



Secretariat

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UN/SA COLLECTION

SECRETARY-GENERAL'S BULLETIN

To: All heads of offices and departments
All executive and administrative officers

Subject: ESTABLISHMENT AND MANAGEMENT OF TRUST FUNDS

INTRODUCTION

1. This bulletin sets out revised policies for establishing and managing trust funds, effective as from 1 January 1982. Document ST/SGB/146/Rev.1 of 19 October 1978 is hereby superseded and cancelled.
2. The objectives of this revision, in the light of the experience gained with trust funds over the last three years are: first, to pinpoint more accurately the assignment of responsibility for the administration of trust funds; second, to provide for a further delegation of authority to approve technical co-operation trust funds, while reinforcing the instruments of central financial control; third, to separate the basic policy material contained in this bulletin from procedural information, which is contained in administrative instructions ST/AI/284, ST/AI/285 and ST/AI/286.
3. This bulletin does not apply to the following voluntary funds which, by legislative action, are subject to the administrative authority of their executive heads: the United Nations Children's Fund, the voluntary funds of the United Nations High Commissioner for Refugees, the voluntary funds of the United Nations Relief and Works Agency for Palestine Refugees in the Near East, the United Nations Development Programme (UNDP) and other programmes under the administrative authority of the UNDP Administrator, the United Nations Fund for Population Activities (UNFPA), the Fund of the United Nations Environment Programme, the United Nations Industrial Development Fund, the United Nations University, the United Nations Habitat and Human Settlements Foundation, and the United Nations Institute for Training and Research.

I. FRAMEWORK

4. Extrabudgetary resources of the Organization include funds from all sources other than those derived from assessed contributions and revenue-producing activities and can be classified into four broad categories:

(a) Those which support or supplement the substantive work programmes of the Organization or activities of humanitarian and relief assistance;

(b) Those which provide for technical co-operation assistance to developing countries either through multilateral arrangements or through the United Nations system;

(c) Those which finance peace-keeping operations; 1/

(d) Those which reimburse the Organization for support services and the use of its facilities.

5. This bulletin is applicable only to extrabudgetary activities which are described in categories (a) and (b) of paragraph 4 above; it does not apply to operational resources for technical co-operation projects executed by the Organization and financed by funding agencies such as UNDP and UNFPA within the United Nations system.

6. The United Nations receives a payment towards the costs of programme support incurred in the implementation of the extrabudgetary programmes and activities to which this bulletin is applicable. This payment is calculated as a percentage of the programme resources expended, and its utilization is subject to the provisions of this bulletin.

7. Definitions of different types of accounts used in the United Nations and of terms used in this bulletin may be found in the annex.

II. AUTHORITY

8. The establishment and management of trust funds are governed by the United Nations Financial Regulations and Rules. The establishment and management of trust funds also require observance of the United Nations Staff Regulations and Rules, and other policies or procedures promulgated by the Secretary-General.

1/ Most peace-keeping operations have been financed from assessed contributions. At present, one peace-keeping operation, the United Nations Peace-keeping Force in Cyprus (UNFICYP) is financed from voluntary contributions. The other current peace-keeping operations, the United Nations Disengagement Observer Force (UNDOF) and the United Nations Interim Force in Lebanon (UNIFIL), are financed from assessed contributions.

9. In the light of the Secretary-General's responsibilities under the Financial Regulations and Rules in regard to the establishment and management of trust funds, special care must be exercised to ensure that the operations financed from such funds are consistent with the objectives, policies and procedures of the Organization. The exercise of this responsibility, on behalf of the Secretary-General, is the function of the Under-Secretary-General for Administration, Finance and Management; he has, in turn, delegated that responsibility to the Assistant Secretary-General for Financial Services.

10. Proposals for all trust funds are to be considered within the context of the over-all policy, programme and priority-setting decisions of the General Assembly and other United Nations intergovernmental bodies as expressed in the medium-term plan, the programme budget and other legislative actions. The subsequent establishment or approval by officials of the United Nations of all technical co-operation trust funds and those general trust funds in the economic and social sectors is subject to the over-all policy directives and guidelines communicated by the Secretary-General or by the Director-General for Development and International Economic Co-operation acting under his authority.

