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Review of the efficiency of the administrative and financial functioning of the United Nations

Proposed amendments to the Financial Regulations of the United Nations

Report of the Secretary-General

Summary

The General Assembly, in its resolution [72/266 B](#), requested me to submit to it for its consideration and approval any proposed amendments to the Financial Regulations of the United Nations, along with the rationale for the proposed amendments. The present report contains my proposed amendments to the Financial Regulations to support the new management paradigm for improved effectiveness and strengthened accountability. These proposed amendments are submitted to the General Assembly for its consideration alongside the relevant existing financial regulations and accompanied by explanations of the proposed changes. The amendments to the Financial Rules are presented for information, together with an explanation of the changes that I will make after the approval of the Financial Regulations.



I. Introduction

1. The Financial Regulations of the United Nations were established by the General Assembly in its resolution 456 (V). The Assembly subsequently approved amendments to the Regulations in its resolutions 950 (X), 973 B (X), 2885 (XXVI), [33/116](#), sect. IV, [37/234](#), sect. II, and [67/246](#), sect. IV, and decisions 32/451, 38/408 and 57/573.
2. The General Assembly, through its Financial Regulations, issues the broad legislative directives governing the financial management of the United Nations. Within the framework of the Regulations, in accordance with regulation 5.8, the Secretary-General formulates and promulgates the Financial Rules, which provide practical details on the manner in which the Financial Regulations are to be implemented.
3. The amendments to the Financial Regulations, hereby submitted to the General Assembly for its consideration, are presented in annex I alongside the relevant existing financial regulations, with explanations of the proposed amendments. The proposed amendments to the Financial Regulations are accompanied by amendments to the Financial Rules.
4. In order to facilitate the General Assembly's consideration of the proposed amendments to the Financial Regulations, the amendments to the Financial Rules are presented in annex II alongside the relevant existing financial rules, with an explanation of the changes that will be made by the Secretary-General after approval of the Financial Regulations.

II. Rationale for the amendments to the Financial Regulations and Rules of the United Nations

5. In my report entitled "Shifting the management paradigm in the United Nations: ensuring a better future for all" ([A/72/492](#)), I suggested a transformation of the Organization, based on sound management principles, to make the United Nations more nimble, effective, transparent, accountable, efficient, pragmatic and decentralized to better support its normative and operational activities.
6. Shifting the United Nations management paradigm requires both simplified, common sense policies, procedures and processes and a rationalized delegation of authority framework that achieves a proper segregation of roles and responsibilities and aligns programme/mandate delivery and managerial responsibilities and accountabilities. To this end, I have delegated enhanced managerial authority in the areas of human resources, budget and finance, procurement and property management to heads of Secretariat entities under the new framework for delegation of authority in the administration of the Staff and Financial Regulations and Rules that entered into force on 1 January 2019 ([ST/SGB/2019/2](#)). These delegations will align the authority to manage human, financial and physical resources with the responsibilities of senior managers for programme delivery and mandate implementation.
7. In order to facilitate the implementation of the new delegations of authority, I promulgated amendments to the Financial Rules with effect from 1 January 2019 ([ST/SGB/2013/4/Amend.1](#) and [ST/SGB/2015/4/Amend.1](#)).
8. The use of implementing partners, such as organizations of the United Nations system and governmental, non-governmental, intergovernmental and not-for-profit organizations, to achieve or supplement the mandated objectives of the United Nations and to execute its projects and programmes has become increasingly

important. Acknowledging the need to establish a clear regulatory framework for the management of these types of partnership arrangements, I am proposing additional regulations to clarify the framework and at the same time address the recommendation of the Board of Auditors that the legal framework around the granting of funds to partners should be introduced formally into the Financial Regulations and Rules (see [A/71/5 \(Vol. I\)](#)).

9. I am also proposing to streamline and simplify certain financial regulations. Streamlined and simplified Financial Regulations and Rules will underpin and support my envisaged reform of the Organization's financial management practices and enable the development of simpler and more straightforward administrative processes.

10. In addition to the above changes, I am proposing editorial and language changes to ensure consistency, add clarity and allow for easier understanding of the Financial Regulations and Rules.

11. The proposed changes were presented to the Board of Auditors and the Office of Internal Oversight Services for comments.

III. Implementation of the amended Financial Regulations and Rules

12. Once the amendments to the Financial Regulations are approved by the General Assembly, I will promulgate the amended Financial Rules.

