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Programme and budget
Financial performance for the Convention trust funds

Audited financial statements for the Convention trust funds for the year ended at 31 December 2020, including the report of the United Nations Board of Auditors

Note by the secretariat

Summary

In accordance with section 21 of the financial rules of the Conference of the Parties, its subsidiary bodies and the Convention secretariat (decision 2/COP.1 and as amended by decision 10/COP.13), the secretariat shall provide the Parties with a final audited statement of accounts for each year of the financial period.

This document contains the audited financial statements of the United Nations Convention to Combat Desertification for the biennium ended 31 December 2020, issued as received without formal editing and with the original pagination.

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BOARD OF AUDITORS

TEL.: 1 (212) 963.5623

23 July 2021

Dear Mr. Thiaw,

Subject: UN Board of Auditors' report on UNCCD

I am pleased to enclose a signed copy of the United Nations Board of Auditors' report on the United Nations Convention to Combat Desertification (UNCCD) and its audited financial statements ending 31 December 2020.

Sincerely Yours,

Anjana Das
Executive Secretary

Mr. Ibrahim Thiaw
Executive Secretary
Secretariat of the United Nations Convention
to Combat Desertification (UNCCD)
Paris, France

cc: Mr. Lyndle Lindow
Mr. Somarajan Pillai
Mr. Christophe Monier

United Nations

Report of the United Nations Board of Auditors on the financial statements of the United Nations Convention to Combat Desertification

for the year ended 31 December 2020

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the United Nations Convention to Combat Desertification (UNCCD) which comprise the statement of financial position (statement I) as at 31 December 2020 and the statement of financial performance (statement II), statement of changes in net assets (statement III), cash flow statement (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNCCD as at 31 December 2020, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of UNCCD in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the Financial Statements and Auditor's Report thereon

The UNCCD Executive Secretary is responsible for the other information. The other information comprises the financial report for the year ended 31 December 2020 included in Chapter IV, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing UNCCD's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate UNCCD or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing UNCCD's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UNCCD's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

(d) Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on UNCCD's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNCCD to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant weaknesses in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UNCCD that have come to our notice or that we have tested as part of our audit have been, in all significant respects, in accordance with the Financial Regulations and Rules of UNCCD and legislative authority.

In accordance with Article VII of the United Nations Financial Regulations and Rules, we have also issued a long-form report on our audit of UNCCD.

Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

Kay **Scheller**
President of the German Federal Court of Auditors
(Lead Auditor)

Hou Kai
Auditor General of the People's Republic of China

22 July 2021

Chapter II

Long-form Report of the Board of Auditors

Summary

The United Nations Convention to Combat Desertification (UNCCD) was established in 1994 and is the binding international agreement linking environment and development to sustainable land management. The Board of Auditors (Board) audited the financial statements and reviewed the operations of UNCCD for the year ended 31 December 2020. The Board conducted the final audit of the financial statements remotely due to the COVID-19 pandemic.

Audit opinion

The Board has issued an unqualified audit opinion on the financial statements for the period under review as reflected in Chapter I.

Overall conclusion

On 31 December 2020, UNCCD fund balances and reserves amounted to $5.2 million (2019: $2.1 million, 2018: $6.9 million). In 2020, UNCCD recognized a surplus of $3.6 million (in 2019: $3.9 million, in 2018: $1.6 million).

For 2020, UNCCD received 82 per cent of indicative contributions. The Board noted that UNCCD recovered from the low receipt of indicative contributions in 2019 (only 68 per cent).

The 2020 financial statements were presented for audit on 31 March 2021. The Board noted that indicative contributions receivable as at 31 December 2020 were overstated by $0.7 million due to errors in the calculation of revaluation gains/(losses) and the provision for doubtful receivables.

Furthermore, the Board found that non-current voluntary contributions receivable amounting to $3.2 million were presented as current assets and $1.9 million of direct grant expenses were erroneously posted to contractual services. UNCCD rectified these errors.

The Board found certain areas for further improvement such as for low value acquisition, the monitoring of the delegation of authority, terms of reference related to consultancies and the adherence to recommended practice guidelines published by the IPSAS Board that merit attention.

The Board noted that out of the 21 outstanding recommendations up to the year ended 31 December 2019, only 9 (43 per cent) had been implemented, 8 (38 per cent) were under implementation and 4 (19 per cent) were not implemented.

Key findings

Calculation of indicative contributions receivable revaluation and provision for doubtful receivables

Revaluation gains/(losses) on indicative contributions receivable were automatically calculated based on distorted information recorded in Umoja. Furthermore, the calculation of a provision for doubtful indicative contributions receivable did not consider revaluation gains/(losses). UNCCD rectified these errors and revised its financial statements for the year ended 31 December 2020 and the notes thereto.

Sustainability of programme support revenue

Cash, cash equivalents and investments in the "Special account for UNCCD programme support costs" declined from $492,090.12 on 1 January 2020 to $108,685.81 on 31 December 2020 and continued to decline in 2021. Programme support costs have been reduced significantly due to the COVID-19 pandemic as meetings and workshops were held virtually.

Conflict of interest

Conflict-of-interest statements require the awareness and the action taken by the staff members. Conflict-of-interest cases which have not been disclosed and may lead to disciplinary measures still occur year by year. To ensure that possible damage for the organization caused by staff who find themselves in a conflict of interest is kept to a minimum, the Board is of the opinion that regular and continuous training is important in order to facilitate understanding, comprehension and application for staff members.

The Board noted that the risk of conflict of interest had not been integrated into the risk register.

Monitoring delegation of authority

UNCCD issued the Executive Secretary's bulletin (ESB/2021/1), which establishes the delegation of authority for the secretariat in the administration of the Staff Regulations and Rules and the Financial Regulations and Rules of the United Nations. The monitoring of delegation of authority is embedded in the bulletin but key performance indicators have not yet been defined.

Videoconferencing software

UNCCD used a videoconferencing software, which had not been needed prior to the pandemic. UNCCD had not been aware of the guidance of the Office of Information and Communications Technology, which considers the use as critical for information security.

Use of low value acquisition

UNCCD has carried out 47 purchases by using low value acquisition during 2020. Deficiencies were found with regard to supporting documentation in digital format uploaded to the Enterprise Resource Planning system used (Umoja).

Key recommendations

The Board recommends that UNCCD:

Calculation of indicative contributions receivable revaluation and provision for doubtful receivables

(a) Analyse open items of indicative contributions receivable to match EUR receivables and payments in other currencies;

(b) Liaise with the Umoja finance team to improve the automated matching of incoming payments to related receivables denominated in other currencies;

Sustainability of programme support revenue

(c) Continue to closely monitor programme support revenue and analyse the development of cash, cash equivalents and investments in fund 62ZQA "Special account for UNCCD programme support costs";

(d) Identify potential measures to ensure financial sustainability of fund 62ZQA "Special account for UNCCD programme support costs", i.e. that programme support revenue remains sufficient to cover personnel expenses in the fund;

Conflict of interest

(e) Strengthen the orientation training for new staff members to raise awareness among staff on the obligation to disclose any situation of possible conflict of interest, to mitigate such actual or perceived conflicts and to request prior authorization before engaging in outside activities;

(f) Integrate the risk of conflict of interest of their staff members into the risk register;

Monitoring delegation of authority

(g) Define key performance indicators to monitor that delegated authorities are exercised in an efficient and competent manner and with integrity;

Videoconferencing software

(h) Evaluate if the videoconferencing software is considered indispensable and either take measures to increase information security to the point where the remaining risk becomes tolerable or terminate the use immediately;

Low value acquisition

(i) Review its processes for low value acquisition to make improvements in using as few processing steps as possible, eliminating media disruptions to the greatest extent possible and improving the availability of supporting documentation.

Previous recommendations

The Board noted that out of the 21 outstanding recommendations up to the year ended 31 December 2019, only 9 (43 per cent) had been implemented, 8 (38 per cent) were under implementation and 4 (19 per cent) were not implemented. Details of the status of implementation of these recommendations are presented in annex I to this report.

The Board is concerned about the further decrease in the implementation rate: while the Board found that UNCCD implemented 70 per cent of the recommendations in 2017 and still half of the recommendations in 2018, the rate dropped to 43 per cent for the recommendations in 2019. Hence, for the first time, the rate of recommendations not implemented was higher than the rate of recommendations implemented.

Key facts

$19.22 million	Revenue
$15.62 million	Expenses
$3.60 million	Surplus for the year
$39.76 million	Assets
$34.52 million	Liabilities
$5.24 million	Fund balance and reserves
€8.22 million	Core budget
72	Staff

A. Mandate, scope and methodology

1. The United Nations Convention to Combat Desertification (UNCCD) was established in 1994 and is the binding international agreement linking environment and development to sustainable land management. Currently, the Convention has 197 parties. The work of UNCCD is facilitated by its secretariat located in Bonn, Germany. Established under the Convention as an operational arm, the Global Mechanism provides advisory services and works together with developing countries, private sector and donors to mobilize substantial resources for the implementation of UNCCD.

2. The Board of Auditors (Board) has audited the financial statements of UNCCD and reviewed its operations for the year ended 31 December 2020 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with Article VII of the Financial Regulations and Rules of the United Nations and the annex thereto and in accordance with the International Standards on Auditing (ISAs). These standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNCCD as at 31 December 2020 and the results of its operations and cash flows for the financial year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations and IPSAS. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to auditing the accounts and financial transactions, the Board carried out reviews of the UNCCD operations under United Nations financial regulation 7.5. This enables the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of UNCCD operations. The Board also followed up on its previous recommendations.

5. The audit was carried out remotely from 25 to 29 January 2021 and from 6 to 30 April 2021 due to the COVID-19 pandemic. This included the final audit of the financial statements. The examination of UNCCD included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of our examination.

6. The findings and observations should not be regarded as representing a comprehensive statement of all the weaknesses which may exist in the financial and management systems at UNCCD, or as identifying all improvements which could be made to the systems and procedures.

7. The Board's observations and conclusions were discussed with the UNCCD secretariat whose views are appropriately reflected in the report.

B. Follow-up of previous recommendations and findings

1. Previous recommendations

8. The Board noted that out of the 21 outstanding recommendations up to the year ended 31 December 2019, only 9 (43 per cent) had been implemented, 8 (38 per cent) were under implementation and 4 (19 per cent) were not implemented. Details of the status of implementation of these recommendations are presented in annex I to this report.

9. The Board is concerned about the further decrease in the implementation rate: while the Board found that UNCCD implemented 70 per cent of the recommendations in 2017 and still half of the recommendations in 2018, the rate dropped to 43 per cent for the recommendations in 2019. Hence, for the first time, the rate of recommendations not implemented was higher than the rate of recommendations implemented.

2. Impact of COVID-19

10. Since the outbreak of COVID-19 has been declared a global pandemic by the World Health Organization on 11 March 2020, it has shaken the world and has not yet come to an end. This global public health crisis has required and continues to require significant adjustments to the operations of the United Nations Common System organizations worldwide.

11. On 31 March 2020, the Secretary-General launched the United Nations COVID-19 Response and Recovery Multi-Partner Trust Fund (COVID-19 MPTF), which is a United Nations inter-agency finance mechanism aimed at supporting low- and middle-income programme countries in overcoming the health and development crisis caused by the pandemic. The United Nations COVID-19 MPTF helps finance the three objectives of the United Nations Secretary-General's Call for Solidarity, a plea for global action to stop the COVID-19 pandemic and the suffering it has caused. The Call's objectives are to 1) tackle the health emergency; 2) focus on the social impact, and the economic response and recovery; and 3) help countries recover better.

