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Desertification**

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CONFERENCE OF THE PARTIES
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PROGRAMME AND BUDGET

Addendum

Report on the performance of the Convention's trust funds in the biennium 2004–2005

Unaudited financial statements for the biennium 2004–2005 as at 31 December 2004

Note by the secretariat

EXECUTIVE SUMMARY

This document contains the unaudited financial statements for the biennium 2004–2005 as at 31 December 2004.

The Conference of the Parties (COP) may wish to propose additional appropriate actions to be included in the decisions on administrative and financial matters to be adopted at its seventh session.

CONTENTS

	<u>Paragraphs</u>	<u>Page</u>
I. INTRODUCTION	1 – 3	3
A. Mandate	1	3
B. Scope of the note	2	3
C. Possible action by the Conference of the Parties	3	3
II. CERTIFICATION OF THE FINANCIAL STATEMENTS		4
III. FINANCIAL STATEMENTS FOR THE BIENNIUM 2004–2005		5
A. Statement I: Statement of income and expenditures and changes in reserves and fund balances for the 12-month period of the biennium 2004–2005 ending 31 December 2004		5
B. Statement II: Statement of assets, liabilities, reserves and fund balances for the biennium 2004–2005 as at 31 December 2004.....		7
C. Statement III: Statement of cash flow for the 12-month period of the biennium 2004–2005 ending 31 December 2004.....		9
D. Statement IV: The core budget: statement of appropriations for the 12-month period of the biennium 2004–2005 ending 31 December 2004.....		10
IV. NOTES TO THE FINANCIAL STATEMENTS	4 – 19	11
Note 1. Statement of purpose	4	11
Note 2. Accounting policies.....	5 – 19	11

I. INTRODUCTION

A. Mandate

1. In accordance with the financial rules of the COP (decision 2/COP.1), an interim statement of accounts for the first year of the biennium 2004–2005 is presented for the consideration of the COP at its seventh session.

B. Scope of the note

2. This document reports on financial performance as at 31 December 2004. It includes four statements, accompanied by brief explanatory notes.

C. Possible action by the Conference of the Parties

3. The COP may wish to take note of the information presented and recommend actions that may need to be included in the decisions to be adopted by the COP at its seventh session.

II. CERTIFICATION OF THE FINANCIAL STATEMENTS

I certify that the appended financial statements of the United Nations Convention to Combat Desertification for the 12-month period of the biennium 2004–2005 ending 31 December 2004 are fairly stated.

A handwritten signature in black ink, consisting of a large, stylized initial 'H' followed by several loops and a final horizontal stroke.

Hama Arba Diallo
Executive Secretary
Secretariat of the United Nations Convention to Combat Desertification

III. FINANCIAL STATEMENTS FOR THE BIENNIUM 2004–2005

A. Statement I: Statement of income and expenditures and changes in reserves and fund balances for the 12-month period of the biennium 2004–2005 ending 31 December 2004 (in United States dollars)

