



**Statement by Mrs. Ruchi Ghanashyam, Minister, on
Agenda Item 2: Financial, budgetary and administrative matters: Revision of
UNDP Financial Regulations in the First Regular Session 2005 of the Executive
Board of UNDP/UNFPA (New York – January 20-28, 2005)
28 January 2005**

Madam President,

We thank the Administrator for the documentation prepared for this item. The document contains some bold proposals. We also appreciate the informal session which helped clarify the changes proposed to be introduced under the revised UNDP financial regulations.

We have taken note that the purpose of this comprehensive revision is to realign them with the new operational processes resulting from the implementation of the UNDG simplification and harmonization initiatives. In this regard, we would like to recall the comprehensive guidance provided by the resolution on Triennial Comprehensive Policy Review of Operational Activities for Development of the UN System, adopted last month by the UN General Assembly.

Madam President,

One of the proposals made by the document on revision of UNDP financial regulations is the proposal to amend regulation 5.07(b) which would allow in certain instances for commitments to be made against contributions to be paid in future installments. We have noted that such a revision has been necessitated due to the practice followed by many donors to pay contributions to 'other resources' in installments, rather than fully in advance when project and programme activities span several years, and further that some donors have instituted a withholding of final payments until satisfactory completion of the project. We recognize that UNDP proposes to lay down detailed internal guidelines to manage the risks involved in the revision in regulation 5.07(b). This, in our view, should include a system of approvals and monitoring if not already done so. We note the desire of donors to ensure that funds are utilized optimally. Nevertheless, it is also necessary to ensure that the process of verification does not militate against the need to provide timely and adequate resources and assistance.

The other major proposal is the amendment of regulation 20.02 to allow the Administrator to grant exceptions in emergency situations or due to temporary insufficient staffing.

We note the need for such exceptions but would request that such powers be limited by some safeguards, keeping in mind that the Assistant Administrator himself stated this morning that this relaxation affects a key internal control principle.

First, these powers should be used rarely and the Administrator may like to lay down criteria which will have to be satisfied before such powers are invoked; second, no relaxation should be permitted in concurrent or post-expenditure audit functions; and third, any such exception should be limited in time and scope, and should invariably be accompanied by a sun-set clause, which would require fresh examination before an extension is granted.

Finally, we would request the Assistant Administrator to brief us on similar practices within the UN, its specialized agencies, the World Bank and other organizations.

Madam President,

We are in agreement with the Advisory Committee on Administrative and Budgetary Questions where it emphasizes the need for UNDP financial regulations to promote transparency and accountability. We have noted that the Committee has been assured that the proposed changes to the regulations would improve clarity. We would like the Assistant Administrator to reassure the Board that the proposed changes would also promote transparency and accountability.

Thank you, Madam President.

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