12. UNCCD follows the guidance of the Crisis Response Team (CRT), which comprises representatives of WHO and United Nations organizations based in Bonn, namely the Chair of the Representatives of Agencies (UNFCCC), United Nations Volunteers as Designated Official and UNCCD. The CRT was established to make decisions on the United Nations Bonn Campus, including how best to maintain a safe environment for staff working on the Campus.

13. UNCCD established its own working group to advise the Executive Secretary and Management on the situation of staff and COVID-19. UNCCD posted information to Parties on the website and informed the UNCCD Conference of Parties (COP) Bureau on the situation of the secretariat and its staff with respect to dealing with the pandemic. UNCCD sent messages to all UNCCD staff about how to work from home with the tools provided. The Executive Secretary complemented these messages by sending a memorandum to all staff about working from outside the duty station.

14. Since 2010, UNCCD has been moving towards working remotely by replacing desktops with laptops and docking stations. UNCCD had moved to MS Office 365, including migration to Outlook, Sharepoint and MS Teams prior to the outbreak of the virus, which put the organization in a good position to immediately work from outside the office.

15. UNCCD revised its work programme to align its priorities to the situation in order to address anticipated new/revised priorities of Parties. In general, those activities which were well underway and for which the COVID-19 pandemic was no particular obstacle continued as planned even if they did not fall under the priorities identified. Furthermore, due to the travel restrictions and related difficulties for advance

planning, all meetings, training courses and similar tasks planned for 2020, which would involve face-to-face gatherings, were either held online or postponed to 2021. If an online meeting or postponement was not possible, the activity was either cancelled or significantly modified. In some instances, implementing partners had to delay implementation of activities due to lockdowns.

16. The secretariat remained almost fully operational. Nevertheless, COVID-19 presented a challenge to staff and the operations of UNCCD, requiring all staff to work from home and think differently about how to meet the tasks in the work programme. With travel coming to a halt, virtual meetings became the norm. UNCCD managed to recruit new staff and consultants and moved to organizing and sharing files on the intranet and by email to manage the secretariat's processes.

17. Administrative processes were streamlined. Nonetheless, internal controls as set up in Umoja remained in place and unchanged. Prior to the outbreak of the virus, UNCCD had already moved to electronic approval of travel by unit heads with the head of administration serving as certifying officer. These approvals are permitted on the basis of the Executive Secretary's approval of the travel plan for the period. With regard to consultants, the same procedure was applied.

18. Regarding the financial aspect, operating and other direct costs were with $0.59 million lower than expected as there were mainly reduced requirements for contracted services and rental expenses. Travel was understandably infrequent in 2020, which resulted in a significant decrease by more than $3 million from $3.3 million to $0.06 million.

19. With the outbreak of COVID-19, especially the overall payment of indicative contributions has been a concern. Nevertheless, out of the top 20 contributors to the UNCCD core budget, which represents 83 per cent of all indicative contributions, 18 Parties had paid their contributions for 2020. Overall, the secretariat received 82 per cent of indicative contributions for 2020, which is a significant improvement compared to 68 per cent of indicative contributions for 2019 received in 2019.

20. The core budget, as well as extrabudgetary funds, will most likely continue to accumulate savings under travel and any other category related to physical meetings, such as the costs of meeting venues, catering and printing services.

3. Financial overview

Revenue and expenses

21. The Board noted that revenue from indicative and voluntary contributions amounted to $18.0 million in 2020 ($22.3 million in 2019) and represented 94 per cent of all revenue totalling $19.2 million ($23.0 million in 2019). As the additional amount of $3.8 million in 2019 was mainly due to voluntary multi-year contributions disclosed with the signature date of the agreement in line with IPSAS 23, total revenue for 2020 represents an average amount of revenue recorded for previous years when no considerable extra-funding had to be disclosed.

22. UNCCD's total expenses for 2020 ($15.6 million) decreased by $3.5 million compared to the expenses for 2019 ($19.1 million). This decrease is related to almost no travel expenses which normally represent the second major expense category after the expense category of personnel costs. In 2020, travel was understandably infrequent, thus travel expenses reached $0.06 million only (see chapter B.2 – Impact of COVID-19) instead of an average amount close to $2 million in years with a COP session, and close to $3 million in years without a COP session.

23. Table 1 below presents an overview covering a three-year period from 2018 to 2020. The table shows changes and trends within revenue and expenses, and also for the balance sheet categories.

Table 1: Overview covering the years 2018-2020

(in $ million)	2020	2019	2018 (restated)	Increase/(decrease) in % 2019 to 2020	2018 to 2019
Revenue	**19.2**	**23.0**	**19.4**	(16.4)	18.6
Expenses	**15.6**	**19.1**	**17.8**	(18.1)	7.5
Surplus	**3.6**	**3.9**	**1.6**	(7.9)	138.4
Assets	**39.8**	**35.1**	**30.4**	13.2	15.7
Liabilities	**34.5**	**33.0**	**23.5**	4.5	40.7
Fund balance and reserves	**5.2**	**2.1**	**6.9**	152.7	(69.8)
Personnel expenses	**10.2**	**10.9**	**10.2**	(6.5)	6.8

Source: Own calculations based on the UNCCD financial statements for 2020, 2019, 2018 (restated).

24. During the last years, the number of staff remained steady at low seventies (in 2020: 72, in 2019: 71, in 2018: 73) which is reflected by the stable amount for personnel expenses of about $10 million. Whereas the number of consultants and individual contractors further decreased by more than one third (38.4 per cent) from 154 in 2019 to 95 in 2020 (and has almost halved since 2018 from 178), the average costs per single contract slightly increased.

Assets and liabilities

25. For assets, the Board noted a further significant increase of total assets by $4.7 million compared to 2019. Hence, assets increased by almost one third in the 24-month period (year-end 2018 to year-end 2020) from $30.4 million to $39.8 million. The changes in the 2020 assets compared to the 2019 assets mainly stemmed from an increase of current and non-current voluntary contributions receivable by $4.2 million, and of cash and investments by $1.0 million.

26. For liabilities, the Board noted a slight increase by 4.5 per cent. In particular, the 2020 non-current employee benefit liability was $1.9 million higher compared to 2019 whereas other current liabilities decreased by $0.3 million. The latter related to a provision for litigation disclosed in 2019 which was finally settled in 2020.

27. Table 2 presents key financial ratios. They indicate that UNCCD's current liquidity has increased as at 31 December 2020 compared with previous years. Moreover, its overall solvency (total assets: total liabilities) has recovered.

Table 2: Ratio analysis

Ratio	*31 Dec 2020*	*31 Dec 2019*	*31 Dec 2018 (restated)*	*31 Dec 2017*
Assets-to-liabilities ratio[a] Total assets : total liabilities	1.15	1.06	1.29	1.38
Current ratio[b] Current assets : current liabilities	10.59	9.38	7.97	3.75
Quick ratio[c] (Cash + short-term investments + accounts receivable): current liabilities	10.48	9.25	7.85	3.70
Cash ratio[d] (Cash + short-term investments) : current liabilities	7.01	6.32	6.26	2.56

Source: Own calculations based on the UNCCD financial statements for 2020, 2019, 2018 (restated) and 2017

[a]A high ratio is a good indicator of solvency.

[b]A high ratio indicates an entity's ability to pay off its current liabilities.

[c]The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

[d]The cash ratio is an indicator of an entity's liquidity. It serves to measure the amount of cash, cash equivalents or invested funds available in current assets to cover current liabilities.

28. The Board recognized that UNCCD's solvency at year-end 2020 had recovered from previous year's decrease. The ratio increased to 1.15 in 2020. In 2019, the ratio was close to 1.00 due to adjusted non-current employee benefit liabilities. A ratio of 1.00 or less may indicate an entity's inability to meet its overall obligations. In addition, the financial position of UNCCD at year-end 2020 shows that fund balances and reserves had recovered from the significant decrease at year-end 2019, and almost reached the amount of previous years' fund balances and reserves (in 2018: $6.9 million, in 2017: $8.6 million).

29. According to the current ratio, the quick ratio and the cash ratio, UNCCD's current liquidity further enhanced. The strengthened current liquidity mainly evolved from voluntary contributions recognized as an asset in the first year of the respective multi-year agreement but also from shifting amongst cash and investments categories (see table 3).

Table 3: Development of investments during the years 2017-2020 (in $ million)

Source: Own calculations based on the UNCCD financial statements for 2020, 2019, 2018 and 2017

30. Compared to 2019, investments increased from $18.3 million to $23.2 million. Short-term investments increased by 25 per cent whereas long-term investments even increased by 32 per cent. However, cash decreased in favour of investments by $3.9 million. The shift between investments and cash continued as in prior years. As cash and investments are managed by United Nations Treasury, this is outside the control of UNCCD.

Outstanding indicative contributions

31. UNCCD received indicative contributions from parties that are equivalent to assessed contributions received by the United Nations. For 2020, UNCCD received 82 per cent of indicative contributions. The Board noted that UNCCD recovered from the low receipt of indicative contributions in 2019 (only 68 per cent). Furthermore, the Board acknowledged UNCCD's steady receipt of indicative contributions despite a possible COVID-19 impact on parties' willingness to meet their obligations towards UNCCD.

32. Over the last two bienniums, the provision for doubtful indicative contributions receivable increased from $1.6 million in 2016 to $1.9 million in 2019. In 2020, the first year of the current biennium, the provision for doubtful indicative contributions receivable remained stable at $1.9 million. Since some of the parties had paid off outstanding indicative contributions, total indicative contributions receivable past due decreased by $0.5 million.

33. At least since 2008, 23 parties have been in arrears, 16 parties have never paid any indicative contribution to UNCCD. 13 parties out of those in arrears since 2008 are recognized as Least Developed Countries (LDC). Only in rare cases, parties in arrears had paid shares of the past due contributions from time to time. One of the parties in arrears is a major contributor who almost pays its entire indicative contributions but normally not the full amounts calculated on the scale of assessment.

Net assets by fund

Table 4: Net assets/(liabilities) by fund

(Amounts in $ million)	**Net assets/ (liabilities)** as at 31 Dec 2020	**Employee benefit liabilities** as at 31 Dec 2020	**Revenue** in 2020	*thereof indicative contributions revenue*	*thereof voluntary contributions revenue*
Trust fund for Convention events organized by the UNCCD secretariat (BMA)	**1.07**	0.00	0.60	-	*0.60*
Trust fund for voluntary financing of the UNCCD Global Mechanism (GMZ)	**12.24**	0.00	2.57	-	*1.93*
Trust fund for the participation of representatives of state parties in the session of the UNCCD Conference (UVA)	**0.16**	-	0.06	-	*0.06*
Trust fund for voluntary financing of activities under the UNCCD (UWA)	**14.33**	0.01	6.96	-	*6.68*
Trust fund for the core budget of the UNCCD (UXA)	**(13.05)**	20.87	9.28	*8.46*	*0.60*
Special account for UNCCD programme support cost (ZQA)	**(11.33)**	11.46	1.67	-	-
UNCCD cost recovery under home country agreement (ZHC)	**1.83**	-	(0.24)	-	*(0.28)*
Eliminations	-	-	(1.66)	-	-
Total	**5.24**	32.35	19.22	*8.46*	*9.59*

Source: Own calculations based on the UNCCD financial statements for 2020; statement of financial position by fund and statement of financial performance by fund

34. The Board recognized an increase in the net assets at year-end 2020 compared to 2019. The increase of $3.2 million to $5.2 million was primarily driven by the net result for 2020.

