out the purposes of a technical co-operation trust fund and the modalities for the payment, receipt and expenditure of technical co-operation trust fund moneys. Matters relating to other aspects of the relationship between Governments and the Organization (such as the relations with host Governments with respect to the holding of a conference, the establishment of a centre or other institution, the contribution of Governments towards the expenses of United Nations offices or matters relating to privileges and immunities to be accorded by Governments) should be the subject of a separate agreement on which the Office of Legal Affairs should be consulted and established procedures followed.

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II. Establishment of a technical co-operation trust fund

- A. The implementing office prepares a detailed description of the proposed trust fund, a proposed agreement with the donor (see appendix below) and a budget phased by the calendar year. The format for the trust fund description and the budget should generally follow that specified for United Nations Development Programme projects.
- B. Any proposal for posts at the L-6 or D-1 level and above to be located at an established United Nations office is submitted for approval to the Budget Division. The Budget Division notifies the implementing office of Headquarters actions. Once approved, such posts may be included in the trust fund allotment.
- C. The completed documents are submitted to the head of the implementing office for review and approval. Before submission, written certification must be made by the implementing office and retained in the trust fund file, to the effect that:
1. The trust fund is properly defined as a technical co-operation trust fund within the guidelines laid down in document ST/SGB/188;
 2. The trust fund meets the other policies and guidelines for trust funds laid down in document ST/SGB/188;
 3. There are no additional financial implications for the regular budget other than those to be met by programme support costs;
 4. Any proposed post at the L-6 or D-1 level or above to be located at an established United Nations office has been approved by the Office of Financial Services;
 5. The trust fund agreement with the donor conforms to the model appended to the present document;
 6. The appropriate offices have been consulted.
- Should there be any doubt regarding items 1 through 6, above, the advice of the Office of Financial Services is to be sought.
- D. Based on this certification and after review, the head of the implementing office may approve the trust fund.
- E. Copies of the approved trust fund documents (description, agreement, certification and budget) are transmitted to the Accounts Division and the Budget Division. The Budget Division is responsible for clarifying any details concerning the proper categorization, terms and financial implications of the trust fund.

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- F. Based on information from the implementing office, the Office of Financial Services prepares and submits to the Office of the Director-General for Development and International Economic Development and the Advisory Committee on Administrative and Budgetary Questions an annual report on trust funds that have been established during the year.

III. Contributions

- A. Contributions for most technical co-operation projects take the form of a direct payment in advance of the funds required for a year of project activities or for the duration of the project, if it is less than one year. Should a donor Government decide to make a pledge, it must be in written form, signed by a responsible representative and should indicate the amount, the type of currency, the method and expected dates of payment and any conditions attached by the donor. b/ For offices away from Headquarters, this information may be recorded on form F.228 ("Record of pledges") for use locally. For offices at Headquarters, the Treasury prepares form F.228 and distributes it in the same manner as for other trust funds.
- B. The finance unit of the implementing office away from Headquarters or the Treasury for offices at Headquarters
1. Notifies the donor as to where the payment(s) should be sent or to which bank accounts they should be deposited;
 2. Issues a cash-receipt voucher to the donor, with a copy to the implementing office, for each payment;
 3. Prepares an acknowledgement of pledges in the form of a note verbale or letter, as appropriate, to the donor;
 4. Follows up quarterly on unpaid pledges;
 5. Based on information received from the implementing office, invests all trust fund moneys not required for immediate use, usually in a common trust fund investment pool. Offices away from Headquarters should consult with the Treasury at Headquarters before making any single investment of more than \$100,000 and are required to forward to the Treasury a quarterly report on all investments, showing type, placement, rate and duration. In the interest of sound organization-wide cash management, the Treasury, after consulting with the implementing office, may decide that all or part of the trust fund moneys not required for immediate use should be remitted to Headquarters.

b/ If special conditions are attached to the pledge, no acknowledgement of the pledge should be made until the acceptability of such conditions has been determined in accordance with paragraph 30 of document ST/SGB/188.

- C. The finance unit of the implementing office away from Headquarters or the Accounts Division for offices at Headquarters,
1. Based on a cash-receipt voucher, records the payment of the contribution;
 2. In the case of pledges, based on form F.228, records the pledge as a receivable in the accounts and prepares a monthly report on the status of pledges unpaid for follow-up; c/
 3. Computes and distributes the proportionate share of investment income to each trust fund semi-annually, based on an average of the actual cash balances at month-end for each fund having a share in the investment pool.

