



**UNITED  
NATIONS**



**Convention to Combat  
Desertification**

Distr.  
GENERAL

ICCD/COP(9)/6/Add.6  
28 August 2009

ENGLISH ONLY

---

**CONFERENCE OF THE PARTIES**

**Ninth session**

**Buenos Aires, 21 September–2 October 2009**

**Item 7 (b) of the provisional agenda**

**Programme and budget**

**Financial performance for the Convention trust funds**

**Financial performance for the Convention trust funds**

**Note by the secretariat**

**Addendum**

**Audited financial statements for the Convention trust funds for  
the biennium ended 31 December 2007, including the  
audit report of PricewaterhouseCoopers SpA  
for the Global Mechanism**

*Summary*

In decision 1/COP.ES-1, the Conference of the Parties (COP) requested the Executive Secretary to report to the COP at its ninth session on the financial status of the Convention trust funds.

This document contains the audited financial statements as at and for the year ended 31 December 2007 for the Core Budget Administration Account of the Global Mechanism of the United Nations Convention to Combat Desertification, as submitted by the Global Mechanism.

**CORE BUDGET ADMINISTRATION ACCOUNT  
OF THE GLOBAL MECHANISM OF THE UN CONVENTION  
TO COMBAT DESERTIFICATION**

**FINANCIAL STATEMENTS AS AT 31 DECEMBER 2007**

**GLOBAL MECHANISM  
OF THE UN CONVENTION TO  
COMBAT DESERTIFICATION**

**Core Budget Administration Account**

**Financial Statements**

For the year ended 31 December 2007

- Appendix A** - Balance Sheet
  - Appendix B** - Statement of Revenues and Expenses
  - Appendix C** - Statement of Total Recognised Gains and Losses
  - Appendix D** - Statement of Cash Flows
  - Appendix E** - Notes to the Financial Statements
- Report of the External Auditor
- Appendix F** - Statement of Resources Available for Commitment

The Notes to the Financial Statements (Appendix E) form an integral part of the Financial Statements.

# Global Mechanism of the UN Convention to Combat Desertification Core Budget Administration Account

**Balance Sheet**

Appendix A

As at 31 December 2007 and 2006 (expressed in United States dollars)

	2007	2006
<b>Assets</b>		
Cash	-	285 078
Contributions receivable (Note 3)	1 401 965	1 128 125
Provisions on Contributions Receivable (note 2 - c)	(449 768)	-
Interfund receivables (Note 4)	69 500	1 185 199
Other receivables	37 617	45 294
<b>Total Assets</b>	<b>1 059 314</b>	<b>2 643 696</b>
<b>Liabilities and equity</b>		
Payables and liabilities (Note 5)	806 762	635 495
Interfund payables (Note 4)	739 327	1 689 922
Deferred contribution revenues (Note 3)	-	399 604
Retained earnings	(486 775)	(81 325)
<b>Total Liabilities and equity</b>	<b>1 059 314</b>	<b>2 643 696</b>

# Global Mechanism of the UN Convention to Combat Desertification

## Core Budget Administration Account

Appendix B

### Statement of Revenues and Expenses

For the years ending 31 December 2007 and 2006 (expressed in United States dollars)

	2007	2 006
<b>Revenues</b>		
Operational revenues	2 528 284	2 007 782
Exceptional revenues on receivables (Note 2 – c)	96 266	-
Impact of foreign exchange rate movements	(110 969)	(74 737)
<b>Total Revenues</b>	<b>2 513 581</b>	<b>1 933 045</b>
<b>Operating Expenses</b>		
Staff salaries and benefits (Note 6)	(2 296 294)	(1 792 407)
Consultants and other non-staff costs	-	(53 513)
Office and general expenses	(15 279)	(7 555)
Service charges	(157 680)	(153 200)
Bank charges	(10)	(1 107)
Provisions on receivables	(449 768)	-
<b>Total Operating Expenses</b>	<b>(2 919 031)</b>	<b>(2 007 782)</b>
<b>Total Revenues less Operating Expenses</b>	<b>(405 450)</b>	<b>(74 737)</b>

# Global Mechanism of the UN Convention to Combat Desertification Core Budget Administration Account

## Statement of Total Recognised Gains and Losses

Appendix C

For the years ended 31 December 2007 and 2006 (expressed in United States dollars)

	Total Retained Earnings
Retained Earnings as at 1 January 2006	(6 588)
Total revenues less operating expenses	(74 737)
<b>Retained Earnings as at 31 December 2006</b>	<b>(81 325)</b>
Total revenues less operating expenses	(405 450)
<b>Retained Earnings as at 31 December 2007</b>	<b>(486 775)</b>

**Global Mechanism of the UN Convention to Combat Desertification  
Core Budget Administration Account**

Statement of Cash Flows

Appendix D

For the years ended 31 December 2007 and 2006 (expressed in United States dollars)