35. The "Trust fund for the core budget of the UNCCD" (UXA) and the "Special account for UNCCD programme support cost" (ZQA) bear a large portion of the employee benefit liabilities. These funds show high net liabilities as only after-service health insurance liabilities related to extrabudgetary activities are at least partially funded. For this purpose, an accrual rate of 3 per cent has been applied on the sum of gross salary and post adjustment since 2017.

36. On the other hand, UNCCD funds, which are primarily composed of voluntary contributions, show high net assets. IPSAS 23 stipulates that revenue from voluntary contributions, including multi-year agreements, is regularly recognized upon signing of donor agreements. A liability is only recognized if the requirements for UNCCD under these agreements meet certain criteria (note 3 to the financial statements).

4. RPG 2 "Financial Statement Discussion and Analysis"

37. The International Public Sector Accounting Standards Board's (IPSAS Board) Recommended Practice Guideline (RPG2) provides guidance on preparing and presenting financial statement discussion and analysis. The purpose of the financial statement discussion and analysis is to assist users to understand the financial position, financial performance and cash flows presented in the general-purpose financial statements. This guidance contributes to the objective of IPSAS to provide information about the entity that is useful to users of the financial reporting for accountability purposes and for decision-making.

38. Adherence to RPG 2 is not mandatory to comply with IPSAS. However, reporting in accordance with RPG 2 represents good practice.

39. The Board compared the information under UNCCD financial report on the accounts (Chapter IV) for 2020 with the requirements of RPG 2. The Board found that, with the financial report, UNCCD provided a summary of financial statements for the year, including some analysis of important figures and trends over time as well as a discussion of actual versus budgeted expenses. In order to avoid duplicate information, UNCCD briefly delivers some essential entity information on governance, mandate, mission and vision under Chapter V, Note 1: The Reporting Entity.

40. However, UNCCD could provide broader information on the mandate or accountability system as that would add value to readers.

41. The United Nations implemented IPSAS to reduce accounting diversity and facilitate inter-agency comparisons (A/66/379). The Board is of the opinion that the adoption of a format aligned with RPG 2 on financial statement discussion and analysis sections amongst United Nations entities would improve the comparability of United Nations entities' financial reporting. It would also enhance user-friendliness. UNCCD should adapt its financial reporting accordingly.

42. **The Board recommends that UNCCD review its financial statement discussion and analysis to improve adherence to the IPSAS Board's RPG2.**

43. *UNCCD accepts the recommendation.*

5. Calculation of indicative contributions receivable revaluation and provision for doubtful receivables

44. UNCCD presents indicative contributions receivable as a combination of gross receivables, revaluation gains/(losses) and a provision for doubtful receivables.

45. Revaluation gains/(losses) are the result of an automated Umoja process that uses document currency and local currency information of open items. The provision for doubtful receivables is calculated from a manual ageing analysis of gross receivables. The Board understands from discussions with UNCCD finance that due dates recorded in Umoja are considered to be unreliable, especially due to weaknesses in matching incoming USD payments to EUR receivables.

46. The Board shares UNCCD finance's view that the distribution of open items of gross receivables recorded in Umoja across posting periods and document currencies is implausible. A breakdown of open items of indicative contributions receivable by posting date shows negative net receivable balances for various years. Furthermore, USD credit balances in years for which only EUR receivables were recorded indicate that USD payments were not matched to receivables denominated in EUR correctly. Therefore, the Board holds that also revaluation gains/(losses) automatically calculated by Umoja were distorted. To the extent, USD payments were not properly matched to EUR receivables, and

revaluation gains/(losses) for these receivables were calculated although they had already been offset.

47. The Board concurs with the decision of UNCCD finance to calculate the provision for doubtful receivables from a manual ageing analysis of indicative contributions receivable. However, UNCCD fully or partially provided for indicative contributions receivable overdue for more than three years but related revaluation gains/(losses) were still included in total contributions receivable presented on the face of the financial statements.

48. The Board performed an indicative recalculation of revaluation gains/(losses) and the provision for doubtful receivables as at 31 December 2020 based on the manual ageing analysis prepared by UNCCD finance to calculate the provision for doubtful receivables. Estimated net indicative contributions receivable were approx. $2.9 million compared to $3.6 million initially presented on the face of the financial statements.

49. UNCCD reviewed the difference and revised its financial statements for the year ended 31 December 2020 and the notes thereto.

50. **The Board recommends that UNCCD analyse open items of indicative contributions receivable to match EUR receivables and payments in other currencies.**

51. **The Board further recommends that UNCCD liaise with the Umoja finance team to improve the automated matching of incoming payments to related receivables denominated in other currencies.**

52. *UNCCD accepts the recommendations.*

6. Sustainability of programme support revenue

53. UNCCD charges programme support costs (PSC) based on expenses incurred to activities financed from indicative and voluntary contributions. These PSC are collected as programme support revenue in fund 62ZQA "Special account for UNCCD programme support costs". In turn, the fund is used to finance personnel expenses related to various administrative support functions within UNCCD that benefit all programmes of the organization.

54. While the overall liquidity of UNCCD remained robust throughout 2020, cash, cash equivalents and investments in fund 62ZQA declined from $492,090.12 on 1 January 2020 to $108,685.81 on 31 December 2020. In 2021, it further declined to -$57,598.76 on 27 April 2021.

55. UNCCD stated that Management was aware of the financial status of PSC as it was reviewed and monitored regularly. The PSC have been reduced considerably in 2020 since the meetings and workshops were held virtually due to the COVID-19 pandemic. The negative cash level of PSC in April was due to non-posting of the PSC for the month of April 2021 from the core budget. Posting of manual PSC is very cumbersome and therefore UNCCD has decided to post the PSC for the core budget on a quarterly basis, except the last quarter of the year due to the closing of year-end accounts.

56. The Board holds that the established PSC system serves to apportion the cost of administrative support functions according to the financial capacity of the core budget and activities funded by voluntary contributions. Furthermore, the system limits overhead expenditure to amounts already "earned" through programme implementation, thus effectively guarding UNCCD against overspending on overhead. If the balance of cash, cash equivalents and investments in fund 62ZQA remained negative, UNCCD would be obliged to cover the shortfall from its reserves, thus impairing both described functions of the established PSC system.

57. **The Board recommends that UNCCD continue to closely monitor programme support revenue and analyse the development of cash, cash equivalents and investments in fund 62ZQA "Special account for UNCCD programme support costs".**

58. **The Board further recommends that UNCCD identify potential measures to ensure financial sustainability of fund 62ZQA "Special account for UNCCD programme support costs", i.e. that programme support revenue remains sufficient to cover personnel expenses in the fund.**

59. *UNCCD accepts the recommendations.*

7. Conflict of interest

60. The current United Nations Secretariat regulatory framework governing personal conflict of interest stems from several main sources, including specifically the Staff Regulations and Rules, Secretary-General's bulletins, administrative instructions and other relevant administrative issuances as well as the standards of conduct for the international civil service.

61. Pursuant to regulation 1.2 (m) of the United Nations Staff Regulations and Rules (ST/SGB/2018/1), a conflict of interest occurs when, by act or omission, a staff member's personal interests interfere with the performance of his or her official duties and responsibilities or with the integrity, independence and impartiality required by the staff member's status as an international civil servant.

62. When an actual or possible conflict of interest arises, the conflict shall be disclosed by staff members to their head of office, mitigated by the Organization and resolved in favour of the interests of the Organization.

63. The definition of conflict of interest in the Staff Regulations and Rules mainly stems from the written declaration ("Oath of Office") mandated for all staff members under regulation 1.1 (b).

64. The current regulatory framework includes provisions governing actual or potential conflicts of interest arising from financial interests, personal relationships between staff members and other stakeholders, the receipt of honours, decorations, favours, gifts or remuneration by third parties, and parameters addressing conflicting loyalties that may result from outside employment or occupation or other outside activities, including political activities.

65. Financial conflicts of interest may arise when a staff member is tasked to make decisions on behalf of the United Nations that may conflict with the individual's interests, such as personal financial assets or liabilities. The financial disclosure programme, administered by the United Nations Ethics Office, is designed to help staff members recognize, detect and remedy conflicts of interest. Under the financial disclosure programme, participants selected based on their roles and responsibilities are required to complete a confidential online annual disclosure of the assets, liabilities, outside activities and affiliations for themselves, their spouses and dependent children. Pursuant to staff regulation 1.2 (n), the financial disclosure programme basically includes staff members at D-1 level and above. In addition to requiring staff at the D1 level and above to file, Staff Regulation 1.2(n) provides that "The Secretary- General may require other staff to file financial disclosure statements as he or she deems necessary in the interest of the Organization". ST/SGB/2006/6 specifies the "other staff" categories in Section 2 of the Bulletin.

66. Nevertheless, in all cases, staff are at all levels obliged to inform their head of office or department in case of any actual or possible conflict of interest under staff regulation 1.2 (m), regardless of whether or not they are required to file a financial disclosure statement.

67. UNCCD complies with the regulatory Conflict of Interest Framework of the United Nations Secretariat, amongst others with the "Oath of Office" and the financial disclosure programme. In 2020, 10 staff members of UNCCD filed a financial disclosure statement which was sent to the Ethics Office. All staff members at D-1 level and above and all staff members dealing with procurement matters or making decisions with financial implications. Moreover, staff members who are not affected by the financial disclosure programme but inquire about participating in outside activities or seeing a conflict of interest in personal relationships with other staff members are requested to prepare a memo for clearance. In this case, the staff member makes a request in writing to their unit chief. The request will be submitted to the Chief of Administrative Services for review and decision. In cases of no obvious conflict of interest or the continued use of a current arrangement, the Chief of Administrative Services approves the request. Otherwise, in case of doubt, the case is submitted to the Executive Secretary for final decision.

68. In UNCCD's risk register, the risk of conflict of interest, part of the overall category of fraud, has not been included.

69. **The Board recommends that UNCCD integrate the risk of conflict of interest of their staff members into the risk register.**

70. *UNCCD accepts the recommendation.*

71. The 2019 Leadership Dialogue was covering the subject "conflicts of interest". All staff members of UNCCD were required to attend either the dialogue or to confirm their participation in the video presentation. Furthermore, all staff members are supposed to attend the mandatory training on "Ethics and Integrity at the United Nations".

72. New staff members receive the United Nations Staff Regulations and Rules as well as the administrative instruction on outside activities. In addition to these documents, they are informed that they have to seek for approval for any outside activity and for publishing articles. A contact person for further advice is given.

73. The Board acknowledges the preventive measures taken by UNCCD to address conflicts of interest. Financial disclosure and conflict-of-interest statements serve as a measure to mitigate the risk for UNCCD. Nevertheless, conflict-of-interest statements require the awareness and the action taken by the staff member. Conflict-of-interest cases which have not been disclosed and may lead to disciplinary measures still occur each year. Modern organizational life, with its multifaceted working experiences, personal and professional networks, however, can create situations where staff members face conflicting or competing interests that may have an impact on their impartiality. If not appropriately addressed, such conflicts of interest can have a significant and detrimental effect on the reputation and assets of the Organization. As conflict-of-interest situations cannot realistically be avoided in all instances, managing them appropriately becomes a priority. Therefore, the Board sees a need of integrating the risk of conflict of interest into the current risk register.