IV. Actions to be taken by the General Assembly

13. The General Assembly is requested to approve the proposed Financial Regulations of the United Nations with effect from 1 April 2019, and to take note of the amended Financial Rules of the United Nations as set out in the present report.

Annex I

Proposed amendments to the Financial Regulations*

<i>Proposed financial regulation</i>	<i>Existing financial regulation</i>	<i>Explanation</i>
<p>Article I. General provisions</p> <p>Responsibility and accountability</p> <p>New regulation 1.2</p> <p>The Secretary-General shall:</p> <p>(a) Establish detailed financial rules and procedures to ensure effective and efficient financial management and the exercise of economy;</p> <p>(b) Designate the officers who may receive money or assets, enter into commitments and make disbursements on behalf of the Organization;</p> <p>(c) Maintain a system of internal controls designed to provide reasonable assurance regarding the reliability of financial reporting and assurance that the Organization's resources and assets are safeguarded in accordance with the regulatory framework, in order to meet the aims and objectives of the Organization.</p>	<p>Article V. Utilization of funds</p> <p>A. Appropriations</p> <p>Administration of appropriations</p> <p>Regulation 5.8</p> <p>The Secretary-General shall:</p> <p>(a) Establish detailed financial rules and procedures in order to ensure effective and efficient financial management and the exercise of economy;</p> <p>(b) Cause all payments to be made on the basis of supporting documents which ensure that the services or goods have been received;</p> <p>(c) Designate the officers who may receive money or assets, enter into commitments and make disbursements on behalf of the Organization;</p> <p>(d) Maintain a system of internal controls designed to provide reasonable assurance regarding the reliability of financial reporting and assurance that the Organization's resources and assets are safeguarded in accordance with the regulatory framework, in order to meet the aims and objectives of the Organization.</p>	<p>As regulation 5.8 relates to the overall responsibility of the Secretary-General for the Organization's financial management, the relevant subparagraphs should be moved to ensure appropriate applicability.</p> <p>It is proposed to move subparagraphs (a), (c) and (d) to create a new regulation 1.2.</p>

* Only financial regulations that are proposed to be amended or added are presented, alongside the relevant existing financial regulations. The full text of the Financial Regulations and Rules of the United Nations is contained in document [ST/SGB/2013/4](#), as amended by document [ST/SGB/2013/4/Amend.1](#). Where a new regulation has been proposed, the subsequent regulations would be renumbered and cross references updated.

Article V. Utilization of funds**B. Commitments and expenses****Authority and responsibility****Regulation 5.8**

The Secretary-General shall:

- (a) Cause all payments to be made on the basis of supporting documents which ensure that the services or goods have been received;
- (b) Cause all contributions to implementing partners to be made for purposes and aims as specified in a formal agreement;
- (c) Cause all grant awards to be made to grantees for purposes and aims as specified in a formal agreement.

Reimbursements to Member States**Regulation 5.10**

Member States that contribute troops and formed police units to United Nations peace operations and other operations where reimbursement has been authorized shall be reimbursed at rates approved by the General Assembly. Member States shall also be reimbursed for contingent-owned equipment at rates approved by the Assembly.

Regulation 5.8

The Secretary-General shall:

- (a) Establish detailed financial rules and procedures in order to ensure effective and efficient financial management and the exercise of economy;
- (b) Cause all payments to be made on the basis of supporting documents which ensure that the services or goods have been received;
- (c) Designate the officers who may receive money or assets, enter into commitments and make disbursements on behalf of the Organization;
- (d) Maintain a system of internal controls designed to provide reasonable assurance regarding the reliability of financial reporting and assurance that the Organization's resources and assets are safeguarded in accordance with the regulatory framework, in order to meet the aims and objectives of the Organization.

B. Commitments and expenses**Peacekeeping reimbursements****Regulation 5.10**

Member States that contribute troops and formed police to peacekeeping operations shall be reimbursed at rates approved by the General Assembly. Member States shall also be reimbursed for contingent-owned equipment at rates approved by the Assembly.

As subparagraph (b) relates to the responsibility of the Secretary-General for all sources of funding, it should be moved under article V, section B, which relates to all sources of funding and not only the regular budget.

In addition, subparagraphs relating to the new regulations on implementing partnerships and grant awards were added.

Expand the regulation to include all operations where reimbursement has been authorized by the General Assembly.

Replace subheading "Peacekeeping reimbursements" with "Reimbursements to Member States".

