ADMINISTRATIVE INSTRUCTION

TO: All heads of offices and departments
   All executive and administrative officers

FROM: The Assistant Secretary-General for Financial Services

Subject: PROGRAMME SUPPORT ACCOUNTS

1. The purpose of this administrative instruction is to set out in the annex hereeto the procedures to be followed by the implementing office and the Office of Financial Services in approving, administering and controlling programme support accounts financed from extrabudgetary funds in accordance with the policies contained in the Secretary-General's bulletin ST/SGB/188 on the establishment and management of trust funds.

2. This instruction is effective as from 1 January 1982.
Annex

PROCEDURES FOR THE APPROVAL AND MANAGEMENT OF PROGRAMME SUPPORT ACCOUNTS

I. General

A. This instruction covers the management of programme support moneys received in respect of trust funds and of operational funds provided to the United Nations by the United Nations Development Programme (UNDP), the United Nations Fund for Population Activities (UNFPA) and the specialized agencies.

B. Within the guidelines established in this instruction, the authority to approve and allot programme support budgets in respect of technical co-operation projects implemented by offices away from Headquarters will be delegated to the heads of those offices.

II. Reimbursement in respect of programme support services

A. All trust funds (general and technical co-operation) are charged for programme support a/ services on the part of the Organization. The rate charged is that which has been approved by the General Assembly and communicated by the Assistant Secretary-General for Financial Services. To the extent that trust fund activities do not warrant a levy of full support costs, the Assistant Secretary-General for Financial Services may make exceptions to this provision.

B. Charges to trust funds for this purpose, together with programme support received from other United Nations subsidiary organs, such as UNDP, UNFPA and the specialized agencies, are credited to a special account for programme support costs. This account may have subaccounts so that the various components of the account can be kept separate for ease of administration.

C. Extrabudgetary funds are charged against each fund for programme support as a percentage of annual final expenditures (disbursements plus unliquidated obligations), with adjustment to reflect any savings on the liquidation of prior years' obligations.

D. Extrabudgetary funds are normally debited monthly for programme support based on actual monthly expenditure or on an estimate of the annual final expenditures. At year-end, extrabudgetary funds are charged (or credited) as required to bring the payments into conformity with the final programme support charge as determined in section II C above.

a/ Formerly referred to as overhead.
E. An operating reserve maintained at the level of 20 per cent of the estimated annual programme support income will be held in a separate account at all times to protect against unforeseen shortfalls in delivery, inflation and currency adjustments or to liquidate legal obligations in the cases of abrupt terminations of activities financed from extrabudgetary resources. Should it be found necessary to use a part of the operating reserve during the year, the reserve is to be restored to its established level as soon as possible and not later than the beginning of the following year.

III. Preparation of annual budgets

A. Each implementing office prepares an annual budget proposal for the use of programme support income. For this purpose, programme support income is an estimate of the income to be earned for the year for which the budget will apply, taking into account the reserve established in section II E above.

B. Programme support resources should be used in areas where a demonstrable relationship exists between the supporting activity concerned and the activities which generated the programme support revenue. In this respect, offices utilizing programme support resources should ensure an equitable distribution among project management, programme management and the central administrative functions (i.e., finance, personnel and general services). Programme support resources may be used for substantive backstopping of projects in technical co-operation programmes. The range of object codes for which programme support funds may be used includes:

1. Posts – Professional and General Service;
2. Consultants;
3. Temporary assistance, overtime;
4. Travel;
5. Rental of space;
6. Office supplies and materials;
7. Office equipment;
8. Miscellaneous expenses.

C. Programme support funds may not be utilized for purposes other than those specified in subsection B, above, or for categories of expenditure inconsistent with those purposes, e.g., purchase of non-expendable equipment (other than office equipment) or rental or purchase of computer equipment. Exceptions to this policy require the prior approval of the Budget Division.
D. Programme support funds should not be used for expenditures which should more properly be charged directly to trust fund or other project activities (e.g., communications and project travel).

E. Any staffing-table change from the previous year's table must meet the following criteria:

1. It is justified by a change in workload.

2. The proposed post is in support of the work programme of the unit concerned with the activities financed from extrabudgetary funds and is more appropriately charged to extrabudgetary resources than to regular budget resources.

3. The redeployment of existing extrabudgetary staff resources to meet the functional need has been explored and has not been found possible.

