



# General Assembly

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Agenda item 140  
**Joint Inspection Unit**

## **Policies and procedures for the administration of trust funds in the United Nations system organizations**

### **Note by the Secretary-General**

The Secretary-General has the honour to transmit to the members of the General Assembly his comments and those of the United Nations System Chief Executives Board for Coordination on the report of the Joint Inspection Unit, entitled “Policies and procedures for the administration of trust funds in the United Nations system organizations” (JIU/REP/2010/7).

*Summary*

The report of the Joint Inspection Unit, entitled “Policies and procedures for the administration of trust funds in the United Nations system organizations”, focuses on the administrative and managerial aspects of trust funds, including the policies, rules and regulations organizations use to manage these types of accounts.

The present note presents the views of United Nations system organizations on the recommendations provided in the aforementioned report. The views of the system have been consolidated on the basis of inputs provided by member organizations of the United Nations System Chief Executives Board for Coordination, which welcomed the review by the Joint Inspection Unit on the policies and procedures for the administration of trust funds in the United Nations system organizations, and generally support the implementation of its recommendations.

## I. Introduction

1. The report of the Joint Inspection Unit, entitled “Policies and procedures for the administration of trust funds in the United Nations system organizations”, focuses on the administrative and managerial aspects of trust funds, including the policies, rules and regulations organizations use to manage these types of accounts.

## II. General comments

2. Agencies welcome the review by the Joint Inspection Unit on the policies and procedures for the administration of trust funds in the United Nations system organizations. They generally support the implementation of the recommendations issued in the report and many note that the recommendations will enhance the effectiveness and efficiency of trust fund management and administration.

3. Agencies highlighted several aspects of the report in their responses. For example, as discussed under recommendations 1 and 2, they agreed that pooling the resources that are provided for individual trust funds into larger funds with more general and thematic purposes would reduce fragmentation.

## III. Specific comments on recommendations

***Recommendation 1: The legislative bodies of the United Nations system organizations should strengthen the integrated management of the regular budget and extrabudgetary resources in order to ensure that the extrabudgetary resources, including the trust funds, are in line with the strategic and programmatic priorities of the organizations.***

4. Agencies support recommendation 1, with several indicating that regular budget and extrabudgetary activities are already driven by the strategic and programmatic priorities of their organizations. Some agencies also comment that this recommendation is in line with their existing results-based management plans, which comply with benchmark 5 (resources [should be] well aligned with long-term objectives”) in part I of the Joint Inspection Unit report entitled “Overview of the series of reports on managing for results in the United Nations system” (JIU/REP/2004/5).

***Recommendation 2: The legislative bodies of the United Nations system organizations should invite all donors to respond favourably to the efforts made by the organizations to increase the portion and volume of thematic trust funds and other types of pooled funds, in order to facilitate more efficient trust fund management.***

5. While agencies agree with the call for increased support of thematic and other types of pooled funds, as proposed in recommendation 2, they note that it remains unclear how governing bodies could put the proposal into practice based on such a broad recommendation. Nevertheless, agencies strongly noted that regular (unearmarked) contributions continue to be their preferred modality, with extrabudgetary resources as a supplementary form of contribution and, where they are earmarked, they should be thematic. In addition, agencies suggest that wider acceptance by donors of thematic trust funds would enhance programme efficiency.

**Recommendation 3: The executive heads of the United Nations system organizations should ensure that risks related to trust funds are assessed and measures are taken to manage them.**

6. Agencies support recommendation 3 and accept that risks related to trust funds will be identified and managed, especially as part of existing risk management processes. They note that donors, in particular from industrialized countries, increasingly require inclusion of provisions to address risk areas, such as misuse and fraud.

**Recommendation 4: The executive heads of the United Nations system organizations should review, consolidate and update existing legal instruments relating to the administration and management of trust funds in their organizations, and ensure that they are available to and accessible by all staff concerned in a user-friendly format.**

7. Agencies accept recommendation 4 and support the need to review, consolidate and update existing legal instruments relating to the administration and management of trust funds in their organizations and to make them available, as appropriate. Several agencies indicate that this process is already under way in their institutions. Furthermore, some agencies note that no common template exists and that each donor brings its own instruments, which must be reviewed for their legal and financial implications for the organization. Therefore, a common template, which can be used for all contribution agreements, would facilitate the processing of agreements and reduce administrative burdens.