Implementing partnerships

New regulation 5.11

The Secretary-General may enter into implementing partnership arrangements consistent with the policies, aims and activities of the United Nations based on the principles of fairness, integrity, transparency and the interest of the United Nations. The Secretary-General shall engage implementing partners under established criteria.

Establish a regulatory framework for the management of implementing partners and address the recommendation of the Board of Auditors (A/71/5 (Vol. I), chap. II, para. 256).

Grant awards

New regulation 5.12

The Secretary-General may award grants consistent with the policies, aims and activities of the United Nations based on the principles of fairness, integrity, transparency and the interest of the United Nations. The Secretary-General shall select recipients and award grants under established criteria.

Establish a regulatory framework for the management of grant awards and address the recommendation of the Board of Auditors (A/71/5 (Vol. I), chap. II, para. 256).

C. Procurement

General principles

Regulation 5.14

Procurement functions include all actions necessary for the acquisition, by purchase or lease, of goods, services and real property. The following general principles shall be given due consideration when exercising the procurement functions of the United Nations:

- (a) Best value for money;
- (b) Fairness, integrity and transparency;

C. Procurement

General principles

Regulation 5.12

Procurement functions include all actions necessary for the acquisition, by purchase or lease, of property, including products and real property, and of services, including works. The following general principles shall be given due consideration when exercising the procurement functions of the United Nations:

- (a) Best value for money;
- (b) Fairness, integrity and transparency;

An update to use current language on the scope of acquisition. Change in numbering.

<i>Proposed financial regulation</i>	<i>Existing financial regulation</i>	<i>Explanation</i>
<p>(c) Effective international competition;</p> <p>(d) The interest of the United Nations.</p> <p>Regulation 5.15</p> <p>Requirements for goods and services shall be advertised, except where the Secretary-General deems that, in the interests of the Organization, a departure from this regulation is desirable.</p> <p>D. Property management</p> <p>Disposition of assets of peacekeeping operations</p> <p>Regulation 5.16</p> <p>Following the liquidation of a peacekeeping operation, property shall be disposed of in accordance with the Financial Regulations and Rules and in the manner indicated below:</p> <p>(a) Property in good condition that conforms to established standardization or is considered compatible with existing property will be redeployed to other peacekeeping operations or will be placed in reserve to form start-up kits for use by future missions;</p> <p>(b) Property not required for current or future peacekeeping operations may be redeployed to other United Nations activities funded from assessed contributions, provided that there is a demonstrated need for the property;</p> <p>(c) Property not required for current or future peacekeeping operations or other United Nations activities funded from assessed contributions but which may be useful for the operations of other United Nations agencies, international organizations or non-governmental</p>	<p>(c) Effective international competition;</p> <p>(d) The interest of the United Nations.</p> <p>Regulation 5.13</p> <p>Tenders for goods and services shall be invited by advertisement, except where the Secretary-General deems that, in the interests of the Organization, a departure from this regulation is desirable.</p> <p>D. Property management</p> <p>Disposition of assets of peacekeeping operations</p> <p>Regulation 5.14</p> <p>Following the liquidation of a peacekeeping operation, equipment and other property shall be disposed of in accordance with the Financial Regulations and Rules and in the manner indicated below:</p> <p>(a) Equipment in good condition that conforms to established standardization or is considered compatible with existing equipment will be redeployed to other peacekeeping operations or will be placed in reserve to form start-up kits for use by future missions;</p> <p>(b) Equipment not required for current or future peacekeeping operations may be redeployed to other United Nations activities funded from assessed contributions, provided that there is a demonstrated need for this equipment;</p> <p>(c) Equipment not required for current or future peacekeeping operations or other United Nations activities funded from assessed contributions but which may be useful for the operations of other United Nations agencies, international organizations or non-governmental</p>	<p>Fill a gap and simplify the language. Change in numbering.</p> <p>Simplification. Align the regulation with the process of donating installed property to the Government of the country in which the property has been installed. Change in numbering.</p>

organizations will be sold to such agencies or organizations;

(d) Any property not required or which it is not feasible to dispose of in accordance with subparagraphs (a), (b) or (c) above or which is in poor condition will be subject to commercial disposal in accordance with the procedures applicable to other United Nations property;

(e) Any property which has been installed in a country and which, if dismantled, would set back the rehabilitation of that country shall be provided to the duly recognized Government of that country in return for compensation in a form to be agreed by the Organization and the Government. This refers in particular to airfield installations and equipment, buildings, bridges and mine-clearing equipment. Where such property cannot be disposed of in this manner or otherwise, it will be contributed free of charge to the Government of the country concerned.