11. The Assistant Secretary-General for Financial Services is authorized to delegate to heads of departments and offices at Headquarters and away from Headquarters the following specific authorities under terms and conditions which will ensure proper financial control: (a) the approval and management of technical co-operation trust funds; and (b) the approval of the use of programme support resources in offices away from Headquarters.

III. TYPES OF TRUST FUNDS

12. For the purpose of this bulletin, trust funds may be classified into two major categories: (a) general trust funds, and (b) technical co-operation trust funds.

(a) General trust funds

13. General trust funds are established to support any activities except those which are exclusively of a technical co-operation nature. General trust funds may be used, for example, to enhance or expand the work programme of one or more organizational units of the Secretariat, or for humanitarian and relief purposes to provide direct assistance in respect of emergency situations. General trust funds may be of a continuing or long-term nature, with annual programming of the resources, or they may be created for specific purposes and/or a shorter term.

14. Trust funds which receive resources for both technical co-operation and non-technical co-operation activities are classified as general trust funds, but the procedures to be applied will be those concerning general trust funds or technical co-operation trust funds, depending on the objectives of the activities in question.

(b) Technical co-operation trust funds

15. Technical co-operation trust funds within the scope of this bulletin refer to those which provide economic and social development assistance to developing countries. Such assistance to the recipient countries normally takes the form of experts and associate experts, the financing of individual or group training, such as regional or interregional seminars, workshops and study tours, and the provision of project equipment.

IV. FUNCTIONAL RESPONSIBILITIES WITHIN THE SECRETARIAT

16. A general description of the functional responsibilities within the Secretariat for the establishment and management of trust funds is contained below. These responsibilities are elaborated in greater detail in the administrative instructions referred to in paragraph 2 above. Should there be any question regarding the interpretation or execution of these responsibilities, the Assistant Secretary-General for Financial Services should be consulted.

17. The establishment and management of trust funds include the following functions:

- (a) Preliminary activities;
- (b) Establishment of trust funds;
 - (i) Trust Funds established by the General Assembly;
 - (ii) Trust funds established by the Secretary-General;
- (c) Acceptance of pledges;
- (d) Conclusion of agreements;
- (e) Administration of trust funds;
 - (i) Collection, custody and investment of voluntary contributions;
 - (ii) Preparation of a cost plan;
 - (iii) Spending authority;
 - (iv) Implementation control;
 - (v) Reporting and evaluation;
- (f) Audit;
- (g) Closure of trust funds.

(a) Preliminary activities

18. Programme managers are encouraged to conduct discussions with prospective donors regarding the possibility of making voluntary funds available to the United Nations for the support of its substantive and operational activities. However, no commitments may be made regarding the approval of a trust fund in the course of such discussions.

(b) Establishment of trust funds

19. Trust funds may be established by the General Assembly or by the Secretary-General.

(i) Trust funds established by the General Assembly

20. When a trust fund is established by the General Assembly, the terms of reference of the fund are set out in the Assembly resolution or in documentation referred to in the resolution.

21. A proposal or draft resolution recommending that the General Assembly should establish a trust fund requires, in accordance with financial regulation 13.1, the submission of a report from the Secretary-General on the administrative and financial implications of the proposal. Such a report shall be submitted to the legislative body from which the proposal emanates and shall be prepared by the substantive unit servicing that body, in consultation with and subject to approval of the Office of Financial Services. The report shall include all relevant information on the aims, purposes, form and functioning of the proposed trust fund and a description of any special terms or conditions pertaining thereto. A statement regarding the direct or indirect financial implications, if any, for the regular budget is to be included in the report.

22. Financial implications for the regular budget of the United Nations, resulting from a proposal to establish a trust fund are subject to the established procedures for the programme budget and, hence, must be submitted for review by the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee of the General Assembly.