74. Furthermore, to ensure that possible damage for the organization caused by staff who find themselves in a conflict of interest is kept to a minimum, the Board is of the opinion that regular and continuous training is important in order to facilitate understanding, comprehension and application for staff members.

75. In order to put more attention on the subject, the guidance on "Putting Ethics to Work: A Guide for UN Staff" and the "Conflict of Interest" fact sheet from the Ethics Office could be distributed to new staff members along with the obligation of attending the mandatory ethics training.

76. **The Board recommends that UNCCD strengthen the orientation training for new staff members to raise awareness among staff on the**

obligation to disclose any situation of possible conflict of interest, to mitigate such actual or perceived conflicts and to request prior authorization before engaging in outside activities.

77. *UNCCD accepts the recommendation.*

8. Monitoring delegation of authority

78. The Secretary-General's bulletin on the delegation of authority in the administration of the Staff Regulations and Rules and the Financial Regulations and Rules (ST/SGB/2019/2) is accompanied by an accountability framework which aims at helping heads of entity demonstrate that they are exercising the authorities to '… the highest standards of efficiency, competence, and integrity […]' (United Nations Charter, Article 101.3). The framework defines an initial set of indicators in the areas of human resources, finance, procurement, travel and property management against which the exercise of delegated authority will be monitored.

79. ST/SGB/2019/2 and the accountability framework are not applicable to UNCCD. On 1 April 2021, UNCCD issued the Executive Secretary's bulletin (ESB/2021/1), which establishes the delegation of authority for the secretariat in the administration of the Staff Regulations and Rules and the Financial Regulations and Rules of the United Nations. This delegation of authority is applicable as of 1 April 2021.

80. The bulletin is based on the arrangements for administrative support as set out in the memorandum from the Under-Secretary-General of the Department of Management, dated 22 April 1998; and the principles and framework set out in the Secretary-General's bulletin (ST/SGB/2019/2), dated 17 December 2018.

81. As set out in the bulletin, the purpose of the delegation of authority is to decentralize decision-making, align authorities with responsibilities and strengthen accountability to managers with the necessary managerial authority over human, financial and physical resources to allow for effective mandate delivery.

82. The monitoring of delegation of authority is embedded in the bulletin, section 4 as follows: "The Executive Office will monitor the use of delegated authority, including through the use of key performance indicators, to ensure that the delegates are complying with the applicable legal and policy framework and internal controls".

83. At present, UNCCD has defined main outcomes, outcome indicators and outputs in its two-year workplan. Apart from that, UNCCD has not defined any key performance indicators.

84. The Board notes that the workplan monitors programmatic aspects of UNCCD activities. The Board holds that it would be beneficial if UNCCD monitored how staff exercise delegated authority in the areas of human resources, finance, procurement, travel and property management. UNCCD could use this information to detect inconsistencies, monitor trends and report on how managers exercise the delegated authority.

85. **The Board recommends that UNCCD define key performance indicators to monitor that delegated authorities are exercised in an efficient and competent manner and with integrity.**

86. *UNCCD accepts the recommendation.*

9. Videoconferencing software

87. Videoconferencing software application has seen a significant increase in usage globally following the increase in remote working due to the COVID-19 pandemic. UNCCD stated that the secretariat was using eight accounts, which had not been needed prior to the pandemic.

88. The Office of Information and Communications Technology (OICT) has issued a guidance dated 22 April 2020 which stipulates that the use of the videoconferencing software in the United Nations Secretariat is only authorized to participate in meetings that are organized by third parties. It also stipulated that any derogations had to be requested by submission for consideration. The guidance set a transition period from 22 April to 21 May 2020, during which the use under already purchased licenses may continue. This should enable the organizational unit concerned to move to an approved platform or, if deemed necessary, to apply to OICT for approval of further use for consideration.

89. UNCCD stated that it had not been made aware of the guidance of OICT. UNCCD had the perception that the specific software offered more flexibility with outside partners for the reason that it supported the feature of simultaneous interpretation in meetings with other parties. However, it had also been used internally.

90. UNCCD has no permission to use the videoconferencing software on an exceptional basis and has not applied for an exemption. UNCCD staff members have not been provided with guidance on how to improve information security and data protection when the use seems inevitable.

91. The use involves risks for information security and data protection. In the United Nations Secretariat, it may only be used in exceptional cases, when third parties suggest the use and therefore leave no alternative.

92. By continuing to use it, staff put information security of UNCCD at risk. UNCCD should assess whether the use is indispensable for meetings with other parties and/or for internal purposes. In case of continued use, appropriate risk treatment must be applied and measures must be taken to increase information security to the point where the remaining risk becomes tolerable. Users should be made aware of the guidance provided by OICT. UNCCD should also consider seeking approval from OICT for continued use.

93. **The Board recommends that UNCCD evaluate if the videoconferencing software is considered indispensable and either take measures to increase information security to the point where the remaining risk becomes tolerable or terminate the use immediately.**

94. *UNCCD accepts the recommendation.*

10. Low value acquisition

95. A low value acquisition (LVA) is a direct form of purchasing undertaken by the requisitioner or a procurement official and not conducted via formal methods of solicitation. An LVA is used for procuring readily available, off-the-shelf or standard specification goods or simple works/services up to or equal to the value of $10,000 (Procurement Manual, DOS/2020.9, 30 JUNE 2020, No. 6.3.2).

96. The use of LVA is subject to certain conditions and also certain requirements regarding their documentation. Supporting documents should be uploaded to Umoja to justify the exception: "COs and Procurement Officials must ensure that an audit trail is recorded in UMOJA" (Procurement Manual, DOS/2020.9, 30 JUNE 2020, No. 6.3.2.1).

97. Should similar requirements arise, efforts should be made to aggregate the requirements and conduct a bidding exercise, with the aim to replace the use of LVAs with a contract or a Blanket Purchase Order as soon as possible.

98. Criteria for using LVAs are listed in 6.3.2.1 of the Procurement Manual.

99. UNCCD carried out 47 LVAs during 2020 for a total of $106,631.76. In most cases, this amount includes the German value added tax, which is refunded by the German tax authorities if the appropriate application is made. In order to obtain the refund, the original invoices must be submitted.

100. The Board reviewed the LVAs and observed that in 24 cases, no invoice had been uploaded to Umoja but only an offer or estimate, so that the payment could not be derived from the uploaded documents.

101. In 25 cases, the procurement contract is the result of cooperation with other organizations of the United Nations system, pursuant to rule 105.17 of the Financial Regulations and Rules (piggybacking). In those "piggybacking" cases, an internal note indicates which contract the purchase is taking advantage of. The contract itself has never been uploaded or is directly linked to the purchase order in Umoja. The direct reference in Umoja would be possible if the cooperating United Nations entity was using Umoja.

102. In all the cases, just one offer/estimate/invoice is uploaded to Umoja. UNCCD stated that the required offers/estimates were always obtained and recorded, but only the offer/invoice of the winning bit was uploaded to Umoja.

103. In some cases, the entries in Umoja were rather unexpected:

a. Six purchase orders recorded a financial rule with the description: "DO NOT USE - Exception to the use of Formal Methods of Solicitation";
b. One purchase "Not applicable" is recorded as entry for "FRR Level 1 Description"; and
c. For two purchases, "Formal Methods of Solicitation" has been recorded as entry for "FRR Level 1 Description".

104. UNCCD stated that it aimed at improving its processes to ensure that all processes were carried out digitally with as few media discontinuities as possible. The Board welcomes this objective. The Board considers it desirable to always have digital documents uploaded to Umoja that establish a suitable audit trail. In addition, the Board considers the findings, described in 101, indicate that the division of work between finance and procurement could be improved. The findings described in a. - c. indicate that the applicable financial rule was not properly documented.

105. In order to establish an audit trail in Umoja, it would be worthwhile to upload all the invoices to Umoja as soon as they are paid.

106. When "piggybacking", the Board considers it worthwhile that UNCCD inserts an active link to the framework contract in Umoja whenever the cooperating agency is using Umoja. In the other cases, the Board would consider it advantageous that a copy of the contract is uploaded to Umoja to have everything recorded in one place. In order to allow for comprehensive reviews in Umoja, it would be useful to upload all the offers/estimates obtained.

107. Unexpected entries in Umoja should be avoided:

a. UNCCD should not use financial rules in Umoja that should not be used;
b. It should not occur that no FRR Level 1 Description is being entered; and
c. The entry "formal method of solicitation" contradicts the fact that LVA has been chosen as the purchasing group. UNCCD should carefully indicate the chosen method of solicitation.

108. **The Board recommends that UNCCD review its processes for low value acquisition to make improvements in using as few processing steps as possible, eliminating media disruptions to the greatest extent possible and improving the availability of supporting documentation.**

109. *UNCCD accepts the recommendation.*

11. Consultants and individual contractors

Documentation of files related to consultants and individual contractors

110. Consultants and individual contractors (CiC) are hired in order to respond quickly, flexibly and effectively to organizational priorities. The applicable rules are compiled in an Administrative Instruction (ST/AI/2013/4).

111. UNCCD stores respective documentation related to CiC in digital and physical files ("hybrid" file management). The Board found that maintaining the digital and physical CiC file management was shared between UNCCD and the United Nations Office at Geneva, and structurally interlinked: UNCCD maintains the CiC physical files and transmits the documentation to United Nations Office at Geneva where the files are maintained digitally. The Board noted that further guidelines beyond ST/AI/2013/4 were not in place. Thus, the Board sees a need of clarifying which documents have to be filed digitally and/or physically.

112. According to UNCCD, physical/digital files generally contain documents such as the request for outside expertise form, official memo, consultancy plan (for concerned consultancy) or ad-hoc approval from Executive Secretary and the CV (curriculum vitae) of the consultant. In addition to this, documents provided by the consultant such as passport copy, health certificate, bank details and beneficiary form are also filed.

113. The Board compared cases identified in a random check. The check revealed that the content of documentation physically stored differed from each other. Thus, the Board assessed them to be incomplete because obligatory documents were lacking. Essential documents such as terms of reference, requests for outside expertise form or justifications were not recorded in the files.

114. The Board concluded that UNCCD maintained a heterogenic, inconsistent structure of digital and physical files. The Board found that appropriate guidelines stating which documents need to be filed were not in place. Moreover, the Board stated that it was not entirely clear which documents were exclusively maintained by UNCCD and which at UNOG.

115. The Board is of the view that with respect to the content neither the files held physically nor those held digitally met the requirements for proper file management. At least the digital files should contain all relevant documents or refer to the location of the respective originals (such as to the upload to Umoja).

116. **The Board recommends that UNCCD implement comprehensive guidelines for the CIC documentation and file management. The guidelines should determine what kind of essential information shall be documented to the extent required.**

117. *UNCCD accepts the recommendation.*

Terms of Reference

118. The Terms of Reference (ToR) describe the work to be performed by the CiC. Administrative Instruction (ST/AI/2013/4), No. 3.2 provides specific requirements for ToR. The ToR for contracting is mandatory and shall include tangible and measurable outputs, objectives and targets of the work assignment, specific delivery dates and details as to how the work must be delivered, indicators for the evaluation of outputs and the name and title of the supervisor(s).

119. The Board notes that not all requested ToR from a CiC random check were delivered. Out of those provided, the Board found several inconsistencies such as outputs, objectives and targets not completely filled in. In some of the reviewed cases, even specifications for delivery dates and forms were lacking. The reviewed ToR contained neither the supervisor's name and title nor the indicators for the evaluation of output, thus making outputs, objectives and targets incomparable.