A report on the final disposition of property for each liquidated peacekeeping operation shall be submitted to the General Assembly.

Article VI. Accounting

Financial statements

Regulation 6.1

The financial statements shall be presented annually in United States dollars in accordance with the present Regulations and Rules and the International Public Sector Accounting Standards.

organizations will be sold to such agencies or organizations;

(d) Any equipment or property not required or which it is not feasible to dispose of in accordance with subparagraphs (a), (b) or (c) above or which is in poor condition will be subject to commercial disposal in accordance with the procedures applicable to other United Nations equipment or property;

(e) Any assets which have been installed in a country and which, if dismantled, would set back the rehabilitation of that country shall be provided to the duly recognized Government of that country in return for compensation in a form to be agreed by the Organization and the Government. This refers in particular to airfield installations and equipment, buildings, bridges and mine-clearing equipment. Where such assets cannot be disposed of in this manner or otherwise, they will be contributed free of charge to the Government of the country concerned. Such contributions require the prior approval of the General Assembly.

A report on the final disposition of assets for each liquidated peacekeeping operation shall be submitted to the General Assembly.

Article VI. Accounting

Financial statements

Regulation 6.1

The financial statements shall be prepared annually in United States dollars in accordance with the present Regulations and Rules, decisions of the appropriate legislative bodies and the International Public Sector Accounting Standards.

Simplifications. The International Public Sector Accounting Standards were adopted as the basis for the financial statements.

<i>Proposed financial regulation</i>	<i>Existing financial regulation</i>	<i>Explanation</i>
<p>Regulation 6.2</p> <p>The Secretary General shall submit the annual financial statements to the Board of Auditors following certification and no later than three months following the end of the relevant financial period.</p>	<p>Regulation 6.2</p> <p>The Secretary-General shall transmit the annual financial statements to the Board of Auditors following certification and no later than three months following the end of the relevant financial period.</p>	<p>Language change: “transmit” replaced with “submit” for the sake of clarity and consistency with the rest of the Financial Regulations and Rules.</p>
<p>Writing off losses of assets, including cash, receivables and property</p> <p>Regulation 6.5</p> <p>The Secretary-General may, after full investigation, authorize the writing-off of losses of assets, including cash, receivables and property, provided that a statement of all such amounts written off shall be submitted to the Board of Auditors with the annual financial statements submitted in accordance with regulation 6.1.</p>	<p>Writing off losses of assets, including cash, receivables, property, plant and equipment, inventories and intangible assets</p> <p>Regulation 6.5</p> <p>The Secretary-General may, after full investigation, authorize the writing-off of losses of assets, including cash, inventories and property, plant and equipment, provided that a statement of all such amounts written off shall be submitted to the Board of Auditors with the annual financial statements submitted in accordance with regulation 6.1.</p>	<p>Simplification.</p> <p>Change in subheading.</p>

Annex II

Amendments to the Financial Rules*

<i>New financial rule</i>	<i>Existing financial rule</i>	<i>Explanation</i>
<p>Article V. Utilization of funds</p> <p>B. Commitments and expenses</p> <p>Reimbursements to Member States</p> <p>Rule 105.10</p> <p>The payment of reimbursements to Member States, based upon rates and budgets approved by the General Assembly, may be made only with the approval of the Secretary-General.</p> <p>Implementing partnerships</p> <p>New rule 105.12</p> <p>(a) An “implementing partnership” is an arrangement through which the Organization has entrusted the implementation of programme activities to implementing partners, including organizations of the United Nations system or governmental, intergovernmental, non-governmental or not-for-profit organizations.</p> <p>(b) Implementing partners shall assist the Organization with the delivery of approved programmes and legislative mandates of the Organization. Implementing partners shall be responsible and accountable for the effective use of the Organization’s resources and shall work with the Organization to achieve a common purpose or undertake a specific task as specified in a formal agreement.</p>	<p>Article V. Utilization of funds</p> <p>B. Commitments and expenses</p> <p>Peacekeeping reimbursements</p> <p>Rule 105.10</p> <p>The payment of reimbursements to Member States, based upon rates and peacekeeping operation budgets approved by the General Assembly, may be made only with the approval of the Secretary-General.</p>	<p>Expand the rule to include all operations where reimbursement has been authorized by the General Assembly.</p> <p>Establish a regulatory framework for the management of implementing partners and address the recommendation (A/71/5 (Vol. I), chap. II, para. 256).</p>

* Only financial rules that have been amended or added are presented, alongside the relevant existing financial rules. The full text of the Financial Regulations and Rules of the United Nations is contained in document [ST/SGB/2013/4](#), as amended by document [ST/SGB/2013/4/Amend.1](#). Where a new rule has been proposed, the subsequent rules have been renumbered and cross references updated.

