

BASIC INFORMATION CONCERNING THE MANAGEMENT AND ADMINISTRATION OF UNITED NATIONS TRUST FUNDS

Caveat: The following is an informal briefing prepared at the request of the Bureau of UNECE Ad Hoc Group of Experts on Harmonization of Fossil Energy and Mineral Resources Terminology to assist the delegates to better understand how United Nations Trust Funds work. The information is based on United Nations regulations and rules, administrative instructions and policies in effect but is not by any means exhaustive. In case of difference with revised United Nations regulations, rules, instructions and policies, the latter will prevail.

Finance

1. Contributions for most technical co-operation projects take the form of direct payment. Contributions may be accepted in United States dollars or other fully convertible currencies. Agreements between the Organization and the prospective donor Government should be in conformity with the UN regulations, rules and instructions. The relevant activity descriptions in the agreement should be carefully drafted in order to allow sufficient flexibility in operation while making sure that the donor's intentions are met at the same time.
2. Extra-budgetary activities must be financed in a way that their operations do not entail financial implications for the regular budget of the United Nations. Consequently, the success of a trust fund project must not depend on the availability of substantive support from activities or personnel financed from the regular budget of the United Nations
3. UN trust funds are charged for programme support functions executed by the Organisation. The current programme support cost rate is 13% of actual trust fund expenditure.
4. An operating cash reserve at the level of 15% 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 liquidating any liabilities.
5. No commitments may be made nor expenditure incurred prior to receipt of contributions. The engagement of personnel and procurement of supplies, equipment, or services financed from trust funds are subject to the regulations, rules, policies and procedures of the Organisation.

Trust Fund Project Personnel

6. Project staff at the professional level financed from trust funds is recruited in accordance with the applicable UN recruitment rules and procedures. Project staff members occupy temporary fixed-term posts and are normally recruited under the "200 series" of the UN staff regulations and rules" applicable to technical assistance project personnel ("L" staff). The extension of contracts of project personnel is subject to the availability of continued funding and satisfactory performance.
7. The salary scale used for project staff are the same as those used for UN regular budget staff. For indicative purposes, salaries and related entitlement costs for a professional staff at the L-2 level average some US\$122,500 and at the L-4 about US\$184,300 based on

the current standard salary costs used for budgeting. Actual costs, of course, would depend on the status of the candidate selected. These estimates do not include cost of training.

Other options for Financing Project Personnel

8. Donor Governments (on rare occasions, intergovernmental organisations) may also provide **associate experts or junior professional officers (JPOs)** at the L-2/L-3 levels to technical cooperation projects. The provision of junior professional officers is subject to an agreement between the Organization and the donor Government. These agreements between the donor and the UN are relatively standard and are arranged and managed by the Department of Economic and Social Affairs at UN Headquarters in New York. Apart from salaries and related costs, funding should provide for possible training and some travel costs required for the work of the junior professional. The contracts for junior professionals are generally for 1 or 2 years, renewable for a third year. JPOs and associate experts provided by Governments to serve as project personnel under bilateral agreements between the United Nations and Governments are governed by the terms of such agreements and the terms of their letters of appointment.

9. Governments or sources external to the United Nations common system could also provide technical project personnel on a **non-reimbursable loan basis**. A non-reimbursable loan is defined as a loan of the services of an individual without any cost to the United Nations for his or her salary or remuneration, allowances, medical, dental and life insurance or other benefits. The contractual relationship of such persons to the UN is established by a special service agreement. Provision of non-reimbursable loan of personnel are subject to specific regulations, rules and procedures and include an agreement by the donor to pay 14% of the value of the services to the credit of the United Nations' overhead account (1% to cover cost of coverage in case of injury etc. attributable to the performance of services on behalf of the UN and 13% for the normal programme support cost rate).

Procurement

10. 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. The following general principles shall be given due consideration in procurement: (a) best value for money; (b) fairness, integrity and transparency; (c) effective international competition; and (d) the interest of the United Nations. Tenders for equipment, supplies and other requirements shall be invited by advertisement, except where the Secretary-General deems that, in the interest of the Organization, a departure from this regulation is desirable.

11. The actual procedure for purchasing goods and services depends on the value of the contract to be awarded. Briefly:

Informal Procedure

- A Request for Quotation (RFQ) shall be used for the procurement of simple, uncomplicated goods of standard and firm specifications (very clearly defined and continuously used deliverables) of total estimated value not exceeding USD 30,000, the purchasing department, with the assistance of the requesting secretariat office, sends requests for quotation to a minimum of 5 potential suppliers. The replies of the potential suppliers are then evaluated based on price.

Formal Procedure

- An Invitation to Bid (ITB) shall be used for the procurement of goods and services of standard and firm specifications (very clearly defined or continuously used deliverables) of the total estimated value in excess of USD 30,000. In these cases, the Contract shall be awarded under the appropriate UN Financial Rule to the “qualified bidder whose bid substantially conforms to the requirements set forth in the solicitation documents and is evaluated to be the lowest cost to the UN”. In other words, “lowest cost technically acceptable, and in the best interests of the UN”.

12. For example, the work or services related to the organization of a meeting or seminar/workshop could be procured through an institutional contract with the selected contractor being responsible for all logistical arrangements. The procurement would be in accordance with the UN regulations and rules and the procedure would depend on the value of the contract.

Auditing

13. All technical co-operation trust funds are subject to audit by the Internal Audit Division of the Office of Internal Oversight Services and the United Nations Board of External Auditors. No other additional or special audit arrangements shall be made with donors. If special reviews are required, governing bodies should request the appointed External Auditor to carry out specific examinations and to issue separate reports to them on the results.