120. The Board states that the ToR reviewed did not meet the requirements of the Administrative Instruction to a large extent.

121. **The Board recommends that UNCCD improve the terms of reference describing the work to be performed by the consultants and individual contractors in order to meet the requirements specified in Administrative Instruction ST/AI/2013/4**.

122. *UNCCD accepts the recommendation.*

Consultancy plan

123. Consultancy plans with which required consultancy services from consultants or individual contractors are scheduled are approved by the UNCCD Deputy Executive Secretary. In December 2020, UNCCD decided to change the cycle for the approval of consultancy plans from quarterly to every six months.

124. The Board holds that an extended reporting period may cause more specific risks by nature. Firstly, it means less control and monitoring over a longer period of time. Secondly, it increases the response time to identified deficits or unexpected requirements within the conducting period. As a result of the extension of the approval cycle, the time for UNCCD to respond to unsatisfactory performance of CiC would at worst be extended by 100 per cent.

125. **The Board recommends that UNCCD monitor regularly the extended cycle for the consultancy plan. Furthermore, UNCCD should review whether the new cycle of approval for the consultancy plan corresponds to the requirements of an appropriate and effective continuous monitoring and control of budget and CiC performance.**

126. *UNCCD accepts the recommendation.*

C. Disclosures by management

Write-off cash, receivables and property, ex gratia payments

127. UNCCD reported that there were no write-offs of cash, receivables and assets during 2020. UNCCD also did not make any ex gratia payments.

Cases of fraud and presumptive fraud

128. In accordance with the International Standards on Auditing, the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with Management.

129. During the audit, the Board makes enquiries of Management regarding their oversight responsibility of assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that Management has identified or that has been brought to their attention. The Board also inquired whether Management has any knowledge of any actual, suspected or alleged fraud.

130. UNCCD further reported that there was no case of fraud and presumptive fraud for the financial year ended 31 December 2020.

D. Acknowledgement

131. The Board wishes to express its appreciation for the cooperation and assistance extended to it by the Executive Secretary and staff members of UNCCD.

Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

Kay **Scheller**
President of the German Federal Court of Auditors
(Lead Auditor)

Hou Kai
Auditor General of the People's Republic of China

22 July 2021

Annex
Status of implementation of recommendations up to the financial year ended 31 December 2019

No.	Audi Report Year	Report Reference	Board's Recommendation	Management / Administration's Response	Board's Assessment	Status after Verification: Implemented	Under implementation	Not implemented	Overtaken by events
1	2016	ICCD/COP(13)/10 chap. II, para. 32	The Board recommends that UNCCD liaise with the United Nations Secretariat to review the arrangement for administrative support and update the delegations as appropriate.	UNCCD secretariat followed up this recommendation on 13 December 2019 with the Department of Management Strategy, Policy and Compliance of the United Nations. The Department has created an i-need ticket to be followed up. Since there has been no update to the delegation of authority from NY, the UNCCD issued a comprehensive delegation of authority for internal purposes, issued on 1 April 2021.	UNCCD followed up with the United Nations Secretariat on the arrangement for administrative support but did not successfully achieve further collaboration with the United Nations Secretariat. As UNCCD issued a comprehensive delegation of authority for internal purposes the recommendation is considered to be implemented.	X			
2	2017	ICCD/COP(14)/10 para. 62	The Board recommends that UNCCD establish a clear process for managing agreements or projects by implementing a selection process, drafting standard conditions, establishing a monitoring system and defining clear responsibilities and accountability.	UNCCD is still working on this issue, which it hopes to have finalized by July 2020 in a comprehensive manual of project management. A pilot process was initiated in February 2020 for the selection of implementing partners for Sahel opportunities project. The secretariat and the Global Mechanism are currently reviewing the submissions and will call for a technical and financial proposal in the next days. Development of the project manual is currently underway with a consultant assisting in finalizing the work. A key element of the manual will be to include this process, which the UNCCD is	UNCCD is currently developing a comprehensive manual of project management which takes the recommendations into account. The recommendation is considered to be implemented.	X			

No.	Audi Report Year	Report Reference	Board's Recommendation	Management / Administration's Response	Board's Assessment	Status after Verification: Implemented	Under implementation	Not implemented	Overtaken by events
				already implementing.					
3	2017	ICCD/COP(14)/10 para. 86	The Board recommends that UNCCD establish a systematic fraud risk assessment in line with the enterprise risk management.	UNCCD will discuss the topic at the next meeting of the risk management task force. UNCCD is working to finalize the assessment in the course of 2021.	This recommendation remains under implementation.		X		
4	2018	ICCD/COP(14)/93 chap. II, para.40	The Board recommends that, in consultation with United Nations Treasury, UNCCD assess the possibilities of investment approaches within the cash pool for the reserves set aside for the after-service health insurance liabilities.	UNFCCC together with UNCCD sent email messages to United Nations treasury regarding the possibilities to invest reserves set aside for the after-service health insurance liabilities. The organizations are waiting for the feedback from United Nations Treasury. Furthermore, UNCCD held a meeting with the actuary, UNHQ Investment unit and UNFCCC. The actuary has requested additional information on UNCCD staff, after-service health insurance, repatriation benefits and accrued annual leave in order to prepare a draft proposal.	UNCCD is in discussions with United Nations Treasury and the actuary to develop an investment proposal. The recommendation remains under implementation.		X		
5	2018	ICCD/COP(14)/93c hap. II, para.51	The Board recommends that UNCCD consult with the actuary and United Nations Headquarters on the data basis for the actuarial valuation of employee benefit liabilities to enhance the accuracy of the actuarial valuation.	UNCCD secretariat intends to address this matter with the United Nations Secretariat in the course of the year 2021.	The United Nations Secretariat stated that it would collect additional data to address the data quality issues (A/74/5 (Vol. II) para. 50). UNCCD stated that it would address the matter with the United Nations Secretariat in 2021. The recommendation remains under implementation.		X		
6	2018	ICCD/COP(14)/93 chap. II, para.55	The Board recommends that UNCCD assess, in consultation with United Nations Headquarters, whether it is beneficial to conclude	UNCCD secretariat intends to address this matter with the United Nations Secretariat in the course	The Board proposed to UNCCD how to progress with this issue. This recommendation remains		X		

No.	Audi Report Year	Report Reference	Board's Recommendation	Management / Administration's Response	Board's Assessment	Status after Verification: Implemented	Under implementation	Not implemented	Overtaken by events
			agreements with the organizations of incoming and leaving UNCCD staff to gain legal assurance on the employee benefit liabilities incurred for those staff members.	of the year. UNCCD intends to take action in early 2021.	under implementation.				
7	2018	ICCD/COP(14)/93 chap. II, para.62	The Board recommends that UNCCD, when reviewing its donor agreements on a case-by-case basis with regard to all asset and revenue recognition criteria of IPSAS 23, document the decision whether to recognize the agreement as being conditional or not.	During 2020, UNCCD has analyzed all voluntary contribution agreements, including those under negotiation, and documented the decision whether to recognize the agreement as conditional or not.	The recommendation is considered to be implemented.	X			
8	2018	ICCD/COP(14)/93 chap. II, para.79	The Board recommends that UNCCD review its accounting treatment of appendix D benefits.	The UNCCD secretariat followed up with UNOG on taking over Appendix D claims, which would have meant surrendering the entire amount collected to UNOG. However, upon further review of costs, the UNCCD secretariat secured favorable terms from a private insurance company equal to UNOG's at a cheaper annual rate. In 2020, UNCCD has adjusted the Appendix D accounting treatment.	UNCCD adjusted the accounting treatment as recommended. The recommendation is considered to be implemented.	X			
9	2018	ICCD/COP(14)/93 chap. II, para.84	The Board recommends that UNCCD analyse the portion of services rendered by the staff members in the New York liaison office to UNCCD and the Convention on Biological Diversity (CBD) with the objective to share the costs accordingly and formalize the updated arrangements.	UNCCD followed up with the CBD accordingly, and is of the view that the cost-sharing arrangement between the two agencies is clear which is reflected in the latest invoice.	This recommendation is considered to be implemented.	X			
10	2018	ICCD/COP(14)/93 chap. II, para.95	The Board recommends that UNCCD analyse the cases of role assignments to Umoja users not recommended by the Umoja roles guide and revise them accordingly.	UNCCD agreed to the recommendation. UNCCD discussed the matter with UNOG, and initiated the revision promptly. Actions have been taken in Umoja.	UNCCD has sought advice from UNOG, and followed the advice broadly. This recommendation is considered to be implemented.	X			
11	2018	ICCD/COP(14)/93	The Board recommends that UNCCD review	UNCCD agreed with the	The Board considers it important that		X		

No.	Audi Report Year	Report Reference	Board's Recommendation	Management / Administration's Response	Board's Assessment	Status after Verification: Implemented	Under implementation	Not implemented	Overtaken by events
		chap. II, para.116	the administrative services provided by other United Nations entities, price lists of service providers and its own structure with the aim to propose the revision of the administrative arrangement and the institutional linkage.	recommendation and will continue to consult with United Nations Headquarters on the matter. This continues to be an on-going discussion, most recently with the Office of the Controller regarding Umoja usage fees.	UNCCD review the administrative services provided by other United Nations entities and ensure that services are covered by administrative arrangements. The recommendation remains under implementation.				
12	2019	ICCD/COP(15) chap. II, para. 39	The Board recommends that UNCCD, in line with IPSAS 1.66, correct the titling and the summary wording when announcing the annual financial statements in future Conference of Parties' agendas.	UNCCD will take action in the course of 2021.	Conference of Parties' sessions have not yet taken place since the recommendation was issued. Hence, the recommendation remains under implementation.		X		
13	2019	ICCD/COP(15) chap. II, para.45	The Board recommends that UNCCD visibly announce the audited financial statements including the Board's report in the Conference of Parties' or committees' agendas.	UNCCD will take action in the course of 2021.	Neither Conference of Parties' sessions nor other UNCCD committees addressing financial matters have taken place since the recommendation was issued. Hence, the recommendation remains under implementation.		X		
14	2019	ICCD/COP(15) chap. II, para.55	The Board recommends that UNCCD link each subdelegation of authority to the relevant United Nations Financial Regulations and Rules and possibly the Umoja roles to clarify the scope of the subdelegation.	UNCCD will take action in the course of 2021.	The Executive Secretary's bulletin established the delegation of authority for the secretariat in the administration of the applicable Staff Regulations and Rules and Financial Regulations and Rules of the United Nations. The bulletin linked the authorities to the relevant regulations and rules. UNCCD needs to ensure that the subdelegations of authority be also linked clearly to the regulations and rules. The recommendation is considered to be implemented.	X			
15	2019	ICCD/COP(15) chap. II, para.56	The Board recommends that UNCCD ensure that Umoja roles provisioned match the	UNCCD responded that the first step has been done with the	The recommendation is not entirely implemented.		X		