(ii) Trust funds established by the Secretary-General

23. Financial regulation 6.6 provides that trust funds may be established by the Secretary-General. The Secretary-General, pursuant to financial rule 107.5, has delegated such authority to the Under-Secretary-General for Administration, Finance and Management. The Under-Secretary-General for Administration, Finance and Management has, in turn, delegated this authority to the Assistant Secretary-General for Financial Services.

24. The Assistant Secretary-General for Financial Services or those officials to whom authority has been delegated under the provisions of paragraph 11, above, will, in accordance with financial regulations 6.7 and 7.2, ensure that the purpose of a trust fund established by the Secretary-General is clearly defined and that it

is administered in accordance with the Financial Regulations and Rules of the United Nations and their related procedures. As appropriate, the heads of other departments/offices, in particular, the Director-General for Development and International Economic Co-operation, the Legal Counsel and the Assistant Secretaries-General for Personnel Services and for General Services, will be consulted, in order to ensure that the aims, purposes, terms and conditions of such trust funds are consistent with over-all policy directives and guidelines, regulations, rules and legal and administrative requirements.

25. In accordance with financial regulation 7.2, it is to be ascertained whether the establishment of a trust fund by the Secretary-General might directly or indirectly involve any financial liability for the Organization. In the event that it is determined that such a liability may exist, the proposal is to be referred to the Assistant Secretary-General for Financial Services for possible submission to the General Assembly for approval, pursuant to financial rule 107.7, in accordance with the procedure described in paragraph 22 above.

(c) Acceptance of pledges

26. A pledge is a written commitment by a prospective donor to make a contribution to a trust fund. (A written commitment which is subject to the need to secure an appropriation or other national legislative approval is considered a pledge.) A pledge can be accepted only after the trust fund has been formally established. A pledge may only be accepted by the Assistant Secretary-General for Financial Services or by officials having the necessary authority to do so under the provisions of paragraph 11 above.

27. Discussions with prospective donors may be carried out by programme managers responsible for the related activities regarding the possibility of contributing to trust funds.

28. Contributions to trust funds may be accepted in United States dollars or other fully convertible currencies. Contributions in currencies which are not convertible may be accepted only if the Assistant Secretary-General for Financial Services determines that the currency can be fully utilized in the implementation of the related activity.

29. The making of a pledge and its acceptance are to be recorded in an exchange of letters, or, if deemed appropriate, in a more formal agreement.

30. A prospective donor should be made aware that engagement of personnel and procurement of supplies or equipment financed from trust funds are subject to the regulations, rules, policies and procedures of the Organization. Exceptions to such regulations, rules, policies or procedures are not permissible, unless specifically authorized by the Secretary-General or on his behalf by officials having the necessary delegated authority under applicable regulations, rules and procedures.

(d) Conclusion of agreements

31. When a trust fund is established by the General Assembly or when a general trust fund is established by the Secretary-General, the conclusion of an agreement between the Organization and prospective donors may not be necessary. If the conclusion of an agreement is deemed necessary, the preparation of such an agreement will be the subject of consultation between the Assistant Secretary-General for Financial Services and other offices concerned, including the Office of the Legal Counsel.

32. A technical co-operation trust fund requires the conclusion of an agreement between the Organization and a prospective donor. This agreement is to be in conformity with the provisions of the model agreement set out in the administrative instruction for technical co-operation trust funds (ST/AI/285). The provision of associate experts or junior professional officers will also be subject to an agreement between the Organization and the donor Government. The Office of the Legal Counsel, Office of Financial Services and the Office of Personnel Services are to be consulted in the preparation of such agreements.

33. Trust fund agreements set out the purposes of the trust funds and the modalities for the payment, receipt and expenditure of funds. Matters relating to other aspects of the relationship between Governments and the Organization (such as relations with a host Government in respect of the holding of a conference, the establishment of a centre or other institution, the contributions of Governments towards the expenses of a United Nations office or matters relating to privileges and immunities to be accorded by Governments) are to be the subject of a separate agreement on which the Office of Legal Affairs should be consulted and established procedures followed.