**Recommendation 5: The Secretary-General, in his capacity as Chairman of the United Nations System Chief Executives Board for Coordination (CEB), should develop a common position regarding the conditions and modalities for accepting and receiving resources for trust funds from regional financial institutions and development banks. Once such a common position has been developed, the rules, regulations and policies of the organizations should be updated and submitted to the respective legislative bodies for approval.**

8. Agencies accept and support the development of a common system-wide position regarding the conditions and modalities for accepting and receiving resources for trust funds, as suggested in recommendation 5.

**Recommendation 6: The Secretary-General, in his capacity as Chairman of CEB, should revitalize the inter-agency work with a view to coming to an agreement among the United Nations system organizations on the harmonization of cost recovery policies and principles for trust funds, as well as activities financed by other extrabudgetary resources. Such cost recovery policy should include an unambiguous rule on the programme support cost rate and the categories of costs to be charged directly to the programmes.**

9. Agencies generally support inter-agency harmonization of cost recovery policies and principles for trust funds, as called for in recommendation 6, and are prepared to work within the framework of the working groups of CEB to reach a position that all agencies accept. They note that such harmonization could lead to improved communication with donors. However, they also suggest that inter-agency agreements will need to reflect business model differences between funds and programmes and specialized agencies.

**Recommendation 7:** The legislative bodies of the United Nations system organizations should review the harmonized cost recovery policies and principles for trust funds and activities financed by other extrabudgetary resources, once they have been agreed within CEB, with a view to updating the cost recovery policies of their organizations accordingly.

10. Agencies support recommendation 7, which they note is directed at legislative bodies.

**Recommendation 8:** The executive heads of the United Nations system organizations should ensure that their current and future enterprise resource planning systems can provide the required financial data for managing, monitoring and reporting on trust funds and trust-fund-financed activities.

11. Agencies support recommendation 8 and several agencies indicate that existing enterprise resource planning systems already include functionality for managing trust funds and trust-fund-related activities, or that new systems will include this functionality.

**Recommendation 9:** The executive heads of the United Nations system organizations should review and update the provisions for delegation of authority with regard to trust fund management with a view to adjusting to the changing and increasing role of the regional and country offices.

12. Agencies of the United Nations system support recommendation 9, with several agencies indicating that reviews of the nature called for in the recommendation are either in progress, planned or already completed. In particular, agencies suggest that an appropriate delegation of authority could facilitate the processing of agreements.

**Recommendation 10:** The executive heads of the United Nations system organizations should ensure that training programmes for field staff include adequate training on trust fund administration and management.

13. United Nations system agencies support recommendation 10 and agree that training programmes for field staff should include trust fund administration and management. Moreover, they indicate that such training should also include headquarters staff members who are directly involved in the administration of trust fund contributions.

**Recommendation 11:** When preparing their internal audit plan, the heads of internal audit in the United Nations system organizations should ensure that appropriate attention is given to the risks directly related to the operation and management of trust funds, including, but not limited to, large trust funds.

14. Agencies support recommendation 11 and several note that internal audit plans already encompass trust funds.

**Recommendation 12:** The Executive Board of the United Nations Development Programme (UNDP) should put on its agenda the experiences and lessons learned from the operations of the UNDP/Multi-donor Trust Fund Office with a view to presenting it to the Economic and Social Council for consideration within the framework of the triennial/quadrennial comprehensive policy review.

15. While agencies support the main point of recommendation 12, which calls for a review of the experiences and lessons learned from the operations of the UNDP/Multi-donor Trust Fund Office, they suggest that the Executive Board of UNDP may not be the most appropriate forum for a “dedicated agenda item” of this nature. Agencies suggest that, given the inter-agency perspective related to multi-donor trust funds and the need to include all stakeholders in the discussion, other forums may prove to be more appropriate for such a discussion. They suggest that the Development Operations Coordination Office, as secretariat to the United Nations Development Group and convener of donor-United Nations Development Group meetings in accordance with the management and accountability matrix, could organize this discussion and therefore include all stakeholders. Agencies agree that the Economic and Social Council is the existing forum with wide participation of stakeholders, but note that the recommendation is limited to the UNDP Executive Board, which does not have wide participation of all stakeholders.

***Recommendation 13: The Secretary-General, in his capacity as Chairman of CEB, should request the United Nations Development Group to review the current framework for auditing multi-donor trust funds in close collaboration with the heads of internal audit of the organizations participating in multi-donor trust funds, with a view to incorporating risk-based planning concepts, enhancing multi-donor trust fund audit coverage and achieving more integrated audits.***

16. Agencies generally support the strengthening of the current framework for auditing multi-donor trust funds, as called for in recommendation 13.

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