No.	Audi Report Year	Report Reference	Board's Recommendation	Management / Administration's Response	Board's Assessment	Status after Verification: Implemented	Under implementation	Not implemented	Overtaken by events
			specific authority delegated and, preferably, that specific authorities delegated entail the provisioning of Umoja roles.	issuance of the delegation of authority of the UNCCD as of 1 April 2021. Nevertheless, Umoja roles should still be aligned.					
16	2019	ICCD/COP(15) chap. II, para. 61	The Board recommends that UNCCD, in coordination with the United Nations Secretariat, review how UNCCD could ensure segregation of duties with regard to procurement activities up to $50,000.	UNCCD will take action in the course of 2021.	The recommendation has not been implemented.			X	
17	2019	ICCD/COP(15) chap. II, para. 70	The Board recommends that UNCCD liaise with United Nations Treasury to specify the responsibilities between UNCCD and United Nations Treasury and explore options to formalize this arrangement.	UNCCD stated that it will take action regarding the recommendation in the course of 2021.	The recommendation has not been implemented.			X	
18	2019	ICCD/COP(15) chap. II, para. 78	The Board recommends that UNCCD, in coordination with the Office of Internal Oversight Services, take steps to re-establish internal audit coverage and to prepare an internal audit plan for the biennium 2020-2021.	UNCCD has been contacted by OIOS Geneva to begin discussions on a workplan.	With memo dated 26 October 2020, UNCCD accepted OIOS' proposed arrangement for internal audit services. The recommendation is considered to be implemented.	X			
19	2019	ICCD/COP(15) chap. II, para. 86	The Board recommends that UNCCD manage its risks through an up-to-date enterprise risk management framework.	UNCCD intends to take action in early 2021.	The recommendation has not been implemented.			X	
20	2019	ICCD/COP(15) chap. II, para. 93	The Board recommends that UNCCD enhance its internal calculation of budget requirements to facilitate monitoring and reporting on budget performance.	UNCCD will review this action in course of the budget process for 2022-2023.	The recommendation has not been implemented.			X	
21	2019	ICCD/COP(15) chap. II, para. 99	The Board recommends that UNCCD bring the topic of harmonized assumptions to the attention of the Task Force on Accounting Standards.	This issue was brought to the attention and discussed in detail during the IPSAS Task Force Meeting held in 2020.	The recommendation is considered to be implemented.	X			
	Total			**21**		**9**	**8**	**4**	**0**

No.	Audi Report Year	Report Reference	Board's Recommendation	Management / Administration's Response	Board's Assessment	Status after Verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
	Percentage			**100**		**43**	**38**	**19**	**0**

Chapter III

Certification of the financial statements

The financial statements of the United Nations Convention to Combat Desertification for the financial year ended 31 December 2020 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations. This is the seventh time that the financial statements have been prepared under the International Public Sector Accounting Standards (IPSAS).

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by UNCCD during the period covered by the statements, for which the Executive Secretary has administrative responsibility.

The accounts of UNCCD are maintained in accordance with the Financial Rules of the Conference of Parties.

I certify that the appended financial statements of the United Nations Convention to Combat Desertification, numbered I to V are correct.

(*Signed*) Ibrahim **Thiaw**
Executive Secretary

31 March 2021

Chapter IV

Financial report for the year ended 31 December 2020

A. Introduction

1. The permanent secretariat of the United Nations Convention to Combat Desertification (UNCCD) was established in December 1996. The Strategy is to forge global partnerships to reverse and prevent desertification and land degradation. These partnerships are also meant to mitigate the effects of drought in affected areas. Coupled with the vision is a strategy mission: To provide a global framework to support the development and implementation of national and regional policies that contribute to the reduction of poverty.

2. Note 1, paragraph 2 provides information on the governance of the UNCCD.

3. UNCCD receives from the services of United Nations Headquarters, New York; United Nations Office at Geneva (UNOG); United Nations Framework Convention on Climate Change (UNFCCC); United Nations Development Programme (UNDP); and United Nations Common Services in Bonn.

4. The United Nations Headquarters provides treasury services including the report of cash and its equivalent, posting interest income, gain and losses, revaluation and forward the notes on financial risk and instruments.

5. The United Nations Office at Geneva provides Human Resources Services such as Medical Services, Legal and Policy Advisory Services, and contract, entitlements, benefits and time administration. Financial Services include applied deposits/cash applications, vendor payments, medical/life insurance, payroll processing, banking/vendor investigations, and disbursements. It also provides limited Information and Communication Technology services including Umoja user access provisioning, Umoja role mapping and Remote Access Services.

6. UNCCD has an agreement with United Nations Framework Convention on Climate Change on procurement services.

7. UNCCD has an arrangement with the UNDP on a Service Clearing Account, whereby UNDP disburses funds to the implementing partners, vendors, and consultants. Furthermore, UNDP provides administrative, procurement and financial services for the Regional Liaison Office in Africa.

8. The Common Services Unit is responsible for the operation and maintenance of UN premises including UN security in Bonn, Germany. It is also responsible for the mail and franking, telephone reception services, meeting rooms and equipment for conference servicing. UNCCD receives these services and reimburses the costs based on the actual services provided.

9. The financial statements of the UNCCD are prepared and submitted to the Conference of Parties in accordance with the UN financial regulations and rules. The financial statements include all the operations under the direct authority of the Executive Secretary including the core budget, the Global Mechanism and the extra-budgetary financed activities. The 2020 financial statements are prepared based upon the International Public Sector Accounting Standards (IPSAS) in accordance with the decision of the United Nations General Assembly, provide increased information on actual assets and liabilities enabling in improved internal control and enhanced management of UNCCD's total resources. The statements include additional information on revenue and expenses to senior management to support decision-making and enhance strategic planning. The financial statements are prepared under IPSAS using full accrual-based accounting. UNCCD's budget is prepared on a modified cash basis of accounting in accordance with its financial regulations. Note that under IPSAS:

- Revenue from voluntary contributions to technical cooperation is recognized when the contract with the donor becomes binding (i.e. at the time of signature of both parties, rather than when cash is received).

- In the case of contributions that impose conditions requiring return of funds not utilized in accordance with the terms of the agreement, revenue is not recognized until UNCCD delivers the services specified in the agreement with the donor.
- Expenses are recognized when services or goods are received or delivered rather than when a commitment is recognized.

- The annual changes in employee defined benefit obligations (other than those caused by adjustments in actuarial assumptions) are now recognized as expenses rather than in fund balance.

- The value of fixed assets such as vehicles and IT equipment acquired has been capitalized rather than expensed. Included in expenses for 2020 is the depreciation on a vehicle, and communications information technology equipment.

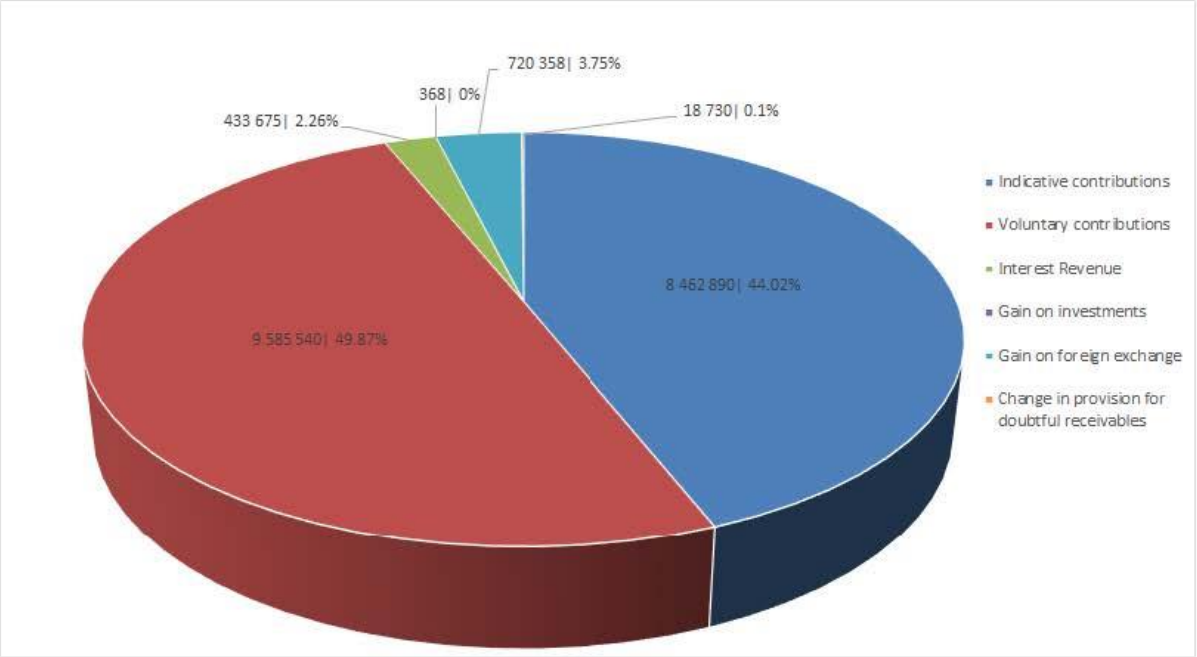
B. Overview of financial statements for the year ended 31 December 2020

10. Financial statements I, II, III, IV and V show the financial results of the activities of UNCCD and its financial position as at 31 December 2020. The notes to the financial statements explain the UNCCD's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Financial performance
Revenue

11. Revenue in 2020 totalled USD 19.22 million (see Note 13: Revenue), as presented below in figure I.

Figure I. Total Revenue as at 31 December 2020
(In United States dollars)



12. The principal sources of revenue were:

- The indicative contributions from signatories of the Convention. The indicative contributions for 2020 totalled USD 8.46 million from Member States, or 44.03 per cent of total revenue (2019: USD 8.66 million or 37.64 per cent)

- Voluntary contributions from donors totalled USD 9.59 million, or 49.87per cent (2019: USD 13.69 million or 59.52 per cent), comprising (i) contributions of USD 1.93 million for the Global Mechanisms and USD 7.66 million for Secretariat respectively

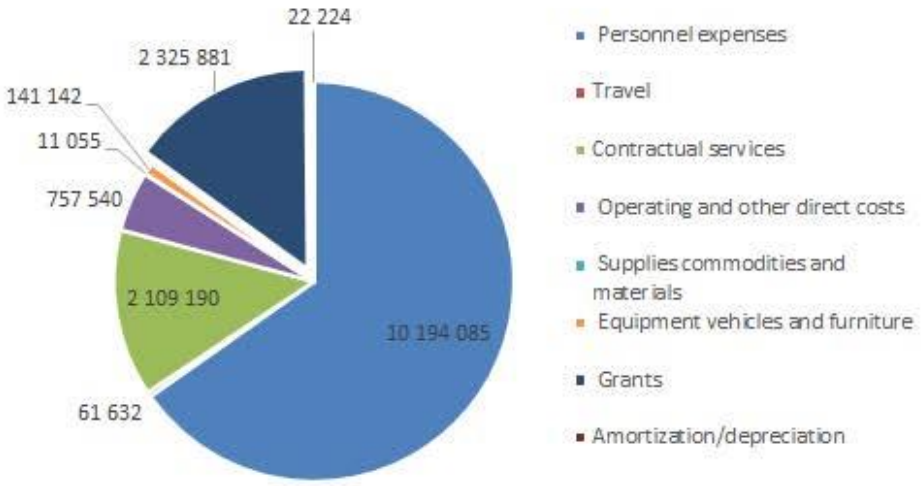
- The interest revenue, which represented 2.26 per cent of total revenue, decreased to USD 0.43 million from USD 0.62 million reported in 2019

- The change in provision for doubtful receivable in the amount of USD 0.02 million or 0.1 per cent is related to the indicative contribution uncollected as at 31 December 2020, calculated manually based on UNCCD IPSAS policy
- The remaining revenue includes gain on investments and foreign exchange in the amount of USD 0.72 million or 3.75 per cent.