(e) Administration of trust funds

34. At the time of establishment of the fund, or within 30 days after the issuance of the present bulletin in the case of existing trust funds, the Assistant Secretary-General for Financial Services will designate an implementing office in respect of each general trust fund. That office will be responsible for co-ordinating all aspects of the work programme to be financed from the trust fund in question, including liaison with other offices which may be involved in executing a part of the programme.

35. Implementing offices for technical co-operation trust funds are the Department of Technical Co-operation for Development, the United Nations Industrial Development Organization, the United Nations Conference on Trade and Development, the United Nations Environment Programme, the United Nations Centre for Human Settlements (Habitat), the regional commissions and such other offices as may be designated from time to time by the Assistant Secretary-General for Financial Services.

(i) Collection, custody and investment of voluntary contributions

36. Voluntary contributions may be recorded in the accounts only on the basis of written pledges, duly accepted by the Organization, or of receipted payments. In

the interest of sound cash management, all collections of trust fund contributions by offices away from Headquarters must be reported to the Assistant Secretary-General for Financial Services.

37. The Assistant Secretary-General for Financial Services shall designate the banks in which the resources of a trust fund shall be kept.

38. In accordance with financial regulations 9.1, 9.2 and 9.3, and financial rules 109.1 and 109.4(b), investments of moneys standing to the credit of trust funds may be made by the Assistant Secretary-General for Financial Services or his authorized delegate. The resulting income shall be credited to each fund. Moneys from various trust funds may be consolidated for investment purposes and the interest accruing therefrom credited to the funds in proportion to the amounts invested.

(ii) Preparation of a cost plan

39. For all trust funds, the development of a cost plan is a prerequisite for the commencement of operations. The implementing office is responsible for the preparation of the cost plan. All cost plans for trust funds, including those for operational activities, must include provision for support costs.

(iii) Spending authority

40. In accordance with financial rule 106.1, no commitments, obligations, or disbursements against any funds may be incurred without the written authorization of the Assistant Secretary-General for Financial Services or his authorized delegate. Such authorizations take the form of allotments which will be issued only after sufficient contributions have been received to meet the requirements for initial financial obligations and for any reserves which may be required by the Assistant Secretary-General for Financial Services. Spending authority will be exercised by certifying officers, designated by the Assistant Secretary-General for Financial Services, in accordance with financial rule 110.3.

(iv) Implementation control

41. It is the responsibility of the certifying officer to ensure that expenditures are made in accordance with existing financial and staff regulations, rules and procedures, for the purposes intended and within the limits allotted, and to draw to the attention of the Assistant Secretary-General for Financial Services any proposed commitment or expenditure which, in his or her view, is inconsistent therewith.

(v) Reporting and evaluation

42. Reports will be made by the implementing offices, as required, in the interest of effective management, evaluation and control. Procedures for such reports, including reports to legislative bodies, trust fund donors and offices at Headquarters with over-all policy, financial and administrative responsibilities will be found in the administrative instructions referred to in paragraph 2 above.

(f) Audit

43. All United Nations trust funds are subject to audit by the Board of Auditors and the Internal Audit Division, under article XII of the Financial Regulations, the annex to the Financial Regulations and financial rule 111.12. No other additional or special audit arrangements shall be made with donors.

(g) Closure of trust funds

44. A trust fund may be closed only by the authority which established it or as required in its terms of reference. A trust fund established by the General Assembly or another legislative body may be terminated after a decision by the legislative body concerned.

45. Trust funds established under the authority of the Secretary-General may be terminated under the terms of the trust fund agreement or for such reasons and at such times as the Assistant Secretary-General for Financial Services or his delegate may consider appropriate after consulting with the donor or donors.

46. In respect of a trust fund which by its terms of reference or by the terms of a special agreement provides for the disposition of any remaining balance, the Assistant Secretary-General for Financial Services or his authorized delegate will ensure that such provisions are carried out at the time the fund is closed. Any other balances remaining at the time a trust fund is closed will be disposed of in a manner consistent with the purposes of the trust fund and with the Financial Regulations and Rules of the United Nations.