	2007	2006
<b>Cash flows from operating activities</b>		
Contributions to Core Budget Administration Account	1 951 096	2 004 723
Payments of operating and administrative expenses	(2 404 684)	(2 044 223)
Payments from / (to) other funds	64 573	(1 460 559)
Other income	103 937	-
<b>Net cash flows used in operating activities</b>	<b>(285 078)</b>	<b>(1 500 059)</b>
Effects of exchange rate movements on cash	-	59
<b>Net decrease in cash</b>	<b>(285 078)</b>	<b>(1 500 000)</b>
<b>Cash at beginning of year</b>	<b>285 078</b>	<b>1 785 078</b>
<b>Cash at end of period</b>	<b>-</b>	<b>285 078</b>

# Global Mechanism of the UN Convention to Combat Desertification Core Budget Administration Account

Appendix E

## Notes to the Financial Statements

### Note 1: Brief Description of the Global Mechanism

The United Nations Convention to Combat Desertification (UNCCD) created the Global Mechanism as a means of mobilising resources to protect dryland areas. At the First Conference of the Parties of the UNCCD held in October 1997, IFAD was selected to house the Global Mechanism by a ministerial-level assembly of over 113 countries that had ratified the Convention. The Global Mechanism has a Collaborative Institutional Arrangement to support it, involving UNDP, IFAD and the World Bank. The Managing Director of the Global Mechanism reports directly to the President of IFAD.

The Global Mechanism aims to mobilise funds by enhancing the cost-effectiveness of existing aid flows. The basis for implementation of the Convention comprises national, sub-regional and regional Action Plans. In addition, the Global Mechanism is involved in partnership building; establishing broad contacts among international organisations, the NGO community, research centres, governments, regional development banks, the private sector and individuals committed to combating desertification. Moreover, the Global Mechanism is developing a database, collecting and managing data on desertification and "matching" resource needs and resource availability. Part of this involves accessing new and innovative sources of funds and making them available for Convention implementation.

In order to meet the requirements of individual donors, from 2000, separate financial statements have been prepared for the three accounts of the Global Mechanism, namely the Core Budget Administration Account (CBAA), which contains contributions from the UNCCD; the Voluntary Contributions Administrative Expenses Account (VCAEA), which contains voluntary contributions from donors as well as Technical Assistance Grants (TAG) contributions from IFAD; and the Special Resources for CCD Finance account (SRCF), which contains TAG contributions from IFAD and contributions from other donors.

### Note 2: Summary of Significant Accounting and Related Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

#### (a) Basis of Preparation

The Financial Statements of the Global Mechanism are prepared in accordance with International Financial Reporting Standards (IFRS). Revenues and expenses are recognised as they occur and reported in the period to which they relate. The excess of revenues over expenses is transferred to the retained earnings and to date all the amounts have related to foreign exchange rate movements.

#### (b) Administrative and Operating Expenses, including Service Charge

The President's Bulletin - Accounts of the Global Mechanism (GM) of 4 October 1999, defines the use of funds in the following way: the CBAA is used for administrative costs of GM such as staff and office costs. It can also be used for operating costs directly relating to GM such as (a) employment of consultants to prepare action plans; (b) marketing functions of the GM; and (c) organisation of financing conferences.

In 2007, as previously, operating expenses have been financed from the contributions received from the UNCCD, as permitted by the terms of the related letter of agreement.

The service charge has been charged to the CBAA in accordance with IFAD's rules and regulations.

#### (c) Donor Contributions

Contributions are recorded in receivables and as resources available on the date of receipt of formal communication from the Donor or actual receipt of funds, whichever occurs earlier. Contributions received and interest earned thereon, where specified in the donor agreements, are recorded as revenue in the period in which the related expenditures occur. Contributions for which no direct expenditures have yet been incurred are deferred until future periods to be matched against the related costs. In 2007 the receivable contribution increased of USD 96 266 as result of a reconciliation exercise between GM and UNCCD.



## Global Mechanism of the UN Convention to Combat Desertification Core Budget Administration Account

### (d) Translation and Conversion of Currencies

IFAD, on behalf of the Global Mechanism, conducts its operations in several currencies, and at the present time maintains its accounting records in United States dollars. The Financial Statements are expressed in United States dollars solely for the purpose of summarising the financial position.

The Global Mechanism has translated all items in its Balance Sheet in currencies other than United States dollars at market rates of exchange ruling as at the balance sheet date.

Revenue and expense items in currencies other than the United States Dollar have been recorded at the rates of exchange ruling when the transaction occurred. The exchange adjustments arising from the translation of assets and liabilities in currencies other than the United States dollar are credited or charged to an exchange rate adjustment account and included in the Statement of Revenue and Expenses.

### (e) Provisions

Provisions are established when the Global Mechanism has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. In 2007 a provision of USD 449 768 was set as portion of receivable amounts due for the biennium 2004-2005. UNCCD confirmed the uncertainty for liquidation. Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long service separation entitlements as a result of services rendered by employees up to the balance sheet date.

### (f) Taxation

Under the terms of the agreement between the Parties of the UN Convention and the Agreement Establishing IFAD and the Agreement with the Government of Italy covering the permanent Headquarters of the Fund, the exemptions from any form of direct taxation and social insurance on salaries, emoluments and indemnities paid to IFAD officials apply equally to all employees of the organisation including those working for the Global Mechanism.