Expenses

13. Expenses in 2020 totalled USD 15.62 million as shown below in figure II.

Figure II. Total Expenses as at 31 December 2020
(In United States dollars)



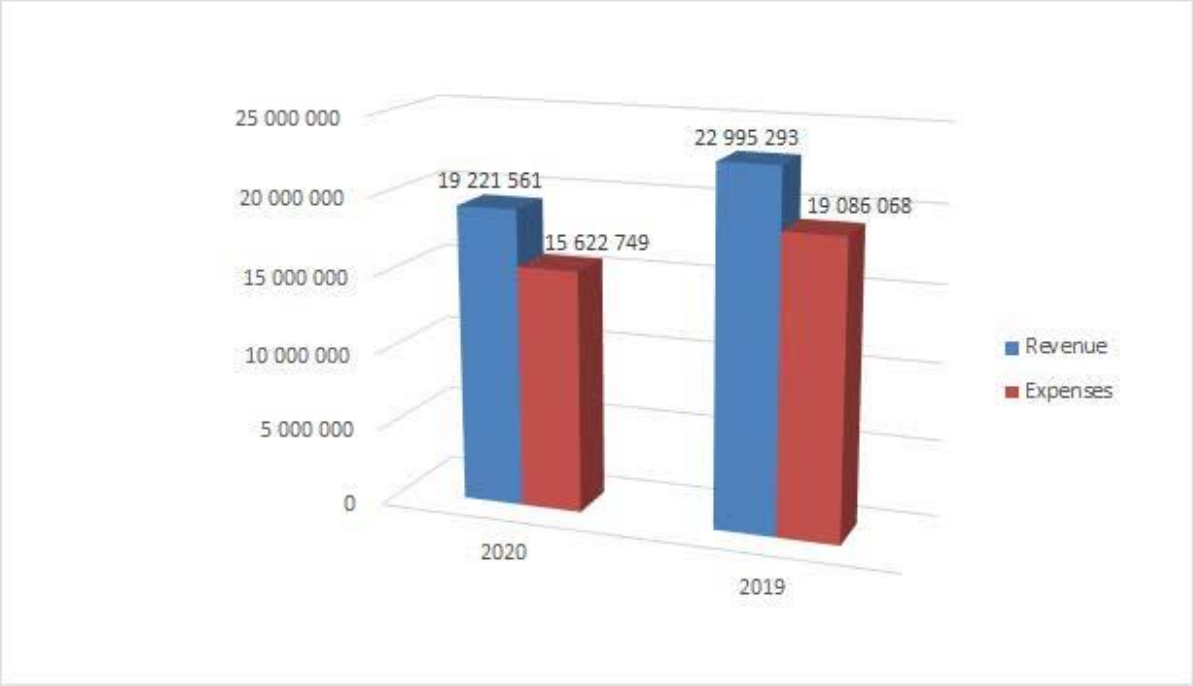
14. A decrease of USD 3.46 million in total expenses was reported from the total expense amount of USD 19.09 million reported in 2019. The main decreases in 2020 were in personnel expenses, travel and operating and other direct costs. Due to the COVID-19 pandemic, all workshops and meetings were held virtual, and no travel of delegates/participants and staff were undertaken, and no logistics were included.

15. The main expenses categories are personnel expenses for USD 10.19 million or 65.25 per cent (2019: USD 10.90 million), contractual services (non-employee compensation including consulting services individual fee, consultancy travel fee) for USD 2.11 million or 13.5 per cent (2019: USD 3.11 million); and grant for USD 2.33 million, or 14.89 per cent (2019: USD 0.08 million). Operating expenses of USD 0.76 million (2019: USD 1.35 million), supplies and consumables of USD 0.01 million, equipment and furniture of USD 0.14 million (2019: USD 0.06 million), depreciation of Property, Plant and Equipment in the amount of USD 0.02 million (2019: USD 0.02 million), and travel for USD 0.06 million (2019: USD 3.30 million) make up the remaining 6.36 per cent of total expenses.

16. Total personnel expenses for USD 10.19 million or 65.25 per cent, which include (i) salary and wages of USD 6.2 million; (ii) pension and insurance of USD 1.82 million; (iii) interest and current service costs related to defined benefit obligations (After-Service Health Insurance, annual leave, and repatriation grant/travel) in the amount of USD 1.3 million; and (iv) other benefits of USD 0.87 million.

Figure III. Movement in revenue and expenses

(In United States dollars)



17. There was a decrease of USD 3.77 million in total revenue compared with the revenue reported in 2019, as shown in figure III above. There was also a decrease of USD 3.46 million in total expenses compared with the expenses reported in 2019. The sources of significant decreases were USD 0.71 million for personal expenses, travel, which decreased by USD 3.24 million, contractual services of USD 1.0 million and operating and other direct costs of USD 0.59 million. There was also increase in grant of USD 2.24 million, supplies, and equipment in the amount of USD 0.09 million.

Operating results

18. The net surplus in revenue over expense in 2020 is reported at USD 3.6 million, compared with the surplus of USD 3.91 million in 2019.

Financial position

Assets

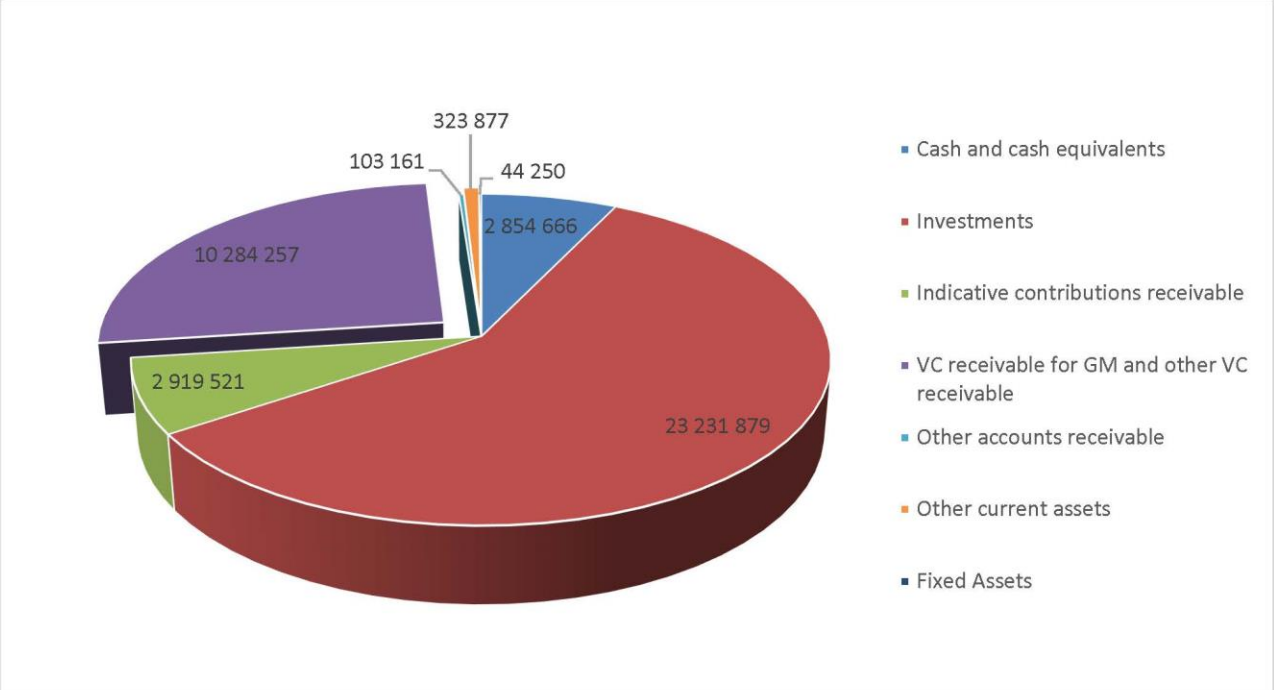
19. UNCCD reports an increase in total assets of USD 4.65 million as at 31 December 2020 from the balance of USD 35.11 million reported as at 31 December 2019, to the current USD 39.76 million. The major components of UNCCD's assets are as follows:

Summary of Assets at 31 December (in United States dollars)	2020	2019	Difference
Cash and cash equivalents	2 854 666	6 733 387	(3 878 721)
Investments	23 231 879	18 319 833	4 912 046
Sub total assets held in cash pool	26 086 545	25 053 220	1 033 325

Indicative contributions receivable	4 824 388	5 247 699	(423 311)
Less provision for doubtful receivables	(1 904 867)	(1 923 596)	18 729
Net indicative contributions receivable	2 919 521	3 324 103	(404 582)
Voluntary contributions receivable	10 284 257	6 099 244	4 185 013
Other accounts receivable	103 161	169 791	(66 630)
Other current assets	323 877	397 655	(73 778)
Fixed assets	44 250	66 474	(22 224)
Total Assets	**39 761 611**	**35 110 487**	**4 651 124**

Figure IV. Total assets as at 31 December 2020

(In United States dollars)



20. As shown above in figure IV, UNCCD's assets largely comprised investments of USD 23.23 million, or 58.43 per cent (2019: USD 18.32 million), voluntary contributions receivable from donors of USD 10.28 million, or 25.86 per cent (2019: USD 6.1 million), indicative contributions receivable from signatories to the Convention in the amount of USD 2.92 million, or 7.34 per cent (2019: USD 3.32 million) and cash and cash equivalents totalling USD 2.85 million, or 7.18 per cent (2019: USD 6.73 million). The remainder comprised 1.19 per cent, other accounts receivable of USD 0.1 million (2019: USD 0.17 million), other assets of USD 0.32 million (2019: USD 0.4 million) and fixed assets of USD 0.04 million (2019: USD 0.066 million).

21. **Cash, cash equivalents and investments**: Cash, cash equivalents and investments are USD 26.09 million held in the UN Treasury Cash Pools. This represents an increase of USD 1.03 million over the balance held at the end of 2019. Changes in cash are shown in statement IV.

22. **Accounts receivable**: Under IPSAS, accounts receivable from indicative contributions are recognized net of a provision of 50% for all amounts receivable for three years and 100% for all amounts receivable for four or more years. Voluntary contributions receivable based on the signed agreement/letter

of intent in the amount of USD 10.28 million of which USD 5.84 million represents receivable due for the Global Mechanism. Other accounts receivable includes investment revenue receivable in the amount of USD 0.45 million reported by UNHQ New York, and value added tax balances in the amount of USD 0.58 million.