	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF PARTIES IN THE SESSIONS OF THE UNCCD (UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)	
	2004-2005	2002-2003	2004-2005	2002-2003	2004-2005	2002-2003
INCOME:						
Assessed contributions	8,048,000	15,325,200	-	-	-	-
Voluntary contributions	638,318	987,975	-	1,573,312	5,489,107	6,883,727
Programme support cost income	-	238,117	-	50,039	-	190,959
Other/miscellaneous income	67,338		10,370		35,983	
Interest income	33,893	97,643	620	19,189	9,285	42,160
Miscellaneous	8,787,549	16,648,935	10,990	1,642,540	5,534,375	7,116,846
TOTAL INCOME						
EXPENDITURES:						
Staff and other personnel costs	4,855,919	7,749,871	1,654	7,678	1,512,218	2,214,711
Travel	338,206	1,551,270	134,313	1,628,101	628,977	3,749,955
Contractual services	83,740	443,595	-	-	184,965	284,339
Operating expenses	394,176	466,398	-	2,464	-	84,239
Acquisitions	25,173	123,448	-	-	4,115	3,973
Fellowships grants and other	1,621,663	3,916,675	-	-	2,113,158	2,909,895
Total direct expenditures	7,318,877	14,251,257	135,967	1,638,243	4,443,433	9,247,112
Programme support costs	925,962	1,608,663	17,676	212,972	559,980	1,202,146
TOTAL EXPENDITURES	8,244,839	15,859,920	153,643	1,851,215	5,003,413	10,449,258
Prior period adjustments	4,965	23,881	(2,610)	16,620	(1,511)	(85,790)
Refund to donors						(62,087)
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURES	547,675	812,896	(145,263)	(192,055)	529,451	(3,480,289)
Transfers (to) from other funds	-	-	-	50,000	-	(50,000)
Savings on prior periods' obligations	353,907	183,687	83,009	127,847	443,317	481,609
RESERVES AND FUND BALANCES: BEGINNING OF PERIOD	2,980,110	1,983,527	548,472	562,680	649,357	3,698,037
RESERVES AND FUND BALANCES: END OF PERIOD	3,881,692	2,980,110	486,218	548,472	1,622,125	649,357

A. Statement I (continued)

	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)			TOTAL	
	2004-2005	2002-2003	2004-2005	2002-2003	2004-2005	2002-2003	
INCOME:							
Assessed contributions	-	-	-	-	-	-	15,325,200
Voluntary contributions	634,922	1,002,746	-	-	8,048,000	-	10,447,760
Programme support cost income	-	-	1,573,954	3,164,728	1,573,954	3,164,728	3,164,728
Other/miscellaneous income	-	-	-	-	-	-	-
Interest income	7,971	30,417	10,539	49,297	132,201	558,829	558,829
Miscellaneous	9,445	1,088	135,827	-	189,070	-	160,080
TOTAL INCOME	652,338	1,034,251	1,720,320	3,214,025	16,705,572	29,656,597	
EXPENDITURES:							
Staff and other personnel costs	171,746	135,943	1,477,269	3,434,199	8,018,806	13,542,402	13,542,402
Travel	299,007	587,287	-	1,965	1,400,503	7,518,578	7,518,578
Contractual services	7,491	35,133	-	2,224	276,196	765,291	765,291
Operating expenses	-	2,361	-	34,320	394,176	589,782	589,782
Acquisitions	-	-	-	-	29,288	127,421	127,421
Fellowships grants and other	57,960	199,522	261,119	-	4,053,900	7,026,092	7,026,092
Total direct expenditures	536,204	960,246	1,738,388	3,472,708	14,172,869	29,569,566	29,569,566
Programme support costs	69,887	124,832	-	-	1,573,505	3,148,613	3,148,613
TOTAL EXPENDITURES	606,091	1,085,078	1,738,388	3,472,708	15,746,374	32,718,179	32,718,179
Prior period adjustments	-	-	-	(110,973)	844	(148,397)	(148,397)
						(62,087)	(62,087)
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURES	46,247	(42,962)	(18,068)	(369,656)	960,042	(3,272,066)	
Transfers (to) from other funds	-	-	-	-	-	-	-
Savings on prior periods' obligations	117,824	60,497	16,835	7,782	1,014,892	861,422	861,422
RESERVES AND FUND BALANCES: BEGINNING OF PERIOD	18,539	1,004	437,799	799,673	4,634,277	7,044,921	7,044,921
RESERVES AND FUND BALANCES: END OF PERIOD	182,610	18,539	436,566	437,799	6,609,211	4,634,277	4,634,277

B. Statement II: Statement of assets, liabilities, reserves and fund balances for the biennium 2004–2005 as at 31 December 2004
(in United States dollars)