(c) The Secretary-General may transfer funds to implementing partners in advance as set out in a formal agreement.

Grant awards

New rule 105.13

(a) A “grant award” is a contribution of resources, in cash and/or in-kind, by the Organization to a recipient, including organizations of the United Nations system or governmental, intergovernmental, non-governmental or not-for-profit organizations, that:

- (i) Will be used by the recipient solely for the purposes for which the contribution was made;
- (ii) Is not made in exchange for goods, services or works to be received by the Organization;
- (iii) Is made to enable the recipient to achieve its programme objective and build its capacity; and
- (iv) Is consistent with the policies, aims and activities of the Organization.

(b) The Secretary-General may transfer funds to grant recipients to enable them to achieve their programme objective as set forth in a written agreement.

Establish a regulatory framework for the management of grant awards and address the recommendation of the Board of Auditors ([A/71/5 \(Vol. I\)](#), chap. II, para. 256).

C. Procurement

Authority and responsibility

Rule 105.15

(a) The Secretary-General is responsible for the procurement functions of the United Nations, shall establish all United Nations procurement systems and shall designate the officials responsible for performing procurement functions.

(b) The Secretary-General shall establish review committees, at Headquarters and other locations, to render written advice to him or her on procurement actions leading to the award or amendment of procurement contracts, which, for purposes of these Regulations and Rules, includes agreements or other written instruments such as purchase orders and contracts that involve income to the United Nations. The Secretary-General shall establish the composition and the terms of reference of such committees, which shall include the types and monetary values of proposed procurement actions subject to review.

(c) Where the advice of a review committee is required, no final action leading to the award or amendment of a procurement contract may be taken before such advice is received. In cases where the Secretary-General decides not to accept the advice of such a review committee, he or she shall record in writing the reasons for that decision.

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(c) Where the advice of a review committee is required, no final action leading to the award or amendment of a procurement contract may be taken before such advice is received. In cases where the Secretary-General decides not to accept the advice of such a review committee, he or she shall record in writing the reasons for that decision.

Included owing to the suggested changes to regulations 5.12 and 5.13.

Change in numbering

Competition**Rule 105.16**

Consistent with the principles set out in regulation 5.14 and except as otherwise provided in rule 105.18, procurement contracts shall be awarded on the basis of effective competition, and to this end the competitive process shall, as necessary, include:

- (a) Acquisition planning for developing an overall procurement strategy and procurement methodologies;
- (b) Market research for identifying potential suppliers;
- (c) Consideration of prudent commercial practices;
- (d) Formal methods of solicitation, utilizing invitations to bid or requests for proposals on the basis of advertisement or direct solicitation of invited suppliers, or informal methods of solicitation, such as requests for quotations. The Secretary-General shall issue administrative instructions concerning the types of procurement activities and monetary values for which such methods of solicitation are to be used. All methods of solicitation shall ensure authentication and confidentiality of the information transmitted;
- (e) Public bid openings following formal methods of solicitations.

Competition**Rule 105.14**

Consistent with the principles set out in regulation 5.12 and except as otherwise provided in rule 105.16, procurement contracts shall be awarded on the basis of effective competition, and to this end the competitive process shall, as necessary, include:

- (a) Acquisition planning for developing an overall procurement strategy and procurement methodologies;
- (b) Market research for identifying potential suppliers;
- (c) Consideration of prudent commercial practices;
- (d) Formal methods of solicitation, utilizing invitations to bid or requests for proposals on the basis of advertisement or direct solicitation of invited suppliers, or informal methods of solicitation, such as requests for quotations. The Secretary-General shall issue administrative instructions concerning the types of procurement activities and monetary values for which such methods of solicitation are to be used. Such formal and informal methods of solicitation may be conducted by means of electronic data interchange, provided the Secretary-General has ensured that the electronic data interchange system is capable of ensuring authentication and confidentiality of the information transmitted;
- (e) Public bid openings; for purposes of bidding by means of electronic data interchange, the virtual opening of bids is considered public.