IV. Allotments and revisions

- A. The implementing office maintains a file of all approved technical co-operation trust funds.
- B. Upon notification, through issuance of a cash-receipt vouchers by the appropriate office (finance unit or Treasury) that sufficient payments have been made for a trust fund project, the implementing office issues an allotment up to but not exceeding the cash resources on hand. These cash resources should normally cover one year of operation or the duration of the project, if less than one year. In the case of multiple project trust funds, an operating cash reserve at the level of 15 per cent of the annual estimated expenditures will normally be maintained during the implementation of the trust fund activities to cover shortfalls and will be utilized to meet the final expenditures of the trust fund, including any liquidating liabilities.
- C. The trust fund budget is entered into the project accounts of the implementing office.
- D. All trust fund budgets must be revised once a year, when the actual expenditures for the previous year are entered into the project accounts and the difference between the budget allotments and the actual expenditures are carried over to the next year. A revised allotment is issued for each revision of the budget.
- E. Based on the data contained in its project accounts, the implementing office prepares monthly summary reports of allotments, disbursements and obligations for use in project management and forecasting.

c/ In the case of Headquarters projects, the Treasury performs this function.

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V. Accounting

- A. Accounts are separately maintained for each technical co-operation trust fund.
- B. In accordance with financial rule 111.8, financial transactions for trust funds are recorded in the accounts on an accrual basis.
- C. Pledges are translated into United States dollars at the United Nations rate of exchange valid for the date the pledge was made. If the United Nations rate of exchange at the time the funds are received is different from that at the time the pledge was made, the amount of the item, "pledge unpaid (asset)" is adjusted to agree with the amount received, and the difference is recorded as loss/gain on exchange. The item "income from pledge contributions", however, is not adjusted to reflect changes in exchange rates and, consequently, it reflects the value of the pledge at the United Nations rate of exchange in effect on the date the pledge was made. Any prior unpaid pledge and unpaid pledges due by the end of the current year are retranslated at the date of the current financial statements at the United Nations rate of exchange in effect at that date, and any difference is recorded as loss/gain on exchange. Pledges received for future years are recorded as deferred income and are not retranslated until the year the pledges become due for payment.
- D. Contributions in kind are given an estimated monetary value by the implementing office at the time they are received. They are entered in memoranda accounts on the basis of the information received from the implementing office and are reported in foot-notes to the financial statements.
- E. Cash balances of trust funds are normally maintained in a trust fund bank account which is separate from the bank accounts which contain the General Fund cash balances;
- F. The allotment account structure shown in the Allotment Codes Handbook should be used for technical co-operation trust fund accounts.
- G. Payments of trust fund expenditures may be made from a common fund bank account. The interfund indebtedness thus created between the various funds is settled each month in cash, based on the net interfund indebtedness shown in the end-month accounts.
- H. All trust funds are subject to a charge of 1 per cent of net base salaries and of fees of consultants as a reserve for possible claims covered by appendix D of the United Nations Staff Rules. This reserve is kept in a special United Nations commingled account and is not refundable to donors.

VI. Reporting

A. Financial

1. Offices away from Headquarters report technical co-operation trust fund accounts to Headquarters semi-annually in the form of a financial statement showing income, expenditure, assets and liabilities. In addition, a schedule containing allotments and expenditures by project is prepared and forwarded to the Budget Division during the first quarter of each year.
2. The Accounts Division includes in its semi-annual and biennial financial statements the technical co-operation trust fund accounts of each office at Headquarters and away from Headquarters.
3. An annual statement of accounts for each trust fund is made available to the donors by the Accounts Division for implementing offices at Headquarters or by the finance units of implementing offices away from Headquarters.

B. Substantive

1. If required in the trust fund agreement, substantive progress reports are prepared by the implementing office. Copies of those reports are transmitted to the Budget Division.
2. An annual over-all substantive review of the implementation of technical co-operation trust fund projects is prepared by the implementing office and is transmitted to the Office of the Director-General for Development and International Economic Co-operation, with a copy to the Budget Division.

VII. Auditing

All technical co-operation trust funds are subject to audit by the Internal Audit Division of the United Nations and the United Nations Board of External Auditors. No other additional or special audit arrangements shall be made with donors.

Appendix

UNITED NATIONS

MODEL TECHNICAL CO-OPERATION TRUST FUND AGREEMENT a/

Agreement between the United Nations and the Government of

_____ ;
WHEREAS the United Nations, represented
by _____ (hereinafter referred to as "the
(implementing office)"), and the Government of _____ (recipient country)
have agreed to co-operate in the implementation of a project(s) in
_____ (recipient country) entitled "
_____" (hereinafter referred to as "the project(s)"),
which project(s) is summarized in attachment A hereto [and is more fully
described in a project document(s) dated _____]; b/

WHEREAS the Government of _____ (hereinafter
referred to as "the donor Government") has informed the United Nations of
its willingness to contribute funds to meet the costs of the project(s)
[on the basis of the project document(s) dated _____, a copy
of which has been provided to representatives of the donor Government]; b/

WHEREAS it has been agreed between the United Nations and the donor Government
that the _____ (implementing office) shall be responsible under the

a/ This model agreement is intended to set out the purposes of a technical
co-operation trust fund and the modalities for the payment, receipt and expenditure
of technical co-operation trust fund moneys. Matters relating to other aspects of
the relationship between donor Governments and the Organization (such as the
relations with host Governments with respect to the holding of a conference, the
establishment of a centre or other institution, the contribution of Governments
towards the expenses of United Nations offices, or matters relating to privileges
and immunities to be accorded by Governments) should be the subject of a separate
agreement on which the Office of Legal Affairs should be consulted and established
procedures followed.

b/ If a copy of the project document(s) to which the recipient Government
and the implementing office are parties is to be provided to the donor Government,
then the words within square brackets should be retained.