	NOTE REFERENCE	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF PARTIES IN THE SESSIONS OF THE UNCCD (UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)	
		2004-2005	2002-2003	2004-2005	2002-2003	2004-2005	2002-2003
ASSETS							
Cash and term deposits		2,948,664	3,257,259	517,007	696,673	2,035,861	1,139,898
Accounts receivable:	Note 2 (f)						
Pledged and assessed contributions receivable		1,447,600	1,254,073	2,800	1,480	-	-
Due from United Nations General Fund		-	-	-	-	-	-
Other accounts receivable		452,051	491,319	3,267	4,025	115,975	107,189
Operating funds provided to executing agencies		-	1,632	-	-	298,784	7,174
TOTAL ASSETS		4,848,315	5,004,283	523,074	702,178	2,450,620	1,254,261
LIABILITIES							
Contributions/Payments received in advance		203,412	622,929	-	-	-	-
Unliquidated obligations		455,306	1,171,993	27,816	91,380	755,991	586,959
Accounts payable:							
Inter-fund balances payable		201,488	88,037	9,040	62,326	32,447	-
Other accounts payable		106,417	141,214	-	-	40,057	17,945
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		966,623	2,024,173	36,856	153,706	828,495	604,904
Operating reserve		-	-	23,046	163,191	750,512	878,769
Working capital reserve		684,322	690,721	-	-	-	-
Cumulative surplus (deficit)		3,197,370	2,289,389	463,172	385,281	871,613	(229,412)
TOTAL RESERVES AND FUND BALANCES		3,881,692	2,980,110	486,218	548,472	1,622,125	649,357
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		4,848,315	5,004,283	523,074	702,178	2,450,620	1,254,261

B. Statement II (continued)

	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)		TOTAL	
	2004-2005	2002-2003	2004-2005	2002-2003	2004-2005	2002-2003
ASSETS						
Cash and term deposits	398,356	222,483	373,983	430,089	6,273,871	5,746,402
Accounts receivable:						
Pledged and assessed contributions receivable	-	-	-	-	1,450,400	1,255,553
Due from United Nations General Fund	-	-	-	-	-	-
Other accounts receivable	27,977	31,590	83,539	42,551	682,809	676,674
Operating funds provided to executing agencies	-	-	-	-	298,784	8,806
TOTAL ASSETS	426,333	254,073	457,522	472,640	8,705,864	7,687,435
LIABILITIES						
Contributions/payments received in advance	-	-	-	-	203,412	622,929
Unliquidated obligations	197,190	235,216	17,326	13,185	1,453,629	2,098,733
Accounts payable:						
Inter-fund balances payable	-	-	3,630	18,535	246,605	168,898
Other accounts payable	46,533	318	-	3,121	193,007	162,598
TOTAL LIABILITIES	243,723	235,534	20,956	34,841	2,096,653	3,053,158
RESERVES AND FUND BALANCES						
Operating reserve	-	-	347,678	355,955	1,121,236	1,397,915
Working capital reserve	-	-	-	-	684,322	690,721
Cumulative surplus (deficit)	182,610	18,539	88,888	81,844	4,803,653	2,545,641
TOTAL RESERVES AND FUND BALANCES	182,610	18,539	436,566	437,799	6,609,211	4,634,277
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	426,333	254,073	457,522	472,640	8,705,864	7,687,435

C. Statement III: Statement of cash flow for the 12-month period of the biennium 2004–2005 ending 31 December 2004
(in United States dollars)