Expand the requirement for authentication and confidentiality to include all methods of solicitation and not only electronic data interchange.

Included owing to the suggested changes to regulations 5.12 and 5.13.

Change in numbering.

Formal methods of solicitation**Rule 105.17**

(a) When a formal invitation to bid has been issued, the procurement contract shall be awarded to the qualified bidder whose bid substantially conforms to the requirements set forth in the solicitation documents and is evaluated to be the lowest cost to the United Nations.

(b) When a formal request for proposals has been issued, the procurement contract shall be awarded to the qualified proposer whose proposal, all factors considered, is the most responsive to the requirements set forth in the solicitation documents.

(c) The Secretary-General may, in the interest of the United Nations, reject bids or proposals for a particular procurement action, recording the reasons for rejection in writing. The Secretary-General shall then determine whether to undertake a new solicitation, to directly negotiate a procurement contract pursuant to rule 105.18 or to terminate or suspend the procurement action.

Exceptions to the use of formal methods of solicitation**Rule 105.18**

(a) The Secretary-General may determine for a particular procurement action that using formal methods of solicitation is not in the best interest of the United Nations:

(i) When there is no competitive marketplace for the requirement, such as where a monopoly exists, where prices are fixed by legislation or government regulation or where the requirement involves a proprietary good or service;

Formal methods of solicitation**Rule 105.15**

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(b) When a formal request for proposals has been issued, the procurement contract shall be awarded to the qualified proposer whose proposal, all factors considered, is the most responsive to the requirements set forth in the solicitation documents.

(c) The Secretary-General may, in the interest of the United Nations, reject bids or proposals for a particular procurement action, recording the reasons for rejection in writing. The Secretary-General shall then determine whether to undertake a new solicitation, to directly negotiate a procurement contract pursuant to rule 105.16 or to terminate or suspend the procurement action.

Exceptions to the use of formal methods of solicitation**Rule 105.16**

(a) The Secretary-General may determine for a particular procurement action that using formal methods of solicitation is not in the best interest of the United Nations:

(i) When there is no competitive marketplace for the requirement, such as where a monopoly exists, where prices are fixed by legislation or government regulation or where the requirement involves a proprietary product or service;

Included owing to the suggested changes to regulations 5.12 and 5.13.

Change in numbering.

Included owing to the suggested changes to regulations 5.12 and 5.13.

Simplify the language.

Change in numbering.

<i>New financial rule</i>	<i>Existing financial rule</i>	<i>Explanation</i>
(ii) When the requirement has been standardized or there is a need to standardize the requirement;	(ii) When there has been a previous determination or there is a need to standardize the requirement;	
(iii) When the proposed procurement contract is the result of cooperation pursuant to rule 105.19;	(iii) When the proposed procurement contract is the result of cooperation with other organizations of the United Nations system, pursuant to rule 105.17;	
(iv) When offers for identical goods or services have been obtained competitively within a reasonable period and the prices and conditions offered remain competitive;	(iv) When offers for identical products and services have been obtained competitively within a reasonable period and the prices and conditions offered remain competitive;	
(v) When, within a reasonable prior period, a formal solicitation has not produced satisfactory results;	(v) When, within a reasonable prior period, a formal solicitation has not produced satisfactory results;	
(vi) When the proposed procurement contract is for the purchase or lease of real property and market conditions do not allow for effective competition;	(vi) When the proposed procurement contract is for the purchase or lease of real property and market conditions do not allow for effective competition;	
(vii) When there is an exigency for the requirement;	(vii) When there is an exigency for the requirement;	
(viii) When the proposed procurement contract relates to obtaining goods or services that cannot be evaluated objectively;	(viii) When the proposed procurement contract relates to obtaining services that cannot be evaluated objectively;	
(ix) When the Secretary-General otherwise determines that a formal method of solicitation will not give satisfactory results;	(ix) When the Secretary-General otherwise determines that a formal solicitation will not give satisfactory results;	
(x) When the value of the procurement is below the monetary threshold established for formal methods of solicitation;	(x) When the value of the procurement is below the monetary threshold established for formal methods of solicitation	
(xi) When the requirement is for the purpose of research, experiment, study or development of goods and services.		

(b) When a determination is made pursuant to paragraph (a) above, the Secretary-General shall record the reasons in writing and may then award a procurement contract, either on the basis of an informal method of solicitation or on the basis of a directly negotiated contract, to a qualified vendor whose offer substantially conforms to the requirement at an acceptable price.

