



GENERAL CONFERENCE

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TRUST FUND PROJECTS FINANCED BY RECIPIENT OR THIRD PARTIES

Guidelines for the development, appraisal, approval and implementation of special trust fund projects

Submitted by the Director-General

Summary

In compliance with paragraph (e) of Industrial Development Board decision IDB.8/Dec.32, presents a revised version of the guidelines contained in document GC.4/16-IDB.8/38, annex II, and submits them for approval to the General Conference.

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industrial enterprises (public, private and cooperative) and in cases where such needs are not easily met by traditional assistance programmes. The schemes therefore represent an additional resource base for financing the UNIDO programme of work on industrial development, and provide a supplementary mechanism for mobilizing financial resources for industrial investment in the developing countries in accordance with their evolving needs.

2. The guidelines contained in the present document (chap. I below) deal with policy issues for consideration by the General Conference at its fourth session and not with procedural or organizational aspects of special trust fund activities.

3. Increasing the flow of technical, managerial and financial resources for industrial development to the developing countries is constrained for lack of new and effective supplementary mechanisms. In more specific terms, the main problems are: (a) the inadequacy of traditional multilateral grant aid schemes for enterprise-sector development and the need for flexible, direct and speedy mechanisms to provide useful services to industrial enterprises and institutions; and (b) the need for broader industrial cooperation schemes that link technical cooperation to financial cooperation and that facilitate the flow of technical, managerial and financial resources to the enterprise sector (public, private and cooperative) in the developing countries.

Introduction

1. Trust funds are operated by many organizations of the United Nations system. The UNIDO special trust fund schemes are designed to provide financing mechanisms that enable the Organization to respond promptly and efficiently to the needs of developing countries, particularly those of

4. The above concerns are reflected in United Nations General Assembly resolution 45/196 on industrial development cooperation and the diversification and modernization of productive activities in developing countries. A report by the Director-General (IDB.8/32) was prepared in response to that resolution and was presented to the Industrial Development Board at its eighth session. It may be recalled that the General Assembly resolution, in paragraph 6, "stresses the role of the United Nations Industrial Development Organization in assisting developing countries in the formulation of programmes and plans for industrialization in their countries, and recognizes the contribution of the special trust fund schemes launched by the United Nations Industrial Development Organization in developing alternatives to traditional assistance programmes".

5. As only 6 per cent of the total of the UNIDO regular budget (assessed contributions) may be used to finance the UNIDO programme of work in the field of industrial development (Annex II of the Constitution, section B), provision is made in the Constitution for acceptance of voluntary contributions from "governments, intergovernmental or non-governmental organizations or other non-governmental sources, provided that the conditions attached to such voluntary contributions are consistent with the objectives and policies of the Organization" (Article 16) and the establishment and operation of the Industrial Development Fund (IDF) (Article 17). These two Articles of the Constitution provide the basis for the flow of programmable resources through IDF and non-programmable and ad hoc contributions through the establishment of trust funds, and reserve and special accounts. Such provision is reflected in Article VI of the Financial Regulations and Rules of UNIDO dealing with voluntary contributions and other income. In particular, financial regulations 6.1, 6.3, 6.4, 6.5 and 6.6(b) govern the establishment of trust funds, and reserve and special accounts and are supplemented by financial rules 106.19 and 106.20.

I. GUIDELINES

A. Policy framework

6. Activities carried out in special trust fund projects shall fully conform to the objectives and functions of the Organization as defined in Articles 1 and 2 respectively of the Constitution.

7. Special trust fund activities shall be guided by decisions, resolutions and recommendations of the UNIDO policy-making organs.

8. Special trust fund activities shall conform fully to the priority aims of the UNIDO medium-term plan.

9. Special trust fund activities shall be guided by United Nations General Assembly resolutions that have been endorsed by the UNIDO General Conference.

B. Development objectives

10. Special trust fund activities shall have the same development objectives as those elaborated in the UNIDO medium-term plan. Those activities shall also serve as a means for mobilizing

additional resources required by the Organization for achievement of its medium-term programme of work for industrial development.