V. PROGRAMME SUPPORT COSTS AND RESERVES

47. Reimbursement for programme support costs (previously referred to as "overheads") shall be provided for in respect of all activities financed from trust funds. The amount of the reimbursement shall be calculated at the standard percentage rate approved by the General Assembly. To the extent that the activities of a trust fund do not warrant the levy of full support costs, the Assistant Secretary-General for Financial Services may make exceptions to this provision. No programme support expenditure may be incurred without approval of the Assistant Secretary-General for Financial Services or his authorized delegate. Detailed policies and procedures regarding the approval, administration and control of programme support resources are contained in administrative instruction ST/AI/286.

48. The Assistant Secretary-General for Financial Services will establish a reserve for possible claims under appendix D of the Staff Rules by charging against the resources of each trust fund a percentage of net base salary of staff financed from the trust fund or an equivalent amount for those consultants who are covered by appendix D. Such a reserve, no part of which is refundable to donors, will be retained by the United Nations in a pooled account.

Annex

DEFINITIONS

1. General Fund

An account established to record income and expenditure under the regular budget.

Income from the General Fund comes from assessments on States Members of the Organization and through miscellaneous income, revenue-producing activities and staff assessment.

Moneys held in suspense by the Organization to meet known liabilities other than those generated from trust funds or special accounts are held in the General Fund.

2. Trust funds

Accounts established with specific terms of reference or under specific agreements to record receipts and expenditures of voluntary contributions for the purpose of financing wholly or in part the cost of activities consistent with the Organization's aims and policies.

In the United Nations, trust funds are classified as (a) general trust funds or (b) technical co-operation trust funds.

(a) General trust funds

Any trust funds other than those established exclusively for technical co-operation purposes (see text para. 13 above).

(b) Technical co-operation trust funds

Trust funds established to finance specific projects of technical co-operation (see text para. 15 above).

3. Special accounts

Accounts, other than trust funds, established outside the regular budget accounts, to record receipts and expenditures to which it is desired to give special separate identification, in view of the importance of the related activities to Member States, for purposes of financial management or for other reasons.

Examples of special accounts are:

(a) Special accounts for peace-keeping activities financed by assessment on Member States or by voluntary contributions.

(b) Special accounts for activities arising from the enactment of international instruments. These are normally financed by the states parties to the instruments concerned (e.g., the Committee on the Elimination of Racial Discrimination).

(c) Special accounts for programme support activities:

(i) Support to other United Nations organizations including the secretariats of UNDP and UNICEF;

(ii) Support to general and technical co-operation trust funds, reflecting the costs of support related to the implementation of extrabudgetary programmes and projects.

4. Extrabudgetary activities

(a) Substantive activities

Activities which support or supplement those approved programmes of the United Nations financed by the regular budget.

(b) Operational activities

Activities which provide assistance to countries. Such assistance may take the form of technical co-operation or relief and other humanitarian projects.

(c) Cost plan

A schedule of estimated expenditures for a programme or project by object of expenditure or budget line, subdivided by the calendar year.

(d) Established office

A permanent office of the United Nations, i.e., an office whose mandate is not limited to a particular period of time or to the completion of a particular set of activities.

(e) Implementing office

An organizational unit within the United Nations which has been given responsibility for managing all aspects of the work programme to be financed from a given trust fund.

(f) Operating reserves

(i) Trust fund operating reserve. This is a sum set aside within the cash resources of the trust fund to cover any delays in payments of pledged contributions and to be used to meet the final expenditures of the trust fund activities, including liquidating liabilities. The trust fund operating reserve is calculated as a percentage of the estimated annual expenditures.

(ii) Programme support operating reserve. This is a sum set aside within the cash resources of programme support accounts to meet any reduction in programme support income activities resulting from unforeseen shortfalls in programme delivery, inflation and currency adjustments or to liquidate legal obligations in the case of unforeseen termination of activities financed from extrabudgetary resources. The level of the operating reserve is calculated as a percentage of estimated annual programme support cost income.

(g) Programme support costs

Administrative and technical costs incurred in the implementation of programmes and projects financed from extrabudgetary resources, including trust funds.

(h) Voluntary contribution

A payment or an agreement in writing (pledge) to make a payment in cash or in kind to a trust fund.