Cooperation

Rule 105.19

(a) The Secretary-General may cooperate with other organizations of the United Nations system to meet the procurement requirements of the United Nations, provided that the regulations and rules of those organizations are consistent with those of United Nations. The Secretary-General may, as appropriate, enter into agreements for such purposes. Such cooperation may include:

- (i) Carrying out common procurement actions together;
- (ii) Entering into a contract relying on a procurement decision of another United Nations organization; or
- (iii) Requesting another United Nations organization to carry out procurement activities on behalf of the United Nations.

(b) The Secretary-General may, to the extent authorized by the General Assembly, cooperate with a Government, non-governmental organization or other public international organization in respect of procurement activities and, as appropriate, enter into agreements for such purposes.

(b) When a determination is made pursuant to paragraph (a) above, the Secretary-General shall record the reasons in writing and may then award a procurement contract, either on the basis of an informal method of solicitation or on the basis of a directly negotiated contract, to a qualified vendor whose offer substantially conforms to the requirement at an acceptable price.

Cooperation

Rule 105.17

(a) The Secretary-General may cooperate with other organizations of the United Nations system to meet the procurement requirements of the United Nations, provided that the regulations and rules of those organizations are consistent with those of United Nations. The Secretary-General may, as appropriate, enter into agreements for such purposes. Such cooperation may include carrying out common procurement actions together or the United Nations entering into a contract relying on a procurement decision of another United Nations organization or requesting another United Nations organization to carry out procurement activities on behalf of the United Nations.

(b) The Secretary-General may, to the extent authorized by the General Assembly, cooperate with a Government, non-governmental organization or other public international organization in respect of procurement activities and, as appropriate, enter into agreements for such purposes.

Editorial changes to allow for easier understanding of the rule.

Included owing to the suggested changes to regulations 5.12 and 5.13.

Change in numbering.

Written contracts**Rule 105.20**

(a) Written procurement contracts shall be used to formalize every procurement with a monetary value exceeding specific thresholds established by the Secretary-General. Such arrangements shall, as appropriate, specify in detail:

- (i) The specifications of the goods or services being procured;
 - (ii) The quantity being procured;
 - (iii) The contract or unit price;
 - (iv) The period covered;
 - (v) Conditions to be fulfilled, including the United Nations general conditions of contract and implications for non-delivery;
 - (vi) Terms of delivery and payment;
 - (vii) Name and address of the supplier.
- (b) Such contracts apply to arrangements that entail:
- (i) Payments to a vendor for the acquisition, by purchase or lease, of goods, services or real property;
 - (ii) Income to a vendor;
 - (iii) Income to the Organization;

The requirement for written procurement contracts may be satisfied through electronic means of data interchange.

Written contracts**Rule 105.18**

(a) Written procurement contracts shall be used to formalize every procurement with a monetary value exceeding specific thresholds established by the Secretary-General. Such arrangements shall, as appropriate, specify in detail:

- (i) The nature of the products or services being procured;
- (ii) The quantity being procured;
- (iii) The contract or unit price;
- (iv) The period covered;
- (v) Conditions to be fulfilled, including the United Nations general conditions of contract and implications for non-delivery;
- (vi) Terms of delivery and payment;
- (vii) Name and address of the supplier.

(b) The requirement for written procurement contracts shall not be interpreted to restrict the use of any electronic means of data interchange. Before any electronic means of data interchange is used, the Secretary-General shall ensure that the electronic data interchange system is capable of ensuring authentication and confidentiality of the information transmitted.

Strengthen the rule by defining the scope of contracts.

Editorial changes to allow for easier understanding of the rule.

Change in numbering.

Advance and progress payments**Rule 105.21**

(a) No contract or other form of undertaking shall be made on behalf of the United Nations which requires a payment or payments on account in advance of the delivery of goods or the performance of services, except where the advance payment is:

- (i) Normal commercial practice; or
- (ii) In the interest of the Organization.

(b) Whenever an advance payment is agreed to, the reasons therefor shall be recorded by the Secretary-General.

(c) The Secretary-General may, where necessary, authorize progress payments.

Article VI. Accounting**Financial statements****Rule 106.1**

(a) For all accounts of the United Nations, except for peacekeeping operations with special accounts, annual financial statements for the period ending 31 December shall be submitted to the Board of Auditors no later than 31 March of the following year. Copies of financial statements shall also be transmitted to the Advisory Committee.