11. More specifically, special trust fund activities shall have the following objectives:

(a) To mobilize financial resources that will supplement those normally available under traditional grant aid schemes for the UNIDO programme of work on industrial development, as well as to facilitate direct industrial investment in developing countries through appropriate technical cooperation activities, particularly pre-investment studies, project planning and specific services for project management;

(b) To provide direct support and services to manufacturing plants in developing countries for purposes such as improved performance, technology selection and acquisition, procurement, training, diversification, rehabilitation and expansion;

(c) To serve development finance institutions by designing and implementing industrial projects where the experience and capabilities of UNIDO can be applied;

(d) To provide management services to Governments, donor agencies, non-governmental organizations and enterprises for the design and implementation of programmes and projects responsive to developing country industry needs, particularly on selected priority objectives, including objectives set in the UNIDO medium-term plan;

(e) To promote economic and technical cooperation among developing countries (ECDC/TCDC) by designing and implementing programmes and projects that will ensure maximum utilization of technologies, expertise and equipment from developing countries.

C. Acceptance of trust fund contributions

12. All contributions for special trust fund projects shall conform to the requirements of Article 16 of the Constitution, and shall be received and administered in accordance with the provisions of the Financial Regulations and Rules of UNIDO. (In a self-financed trust fund project the funds come from the beneficiary of the UNIDO assistance, while in a third-party trust fund project the funds come from a third party.)

D. Project selection criteria

13. UNIDO may serve the needs of any organization in a developing country that requests its assistance related to industrial development and that is willing to bear the costs through a self-financed trust fund project, provided that the Government of that country has endorsed the trust fund project.

14. The beneficiary of a trust fund contribution from a third-party donor (governmental or non-governmental) shall be selected by UNIDO with the consent of the donor and the Government of the beneficiary's country.

15. In addition to the above-mentioned conditions, all special trust fund projects shall conform to the following selection criteria:

(a) Conformity to the policy framework and development objectives described in sections A and B above;

(b) In common with other programmes and projects of UNIDO, special trust fund activities shall not be designed to promote industries related to production of armaments, weapons and drugs for illicit use;

(c) Conformity to purposes defined by the donor and recipient parties and endorsed by the recipient Government through the Resident Representative of the United Nations Development Programme (UNDP) acting as UNIDO representative;

(d) Adequacy of the trust fund project budget for provision of the necessary project inputs as estimated by UNIDO;

(e) Compliance with UNIDO financial rule 106.3 to ensure that the project does not become a financial liability to the Organization.

E. Project appraisal criteria

16. In common with all other programmes and projects of UNIDO, existing UNIDO policies and guidelines for project appraisal shall also apply to special trust fund projects.

F. Project approval policy

17. Special trust fund projects that fully conform to the selection and appraisal criteria

mentioned above, including endorsement by the recipient Government, and that comply with the legal, financial and other instruments governing the Organization's activities, may be approved by the Director-General. Formal approval of the project by the donor and recipient shall be obtained.

G. Project implementation

18. In common with all other programmes and projects of UNIDO, trust fund projects shall be administered by UNIDO in accordance with its applicable regulations, rules and directives. Accordingly, personnel shall be engaged and administered; equipment, supplies and services purchased; and contracts entered into in accordance with the provisions of such regulations, rules and directives.

H. Project evaluation

19. In common with all other programmes and projects of UNIDO, existing UNIDO policies and guidelines for project evaluation shall also apply to special trust fund projects.

II. ACTION REQUIRED OF THE GENERAL CONFERENCE

20. The General Conference may wish to approve the guidelines for special trust fund projects as contained in the present document.