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terms of this Agreement for the management of the funds contributed by the donor Government to meet the costs of the project(s);

NOW THEREFOR, the United Nations and the donor Government hereby agree as follows:

Article I

1. The donor Government shall, in the manner referred to in paragraph 2 below, place at the disposal of the (implementing office) the sum of \$US _____ and the (implementing office) shall use such funds to meet the costs of the project(s) as shown in attachment A.
2. The donor Government shall, in accordance with the schedule of payments set out in attachment B to this Agreement, deposit the aforesaid funds, in convertible currencies of unrestricted use, to an account designated by the (implementing office) at the (name and address of bank of deposit)
_____.
3. The (implementing office) shall establish a trust fund under Financial Regulations and Rules of the United Nations for the receipt and administration of the aforesaid funds.
4. The trust fund and the activities financed therefrom shall be administered by the (implementing office) in accordance with the applicable United Nations regulations, rules and directives. Accordingly, personnel shall be engaged and administered; equipment, supplies and services purchased; and contracts entered into in accordance with the provisions of such regulations, rules and directives.
5. All financial accounts and statements shall be expressed in United States dollars.

Article II

1. The trust fund shall be charged with expenditures incurred by the (implementing office) in the performance of activities under this Agreement.

2. The trust fund will also be charged with thirteen (13) per cent of all expenditures from the trust fund, which percentage shall be a charge for programme support services provided by the (implementing office) in the implementation of the project(s) financed under the trust fund.

3. The trust fund will also be charged with an amount equivalent to one (1) per cent of the remuneration or net salary of persons engaged by the (implementing office), and whose engagement is financed by the trust fund, to provide a reserve for coverage of any claim for service-incurred death, injury or illness, under the applicable United Nations regulations and rules or contracts, which reserve cannot be refunded to the donor Government.

Article III

1. The (implementing office) shall commence and continue to conduct operations under this Agreement on the receipt of contributions in accordance with the schedule of payments set out in attachment B.

2. The (implementing office) will not make any commitments above the amounts specified for expenditure in attachment A.

3. If unforeseen expenditures arise, the (implementing office) will submit a supplementary budget to the donor Government showing the further financing that will be necessary. If no such further financing is available, the assistance provided to the project(s) under this Agreement may be reduced or, if necessary, terminated by the (implementing office). In no event will the (implementing office) assume any liability in excess of the funds provided in the trust fund.

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Article IV

Ownership of equipment, supplies and other property financed from this trust fund shall vest in the United Nations. On the termination or expiration of this Agreement, the matter of ownership shall be determined in accordance with the provisions of the applicable project agreement between the United Nations and the Government of (recipient country); or, should the applicable Project Agreement not contain any such provisions, then the matter shall be a subject for consultations between the donor Government and the United Nations.

Article V

Evaluation of the activities financed from this trust fund, including joint evaluation by the (implementing office), donor Government and recipient Government shall be undertaken in accordance with the provisions contained in attachment A.

Article VI

This trust fund shall be subject exclusively to the internal and external auditing procedures laid down in the Financial Regulations, Rules and directives of the United Nations.

Article VII

The (implementing office) shall provide the donor Government with the following statements and reports prepared in accordance with the United Nations accounting and reporting procedures:

- (a) An annual financial statement showing income, expenditures, assets and liabilities as of 31 December each year with respect to the funds provided by the donor Government;
- /...

(b) A final report and a final financial statement within six months after the date of expiration or termination of this Agreement.

Article VIII

The (implementing office) shall notify the donor Government when, in the opinion of the (implementing office), the purposes for which the trust fund was established have been realized. The date of such notification shall be deemed to be the date of expiration of this Agreement, subject to the continuance in force of article X for the purposes there stated.

Article IX

This Agreement may be terminated by either party on 30 days' written notice to the other party, subject to the continuance in force of article X for the purposes there stated.

Article X

On termination or expiration of this Agreement under article VIII or IX, the funds will continue to be held by the (implementing office) until all expenditures incurred by the (implementing office) have been satisfied from such funds. Thereafter, any surplus remaining in the trust fund shall be [disposed of as indicated by the donor Government] [used for a purpose determined by the (implementing office) in consultation with the donor Government]. c/

Article XI

This Agreement shall enter into force upon signature.

c/ Choose the phrase within square brackets that applies.

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Article XII

IN WITNESS WHEREOF, the undersigned, being duly authorized thereto, have signed the present Agreement in the English and _____ languages in two copies at _____ this _____ day of _____.

(Signed) _____

For the Government of

(Signed) _____

For the United Nations