	UXA		UVA		UWA		BMA		ZQA	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:										
Net excess (shortfall) of income over expenditures (Statement I)	547,675	812,896	(145,263)	(192,055)	529,451	(3,480,289)	46,247	(42,962)	(18,068)	(369,656)
(Increase) decrease in contributions receivable	(193,527)	141,349	(1,320)	2,610	-	-	-	-	-	-
(Increase) decrease in other accounts receivable	39,268	(226,436)	758	(801)	(300,396)	(69,819)	3,613	(29,547)	(40,988)	(41,859)
(Increase) decrease in other assets	1,632	-	-	-	-	-	-	-	-	-
Increase (decrease) in contributions received in advance	(419,517)	(552,508)	-	-	-	(5,000)	-	-	-	-
Increase (decrease) in accounts payable	(34,797)	39,584	-	-	22,112	16,789	46,215	318	(3,121)	2,386
Increase (decrease) in unliquidated obligations	(716,687)	495,240	(63,564)	(37,255)	169,032	(199,166)	(38,026)	127,205	4,141	5,241
Less: Interest income	(67,338)	(238,117)	(10,370)	(50,039)	35,983	190,959	7,971	7,400	(38,758)	36,858
NET CASH FROM OPERATING ACTIVITIES	(843,291)	472,008	(219,759)	(277,540)	456,182	(3,546,526)	66,020	62,414	(96,794)	(367,030)
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:										
(Increase) decrease in inter-fund balances receivable	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in inter-fund balances payable	113,451	(253,921)	(53,286)	(6,499)	32,447	(435,524)	-	(2,746)	(14,905)	(4,957)
Plus: Interest income	67,338	238,117	10,370	50,039	(35,983)	(190,959)	(7,971)	(7,400)	38,758	(36,858)
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	180,789	(15,804)	(42,916)	43,540	(3,536)	(626,483)	(7,971)	(10,146)	23,853	(41,815)
CASH FLOWS FROM OTHER SOURCES:										
Savings on prior periods' obligations	353,907	183,687	83,009	127,847	443,317	481,609	117,824	60,497	16,835	7,782
Other adjustments to fund balances	-	-	-	50,000	-	(50,000)	-	-	-	-
NET CASH FROM OTHER SOURCES	353,907	183,687	83,009	177,847	443,317	431,609	117,824	60,497	16,835	7,782
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	(308,595)	639,891	(179,666)	(56,153)	895,963	(3,741,400)	175,873	112,765	(56,106)	(401,063)
CASH AND TERM DEPOSITS – Beginning of period	3,257,259	2,617,368	696,673	752,826	1,139,898	4,881,298	222,483	109,718	430,089	831,152
CASH AND TERM DEPOSITS – End of period	2,948,664	3,257,259	517,007	696,673	2,035,861	1,139,898	398,356	222,483	373,983	430,089

D. Statement IV: The core budget: statement of appropriations for the 12-month period of the biennium 2004–2005 ending 31 December 2004
(in United States dollars)

Budget classification	Appropriations				Expenditures			Balance
	Approved 2004 budget	Adjustments	% of transfers within budget lines	Adjusted 2004 budget	Disbursements	Unliquidated obligations	Total	
Executive management and policy	763,000	287,320	37.7%	1,050,320	1,005,527	44,788	1,050,315	5
Substantive support to the COP and its subsidiary bodies, legal advice and global issues	1,134,000	(160,480)	(14.2%)	973,520	971,356	2,158	973,514	6
Facilitation of implementation and coordination	2,067,000	(30,490)	(1.5%)	2,036,510	2,001,113	35,390	2,036,503	7
External relations and public information	438,000	253,730	57.9%	691,730	691,722	-	691,722	8
Administrative and financial services	1,282,000	(15,170)	(1.2%)	1,266,830	1,193,852	72,969	1,266,821	9
Global Mechanism	1,824,000	(334,910)	(18.4%)	1,489,090	1,000,000	300,000	1,300,000	189,090
Subtotal	7,508,000	-	-	7,508,000	6,863,570	455,305	7,318,875	189,125
Programme support costs	976,000	-	-	976,000	925,964	-	925,964	50,036
Total	8,484,000	-	-	8,484,000	7,789,534	455,305	8,244,839	239,161
Working capital reserve	119,000	-	-	119,000	119,000	-	119,000	-
Less: contribution from host country	555,000	-	-	555,000	638,318	-	638,318	(83,318)
Grand Total	8,048,000	-	-	8,048,000	7,270,216	455,305	7,725,521	322,479

IV. NOTES TO THE FINANCIAL STATEMENTS

Note 1. Statement of purpose

4. The Permanent Secretariat of the UNCCD was established on 1 January 1999 with the following purposes:

- (a) To make arrangements for sessions of the COP and its subsidiary bodies established under the Convention and to provide them with services as required;
- (b) To compile and transmit reports submitted to it;
- (c) To facilitate assistance to affected developing country Parties, on request, particularly those in Africa, in the compilation and communication of information required under the Convention;
- (d) To coordinate its activities with the secretariats of other relevant international bodies and conventions;
- (e) To enter, under the guidance of the COP, into such administrative and contractual arrangements as may be required for the effective discharge of its functions;
- (f) To prepare reports on the execution of its functions under this Convention and present them to the COP; and
- (g) To perform such other secretariat functions as may be determined by the COP.