	<u>US dollars</u>
Policy-making Organs	2 543 000
General Management	6 113 300
Programme and Project Development	33 047 200
Industrial Promotion, Consultations and Technology	17 267 800
Industrial Operations	35 431 500
Common Programmes	15 786 200
External Relations, Public Information, Language and Documentation Services	23 544 800
Administration	47 279 600
TOTAL GROSS APPROPRIATIONS	<u>181 013 400</u> ^{a/}

the amounts in the appropriations to be adjusted in accordance with the adjustment formula presented at the end of the present decision, to take into account the exchange rate variations during the biennium;

3. Decides that the foregoing appropriations should be financed from:

(a) Payments of contributions by Member States, under the provision of financial regulation 5.5(e), amounting to \$179,262,800 at an exchange rate of US\$ 1 = AS 12.90 (\$19,718,900 plus the equivalent in US dollars of AS 2,058,116,310), in accordance with decision GC.4/Dec.14 concerning the scale of assessments; and

(b) Estimated miscellaneous income amounting to \$1,750,600 at an exchange rate of US\$ 1 = AS 12.90 (representing \$1,325,300 plus the equivalent in US dollars of AS 5,486,370);

4. Decides that, from the total amount of the 1992-1993 appropriations, an amount representing 15 per cent of those appropriations should be kept in reserve by the Director-General pending receipt from Member States of their assessed contributions;

5. Further decides that the appropriation approved for the biennium 1992-1993 be assessed in the proportions of 11 per cent in United States dollars of the appropriation expressed at US\$ 1 = AS 12.90 and the balance in Austrian schillings (at which US\$ 1 = AS 12.90 the United States dollar equivalent of the Austrian schilling proportion represents 89 per cent of the total assessment);

6. Approves estimates of expenditure totalling \$49,234,900 (calculated at the exchange rate of US\$ 1 = AS 12.90) for the purpose of the operational budget for the biennium 1992-1993 to be financed from voluntary contributions and such other income as might be provided for in the financial regulations;

7. Requests the Director-General to inform the Industrial Development Board at its ninth session, as an annex to the report on the

^{a/} Assumes ratio of expenditures of 11 per cent in United States dollars and 89 per cent in Austrian schillings at an exchange rate of US\$ 1 = AS 12.90, in accordance with financial regulation 5.1(d). This ratio will also be applied to the appropriation for technical cooperation.

financial situation of UNIDO, on the actual status of vacancies of Professional posts in each programme, as well as to report on contingency measures which could be necessary in case of income shortfalls such as reduction of programme implementation or staff reductions;

8. Decides to suspend for 1992-1993 the second sentence of financial regulation 5.1(d) and requests the Director-General in consultation with the External Auditor to review the appropriateness of that sentence and to report thereon through the Programme and Budget Committee and the Industrial Development Board to the General Conference at its fifth session.

Adjustment formula in US dollars

	<u>US\$</u>	<u>AS</u>
Policy-making Organs	423,400 + (27,342,840 /R)
General Management	719,400 + (69,581,310 /R)
Programme and Project Development	3,926,800 + (375,653,160 /R)
Industrial Promo- tion, Consultations and Technology	2,463,800 + (190,971,600 /R)
Industrial Operations	3,819,000 + (407,801,250 /R)
Common Programmes	2,544,500 + (170,817,930 /R)
External Relations, Public Information, Language and Docu- mentation Services	2,384,300 + (271,488,240 /R)
Administration	3,437,700 + (544,459,980 /R)
TOTAL NET APPROPRIATIONS	<u>19,718,900 + (</u>	<u>2,058,116,310 /R)</u>

Note: R is the average United Nations exchange rate for Austrian schilling to US dollar, which will be experienced during 1992-1993."