### (g) Resources Available for Commitment

Resources available for commitment are those resources that have been contributed by UNCCD. Uncommitted resources available are the aforementioned resources less any commitments made for budgetary purposes that do not constitute expenses or accruals for accounting purposes. Contrary to the previous year, the amount of receivable is displayed with reference to each specific biennium to which it is related.

In practice, resources available may be defined as cash, amounts receivable from UNCCD less liabilities and balances owed to IFAD and other funds administered by IFAD.

### Note 3: Statement of Contributions and Deferred Revenue

Donor	USD	Received		Receivable	Recognised	Recognised	Deferred
		Received	in 2007		Revenues	in year	Revenues
UNCCD 1999	986 974	986 974		-	725 686		261 288
UNCCD 2000	1 404 000	1 093 400	310 600	-	1 418 621		(14 621)
UNCCD 2001	1 458 000	1 336 400	50 546	71 054	1 499 141		(41 141)
UNCCD 2002	1 876 284	1 200 200		676 083	1 794 067		82 217
UNCCD 2003	1 930 284	1 570 000		360 284	2 152 115		(221 831)
UNCCD 2004	1 969 920	1 603 743		366 177	1 881 744		88 176
UNCCD 2005	2 027 160	2 701 000		(673 840)	1 842 062		185 098
UNCCD 2006	2 068 200	2 004 723		63 477	2 007 782		60 418
UNCCD 2007	2 128 680	-	1 589 950	538 730	2 528 284	2 528 284	(399 604)
<b>Balance at 31 December 2007</b>	<b>15 849 502</b>	<b>12 496 440</b>	<b>1 951 096</b>	<b>1 401 965</b>	<b>15 849 502</b>	<b>2 528 284</b>	<b>-</b>
Balance at 31 December 2006	13 720 822	12 592 697		1 128 125	13 321 218	2 007 782	399 604

In 2007 a provision of USD 449 768 was made to partially cover old outstanding receivables.

## Global Mechanism of the UN Convention to Combat Desertification Core Budget Administration Account

### Note 4: Interfund Receivables and Payables

Interfund receivables and payables represent receivables due from/payables due to IFAD and other GM funds, during the course of operations.

### Note 5: Payables and Liabilities

This comprises the following balances, in terms of US dollars:

	2007	2006
Staff salaries and benefits	794 044	521 645
Duty travel	4 619	56 615
Consultants	-	22 430
Administrative expenditures	8 099	34 805
<b>Total</b>	<b>806 762</b>	<b>635 495</b>

### Note 6: Staff Salaries and Benefits

The Global Mechanism-CBAA had 15 employees as at 31 December 2007 (31 December 2006: 14 employees). These employees are on IFAD's payroll and are therefore part of the benefit system offered by IFAD. These benefits include the participation in the United Nations Joint Staff Pension Fund and in the After Service Medical Coverage administered by FAO.

IFAD charges the Global Mechanism for the costs incurred on behalf of the employees of the Global Mechanism.

### Note 7: Net Foreign Exchange (Losses)/Gains

The movements in the foreign exchange rate account are explained as follows, in terms of US dollars:

	2007	2006
As at 1 January	(81 325)	(6 588)
Net foreign exchange rate movements:	(110 969)	(74 737)
As at 31 December	(192 294)	(81 325)

The International Fund for Agricultural Development (IFAD)  
as Administrators for the Global Mechanism of the UN Convention  
to Combat Desertification (the Global Mechanism)  
Rome

We have audited the accompanying financial statements (Appendices A through E) of the Core Budget Administration Account of the Global Mechanism as at and for the year ended 31 December 2007. These financial statements are the responsibility of the Global Mechanism's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Core Budget Administration Account of the Global Mechanism as at 31 December 2007, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Rome, 15 April 2008

PricewaterhouseCoopers SpA

  
John McQuiston  
(Partner)

Global Mechanism of the UN Convention to Combat Desertification  
Core Budget Administration Account

Appendix F

Statement of Resources Available for Commitment

As at 31 December 2007 and 2006 (expressed in United States dollars)

	2007	2006
Cash	-	285 078
Contributions receivable	1 401 965	1 128 125
Provisions on Contributions Receivable	(449 768)	
Interfund receivables	69 500	1 185 199
Other receivables	37 617	45 294
	<b>1 059 314</b>	<b>2 643 696</b>
Less: Payables and liabilities	(806 762)	(635 495)
Interfund payables	(739 327)	(1 689 922)
	<b>(1 546 089)</b>	<b>(2 325 417)</b>
<b>Resources Available for Commitment (Note 2(h))</b>	<b>(486 775)</b>	<b>318 279</b>

<b>Note to Resources Available for Commitment</b>	<b>2007</b>	<b>2006</b>
Resources available	(486 775)	318 279
Cumulative retained earnings	486 775	81 325
Deferred contribution revenues (Note 3)	-	399 604