4. The effect of the new post on the grading structure of the organizational unit has been taken into consideration.

5. Resources are available from extrabudgetary programme support accounts.

F. All proposals for new or reclassified posts at the L-6 or D-1 level and above require the approval of the Assistant Secretary-General for Financial Services and pursuant to the recommendation of the Advisory Committee on Administrative and Budgetary Questions (ACABQ), by as approved by the General Assembly, are submitted by the Assistant Secretary-General for Financial Services to ACABQ for concurrence.

IV. Approval of programme support budgets

A. Support to general trust funds

1. For all offices, the budget proposal is prepared along the same lines as the regular budget presentation and in accordance with any special instructions issued by the Budget Division and is forwarded, together with the latest estimates of programme delivery, to the Budget Division.

2. The time-table for the preparation of the programme support budget in years when the regular budget is prepared is the same as for the regular budget. In the intervening years, the budget for the following year is due in the Budget Division no later than 1 October.

3. The Budget Division reviews the proposed programme support budget in relation to the regular budget proposals for the implementing office and issues an allotment advice covering the approved programme support budget.

B. Support to technical co-operation projects implemented by offices at Headquarters

The procedure described in section IV A applies to these programme support budgets.

C. Support to technical co-operation projects implemented by offices away from Headquarters

1. The budget proposal is prepared along the same lines as the regular budget presentation.

2. The time-table for the preparation of the programme support budget in years when the regular budget is prepared is the same as the regular budget. In the intervening years, the budget for the following year is to be prepared no later than 1 October.

3. Copies of the proposed programme support budget, programme delivery estimates, and staffing tables are transmitted to the Budget Division by 31 October of each year. The Budget Division is responsible for clarifying any details concerning the budget and staffing table.

4. The head of the implementing office must certify that the requirements established in section III, above, are met. On the basis of that certification, he or she approves the programme support budget and staffing table and authorizes the issuance of an allotment for the programme support budget. No programme support expenditures may be incurred without the prior issuance of an allotment advice.

D. The criteria, requirements and procedures described in this instruction for the preparation and approval of annual programme support budgets and staffing tables apply equally to the revision of such budgets and staffing tables during the year.

V. Accounting for special accounts for programme support costs

A. Programme support accounts are maintained on a fund accounting basis.

B. In accordance with financial rule III.8, financial transactions for programme support accounts are recorded in the accounts on an accrual basis.

C. Programme support transactions should be recorded at the same level of detail as regular budget transactions, following the programme budget accounting structure of the Allotment Accounts Code Handbook.
D. Cash balances of special accounts for programme support costs are maintained in a bank account which is separate from the bank account which contains the General Fund cash balance.

E. Payments of programme support charges may be made from a common fund bank account. The interfund indebtedness thus created between the funds is settled each month in cash based on the net interfund indebtedness shown in the end-month accounts.

F. Offices away from Headquarters report programme support accounts to Headquarters semi-annually in the form of income and expenditure and asset and liability statements, together with a schedule of programme support budget allotments and expenditures. When the allotment has been issued by Headquarters, the corresponding accounting transactions are reported monthly to Headquarters in the same manner as regular budget allotment accounts.

VI. Investment

The Treasury, in respect of Headquarters offices, or the finance units of the implementing offices away from Headquarters invest programme support moneys not required for immediate use. Offices away from Headquarters should consult with the Treasury at Headquarters before making any single investment of more than $100,000 and are required to submit to the Treasury a quarterly report of all investments, showing type, placement, rate and duration. In the interest of sound organization-wide cash management, the Treasury, after consulting with the implementing office, may decide that all or part of the programme support moneys not required for immediate use be remitted to Headquarters.

VII. Reporting

A. Each office away from Headquarters prepares an annual financial report on programme support. The Accounts Division prepares this report for offices at Headquarters. The report is to include the expenditure of programme support funds by organizational unit and object of expenditure.

B. In the interim and biennial financial statements of the Organization, the special accounts for programme support costs are shown separately from the extrabudgetary funds from which their income derives.

C. The only accounting to donors in respect of programme support costs will be that provided in the financial statements and schedules for the special accounts for programme support costs shown in the interim and biennial United Nations financial statements.

VIII. Auditing

Programme support accounts are subject to audit by the Internal Audit Division of the United Nations and by the United Nations Board of External Auditors.