11th plenary meeting
22 November 1991

**GC.4/Res.28 GUIDELINES FOR SPECIAL TRUST
FUND PROJECTS**

The General Conference,

Recalling Industrial Development Board
decisions IDB.6/Dec.10 and IDB.8/Dec.32,

Taking note with appreciation of the
revised version of guidelines for special trust
fund projects (GC.4/36),

Taking note of the report of the
Director-General on programmes and
activities financed by special trust funds
(GC.4/16),

Recognizing the growing importance of the
UNIDO trust fund schemes as a supplementary
mechanism to traditional assistance programmes,

Further recognizing the need for UNIDO to
utilize the special trust fund schemes for

providing useful services, in accordance with the mandate of UNIDO,

Recalling the decision of the Director-General, as announced in document IDB.8/33, to issue a revised bulletin, which will include a complete and updated, comprehensive and transparent regulatory framework for the implementation of Articles 16 and 17 of the Constitution,

1. Approves the guidelines for the development, appraisal, approval, implementation and evaluation of special trust fund projects, contained in document GC.4/36 and stresses further that no special trust fund projects be accepted if a party does not want to abide by these criteria and procedures;

2. Requests the Director-General to prepare additions to the above-mentioned guidelines in order to fully reflect:

(a) That the developmental aspects be the leading principles for accepting special trust fund projects, *inter alia* to assist developing countries in training, management, recovery and rehabilitation requirements for industrial enterprises;

(b) That definitions for the appraisal criteria will be amended in line with decision GC.4/Dec.11, paragraph (d), on technical cooperation activities;

3. Underlines the need that the approving authority will receive a coordinated advice to ensure the speedy and efficient implementation of the guidelines;

4. Further requests that these guidelines, mentioned in paragraphs 1 and 2 above, be subject to examination and possible adjustments, based on the conclusions and recommendations which will be presented in the in-depth evaluation on special trust fund projects requested in Board decisions IDB.5/Dec.12 and IDB.6/Dec.14;

5. Requests the Director-General to accept voluntary contributions, gifts and donations for special trust fund projects in accordance with paragraph 12 of document GC.4/36;

6. Finally requests the Director-General to present a proposal to the Industrial Development Board at its tenth session, through the Programme and Budget Committee, on the application of financial rule 106.21, taking into account the cost measurement study presently undertaken by the United Nations Development Programme;

7. Decides to amend paragraph 17 of document GC.4/36 and states that special trust fund projects require the approval of the Director-General;

8. Invites the Director-General to report on the implementation of the present resolution, the appraisal activities, the in-depth evaluation, and on the steps taken to revise the regulatory framework for the implementation of Articles 16 and 17 of the Constitution, and to submit the requested draft additions to the Industrial Development Board at its tenth session.

11th plenary meeting
22 November 1991

GC.4/Res.29 PERSONNEL MATTERS

The General Conference,

Considering the important contribution a motivated UNIDO staff can make to the work of the Organization,

1. Endorses Industrial Development Board decision IDB.7/Dec.21, particularly paragraph (c);

2. Requests the Director-General, within existing resources:

(a) To continue to pursue an effective career development structure for staff members, including any necessary training, in line with staff regulations 4.3 and 4.4;

(b) To continue a review of staffing within the Secretariat to ensure that all staff members are employed in areas where their experience would be of the greatest benefit to the Organization;

(c) To continue to review the existing performance appraisal system with a view to introducing changes in the light of the experience gained;

(d) To ensure greater job motivation for staff through appropriate measures in accordance with article 4 of the staff regulations;

3. Invites the Chairperson of the Staff Council through the Director-General to provide for consideration to Member States if necessary the views of the staff on these matters during the regular sessions of the Industrial Development Board.

11th plenary meeting
22 November 1991

GC.4/Res.30 PLACE OF THE FIFTH SESSION OF THE GENERAL CONFERENCE

The General Conference,

Recalling rule 4 of its rules of procedure relating to the venue of regular sessions of the Conference,

Recognizing that the primary objective of UNIDO is to contribute to industrialization of developing countries,

Noting that the General Conference of UNIDO has never been held in Africa,

1. Decides to take note with appreciation of the kind offer of the Republic of Cameroon to UNIDO to host the fifth session of the General Conference in Yaoundé in 1993;

2. Requests the Director-General:

(a) To undertake the necessary consultations with the Government of the Republic of Cameroon for detailed arrangements for holding the fifth session of the General Conference in Yaoundé;

(b) To submit a report on the result of those consultations to the Industrial Development Board at its tenth session for decision.

11th plenary meeting
22 November 1991