Note 2. Accounting policies

5. The following are the significant accounting policies of the UNCCD:

- (a) Rules and procedures

6. The accounts of the Convention are maintained in accordance with the Financial Regulations of the United Nations, its own financial rules and in conformity with the United Nations System Common Accounting Standards (A/48/530) as recognized by General Assembly resolution 48/216 C of 23 December 1993 and its subsequent revisions.

7. Under the financial procedures adopted by the COP, the Executive Secretary prepares the administrative core budget for the following biennium and submits it to the COP for its consideration and approval. The approved budget constitutes authority to the Executive Secretary to issue allotments, incur obligations and make payments for the purposes for which the appropriations were approved. For the biennium 2004–2005, the COP approved a core budget of US\$ 15.9 million, out of which the host Government paid the equivalent of EUR 1.02 million. The remaining amount is raised from all Parties, who are invited to make contributions based on an adjusted United Nations scale of assessment.

(b) Accounting basis

8. The accounts are prepared on an historical cost basis, modified to the extent that the cost of all property acquired is charged as an expense in the year of purchase except for the period under review where property donated in kind by the host Government was valued using the average United Nations rate of exchange.

9. The accounts of the UNCCD are maintained on a “fund accounting” basis. Separate funds for general or special purposes may be established by the COP or the Executive Secretary. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry set of accounts.

(c) Contingent liabilities

10. The expenditures do not include possible costs to cover contingencies under Appendix D to the United Nations Staff Rules, for personnel financed under resources obtained from contributions. Such costs are covered under contractual arrangements with Van Breda & Co. International.

(d) Income tax refund policy

11. UNCCD salaries are charged to the budget on a net basis during the year in which the services have been rendered. Income tax refunds are charged to the year in which they are made to the staff member.

(e) Unliquidated obligations

12. Unliquidated obligations are expenditures based on firm obligations entered into, but not disbursed, in the financial period. Unliquidated obligations for the current period in respect of all UNCCD activities remain valid for 12 months following the end of the period to which they relate.

(f) Cash and term deposits

13. Funds on deposit in interest bearing bank accounts, time deposits and call accounts are shown in the statements of assets and liabilities as cash. All term deposits are placed following the United Nations investments policies and guidelines.

(g) Income

(i) Assessed contributions from Party members

14. Income from assessed contributions is recognized on an accrual basis based on the budget approved by the COP.

(ii) Voluntary contributions

15. Voluntary contributions to UNCCD trust funds are recorded as income when received, which includes funds received under inter-organization arrangements.

(iii) Interest income

16. Interest income from cash and term deposits is recorded on an accrual basis during the financial period. Interest income accrued from cash and term deposits not maturing until future periods is recorded as accounts receivable.

(iv) Miscellaneous income

17. Refunds of expenditures charged to prior financial periods, net gains on exchange, moneys accepted for which no purpose is specified and proceeds from the sale of surplus property, are credited to miscellaneous income.

(v) Contributions

18. All contributions to the secretariat's activities are deposited with the United Nations Office at Geneva (UNOG). The secretariat operates an imprest account in Euros to cover its expenditures in Bonn. Reports on the utilization of the imprest account are submitted to the UNOG on a regular basis.

(h) Translation of currencies

19. The financial statements of the UNCCD are presented in United States dollars. In accordance with United Nations accounting standards, transactions in other currencies are recorded in United States dollars by applying the United Nations operational rate of exchange at the time of the transaction. Realized exchange gains and losses are charged to miscellaneous income and operating expense accounts, accordingly.
