



**Statement by Mrs. Ruchi Ghanashyam, Minister, on Agenda Item 11:
Financial, budgetary and administrative matters in the First Regular
Session 2005 of the Executive Board of UNDP/UNFPA
(New York – January 20-28, 2005) on 25 January 2005**

Madam President,

We thank the Executive Director for the reports provided for this item which contain some interesting ideas and proposals. We would also like to convey our appreciation for the series of informals organized by UNFPA for interested members of the Board, as also the clear presentation of this morning by Ms. Henkins.

Most of the revisions proposed by the Executive Director result from the introduction of Atlas in January 2004 and reflect the introduction of the MYFF in 1999, as well as the United Nations simplification and harmonization initiatives. The UN Office of Legal Affairs (UNOLA) approved the proposed revisions, which were also reviewed by the Advisory Committee on Administrative and Budgetary Question (ACABQ).

We have taken note that UNFPA is expanding the definition of “fully funded” contributions in the regulations which will allow it to programme expenditures up to the 100% level in well defined cases in which the expectation is to receive 90% cash prior to project completion. We note that internal guidelines would be issued to minimize risk, and would like to emphasize the importance of detailed and comprehensive guidelines prior to the implementation of the revised guidelines. UNFPA would undoubtedly also institute a system of regular monitoring of the expenditures in all such cases.

Madam President,

On the cost recovery issue, we understand that one of the basis for the review includes the recommendation of the ACABQ for a review of the UNFPA cost-recovery methodologies to ensure that no “subsidization” takes place between core and co-financing funds. This recommendation of the ACABQ is particularly relevant to us.

The Executive Director is proposing a unified rate of 7% to be charged on all co-financed activities. The ACABQ report indicates that the Executive Director is of the opinion that the goal of no cross-subsidization of co-financing can be attained through the application of a single rate.

Madam President,

We take note that the ACABQ has reviewed UNFPA's proposal under consideration and agrees that the rate of 7%, proposed to be the one rate to be used to recover indirect costs for co-financed activities, is reasonable. The Committee has agreed that the Executive Director should be allowed to keep the indirect cost-recovery rate under review and make proposals for amendments to avoid cross-subsidization, if necessary. We would like to highlight the recommendation made by the ACABQ on the need to avoid cross-subsidization and agree with the need for keeping this matter under periodic review.

Thank you, Madam President.

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