(b) In the case of peacekeeping operations with special accounts, annual financial statements for the period ending 30 June shall be submitted to the Board of Auditors no later than 30 September of the same year.

Advance and progress payments**Rule 105.19**

(a) Except where normal commercial practice or the interests of the United Nations so require, no contract or other form of undertaking shall be made on behalf of the United Nations which requires a payment or payments on account in advance of the delivery of products or the performance of contractual services. Whenever an advance payment is agreed to, the reasons therefor shall be recorded.

(b) In addition to paragraph (a) above and notwithstanding rule 105.2, the Secretary-General may, where necessary, authorize progress payments.

Article VI. Accounting**Financial statements****Rule 106.1**

(a) For all accounts of the United Nations, except for peacekeeping operations with special accounts, annual financial statements for the period ending 31 December shall be submitted to the Board of Auditors no later than 31 March of the following year. Copies of financial statements shall also be transmitted to the Advisory Committee.

(b) In the case of peacekeeping operations with special accounts, annual financial statements for the period ending 30 June shall be submitted to the Board of Auditors no later than 30 September of the same year.

Editorial changes to allow for easier understanding of the rule.

Change in numbering.

No change.

Included owing to the changes to regulations 6.1 and 6.2.

<i>New financial rule</i>	<i>Existing financial rule</i>	<i>Explanation</i>
<p>(c) In accordance with the International Public Sector Accounting Standards, financial statements submitted to the Board of Auditors for all accounts shall include:</p> <p>(i) A statement of financial performance;</p> <p>(ii) A statement of financial position;</p> <p>(iii) A statement of changes in net assets;</p> <p>(iv) A statement of cash flows;</p> <p>(v) A statement of comparison of budget and actual amounts, on the basis of the budget; and</p> <p>(vi) Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory notes.</p> <p>Authority and responsibility</p> <p>Rule 106.2</p> <p>The Secretary-General shall establish accounting systems.</p> <p>Accrual basis accounting</p> <p>Rule 106.3</p> <p>Unless otherwise directed by the particular terms governing the operation of a trust fund or special account, all financial transactions shall be recorded in the accounts on an accrual basis in compliance with the International Public Sector Accounting Standards.</p>	<p>(c) In accordance with the International Public Sector Accounting Standards, financial statements submitted to the Board of Auditors for all accounts shall include:</p> <p>(i) A statement of financial performance;</p> <p>(ii) A statement of financial position;</p> <p>(iii) A statement of changes in net assets;</p> <p>(iv) A statement of cash flows;</p> <p>(v) A statement of comparison of budget and actual amounts, on the basis of the budget; and</p> <p>(vi) Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory notes.</p> <p>Authority and responsibility</p> <p>Rule 106.2</p> <p>Responsibility for the accounts is assigned to the Secretary-General, who shall establish accounting systems.</p> <p>Accrual basis accounting</p> <p>Rule 106.3</p> <p>Unless otherwise directed by the particular terms governing the operation of a trust fund or special account, all financial transactions shall be recorded in the accounts on an accrual basis in compliance with the International Public Sector Accounting Standards.</p>	<p>Included owing to the changes to regulations 6.1 and 6.2.</p> <p>No change.</p> <p>Included owing to the changes to regulations 6.1 and 6.2.</p>

Writing off losses of assets including cash, receivables and property

Rule 106.7

(a) The Secretary-General may, after investigation, authorize the writing-off of losses of assets, including cash, receivables and property. A summary statement of losses shall be provided to the Board of Auditors not later than three months following the end of the financial period.

(b) The investigation shall in each case fix the responsibility, if any, attaching to any official(s) of the United Nations for the loss or losses. Such official(s) may be required to reimburse the United Nations either partially or in full. Final determination as to all surcharges to be made against staff members or others as the result of losses will be made by the Secretary-General.

Writing off losses of assets including cash, receivables, property plant and equipment, inventories and intangible assets

Rule 106.7

(a) The Secretary-General may, after investigation, authorize the writing-off of losses of assets, including cash, receivables, property, plant and equipment, inventories and intangible assets. A summary statement of losses shall be provided to the Board of Auditors not later than three months following the end of the financial period.

(b) The investigation shall in each case fix the responsibility, if any, attaching to any official(s) of the United Nations for the loss or losses. Such official(s) may be required to reimburse the United Nations either partially or in full. Final determination as to all surcharges to be made against staff members or others as the result of losses will be made by the Secretary-General.

Simplify the language.

Included owing to the changes to regulation 6.5.