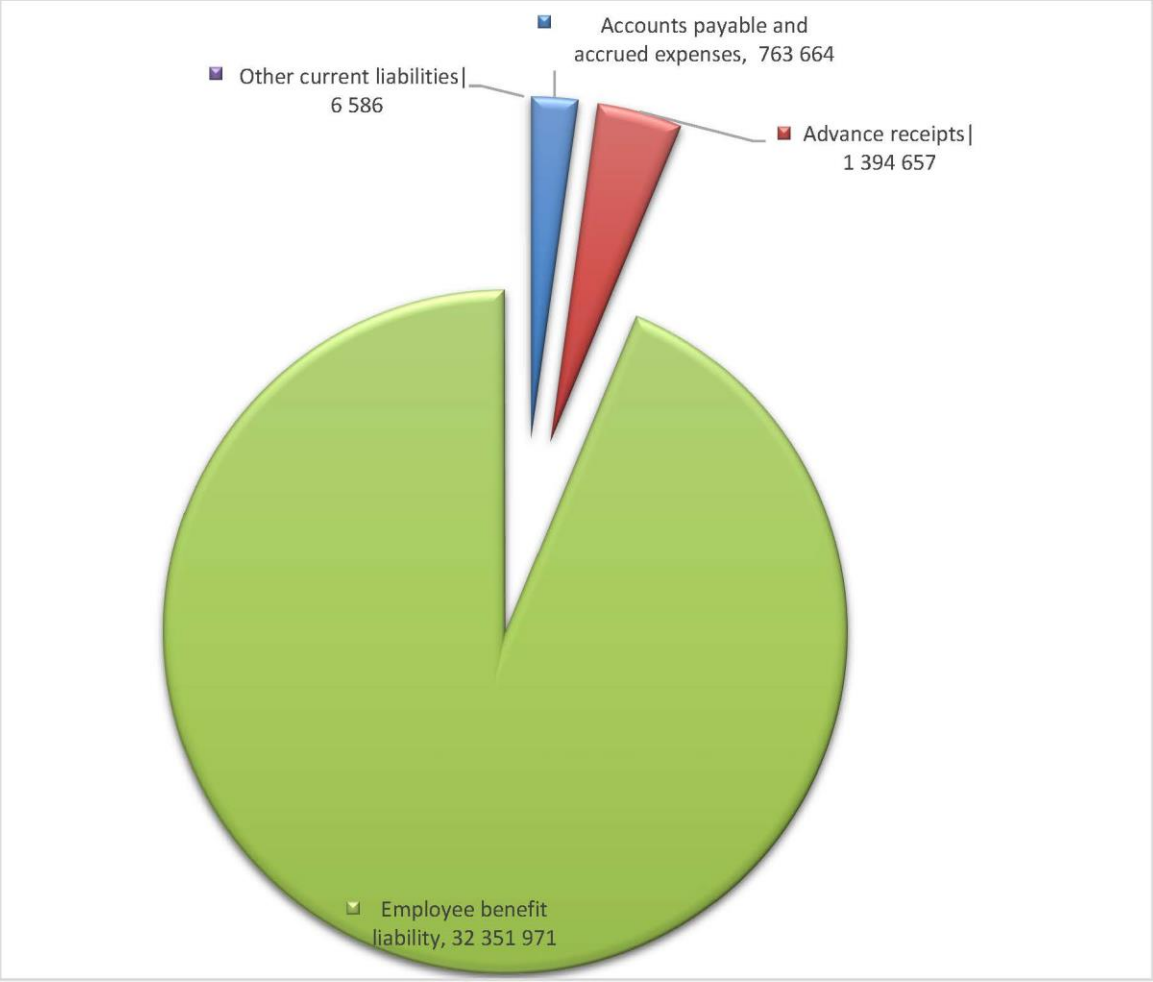
Liabilities

23. Liabilities as at 31 December 2020 totalled USD 34.52 million (2019: USD 33.03 million) as follows:

Summary of liabilities at 31 December (in United States dollars)	**2020**	**2019**	**Difference**
Accounts payable and accruals	763 664	971 752	(208 088)
Advance receipts	1 394 657	1 205 441	189 216
Employee benefit liabilities	32 351 971	30 543 209	1 808 762
Other liabilities	6 586	306 460	(299 874)
Total Liabilities	**34 516 878**	**33 026 862**	**1 490 016**

Figure V. Total Liabilities as at 31 December 2020

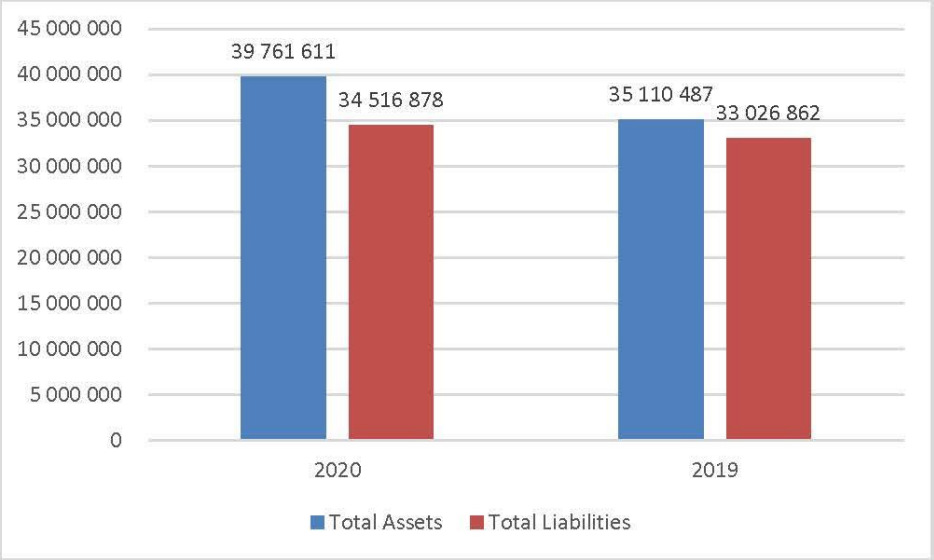
(In United States dollars)



24. The most significant liability is the employee benefits (see figure V) earned by staff members and retirees but not paid at the reporting date, primarily the liability for ASHI. These liabilities total USD 32.35 million, or 93.73 per cent (2019: USD 30.54 million, represent 92.48 per cent) of UNCCD's total liabilities and are explained in detail in note 11 to the financial statements. The increase of ASHI liability in 2020 in the amount of USD 1.73 million is due to the decrease in the discount rates. The repatriation grant increase of USD 0.06 million is due to decreased interest and by experience adjustments due to changes in the population. The annual leave liability has slightly increased due to the interest rate effects.

25. Another significant liability advance receipt cover indicative contribution received in advance of the start of the year to which they are related totalling USD 0.83 million (2019: USD 0.58 million). Also included are voluntary contributions, provided by donors totalling USD 0.56 million (2019: USD 0.62 million), that contain conditions requiring the performance of specified services or the return of unused funds to the donor in accordance with the terms of the agreement. In addition, accounts payable and accrued liabilities stood at USD 0.76 million (2019: USD 0.97 million); this amount relates primarily to payables to vendors in the amount of USD 0.15 million, balance from the Government of the Bolivarian Republic of Venezuela in the amount of USD 0.42 million (2019: USD 0.56 million), and accruals for goods and services of USD 0.19 million.

Figure VI. Movement in assets and liabilities as at 31 December 2020
(In United States dollars)



26. Figure VI shows an increase of assets held for USD 4.65 million, from USD 35.11 million reported in 2019 to USD 39.76 million reported for 2020, and increase in liabilities of USD 1.49 million, from USD 33.03 million reported for 2019 to USD 34.52 million reported for 2020.

Net assets

27. The movement in net assets during the year reflects increase of USD 3.16 million from USD 2.08 million in 2019 to USD 5.24 million in 2020 due to the operating surplus of USD 3.6 million and actuarial adjustment related to employee benefits of USD (0.44) million. Net assets include the operating reserves which remained at USD 2.0 million.

C. Financial Report on the impact of the Covid-19 pandemic

28. In its 2019 financial statements, UNCCD indicated that the extent of the impact of the COVID-19 pandemic on the financial performance of the UNCCD will depend on future developments, including (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the global economy, all of which are highly uncertain and cannot be reliably predicted. Where evident on the UNCCD's financial performance for the 2020 financial year, the financial impact has been disclosed within the relevant financial statement notes affected.

29. The outbreak of the COVID-19 pandemic in mid-March 2020 became a global challenge and impacted the global economy in an unprecedent manner. However, the UNCCD continued to focus on the effective implementation of its programmatic activities. The UNCCD quickly adjusted to these unprecedent circumstances and there was a robust response from supporting partners/donors in addressing the pandemic during this period. The following are various financial considerations of COVID-19 on the 2020 financial year.

30. The COVID-19 pandemic manifested itself in a variety of ways in the activities of UNCCD during 2020. While the impact on the way UNCCD conducted its business was profound, the direct, visible and measurable impact on the financial performance for 2020 and the financial position at the end of the year was limited. Furthermore, there can be no objective, exact or systematic determination of the impact of the COVID-19 pandemic on these financial statements as accounting and reporting systems are not

intended or designed to report costs, revenues and balances based on a specific underlying cause, such as a pandemic. Despite these limitations, certain broad trends can be identified and are reflected in the financial statements where applicable.

31. There is no additional material impact to the allowance for indicative contributions receivable as a direct result of the pandemic. Member States were pro-active in paying the outstanding contributions. As a result, procedures followed for updating allowance for assessed contributions balances were based on historical patterns of payments or providing for Member States balances subject to Article 19 of the Charter of United Nations.

32. Travel expenses decreased from USD 3.3 million in 2019 to USD 0.062 million in 2020 primarily as a result of travel bans and restrictions, the cancellation or postponement of duty travel, as well as the impact of the pandemic on assignment and repatriation related travel patterns.

33. Office space was utilised to a much lower extent in 2020 than in 2019, as such electricity and other location-specific costs levels were below than those of the previous year in many cases. In most cases, rental contracts for buildings were maintained despite buildings being only partially occupied, as there was ongoing uncertainty about local lockdown restrictions in the countries that UNCCD operates in. No decisions concerning the need for and use of office space in the post pandemic period were made in 2020 and as such, no impairment events were identified that relate to potential changes in the nature of work in the post pandemic period.

34. The long-term impact of the lessons learned from the COVID-19 pandemic are still being evaluated and it is too early to assess whether any possible changes may have an impact of the carrying value of UNCCD's assets, as such no COVID-19 related asset impairment events were recorded during the annual asset impairment review. It should also be noted that physical access to certain locations to perform physical inventory and asset verification counts were limited in some locations by restrictions imposed by local authorities or for the safety of staff and other counterparts.

Core budget

35. At 14th session of the Conference of the Parties, by its decision 10/COP.14, approved a core budget for the biennium 2020–2021 amounting to EUR 16.4 million of which EUR 8.2 million was programmed for 2020. In addition, the Conference of the Parties approved 1) a contingency budget amounting to EUR 2,104,660 for conference servicing, to be added to the programme budget for the biennium 2020–2021 in the event that the General Assembly decides not to provide resources for these activities in the United Nations regular budget; and 2) on an exceptional basis, to use the remainder of the amount previously allocated from the reserves of the Trust Fund for the Core Budget of the UNCCD for the furtherance of the Drought Initiative described in decision 23/COP.14, which amounted to EUR 990,012. It should be noted that the General Assembly approved a provision for conference servicing for 2020.

36. The core budget continues to be prepared on a modified cash basis in accordance with the UN Financial Regulations. The overall budgetary results for the 2020 financial period in euros are summarized in Statements V. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the adopted budget are explained in note 16.

37. Valued in US dollars at the average USD 1 = EUR 0.87633 at the rate of exchange set by the United Nations and using the modified cash method of accounting, total Core budgetary revenue for 2020 amounted to EUR 8.2 million (USD 9.2 million). Expenses under the regular budget during 2020 amounted to EUR 6.5 million (USD 7.4 million). However, expenses resulted in a net surplus fund of EUR 1.7 million (USD 1.9 million) when compared to the biennium budget. The surplus in the biennium is attributed to savings realized under personnel costs, which overall finished with a balance EUR 844,900, mainly due to vacant positions. Operating and other direct costs were lower than expected as there were reduced requirements for physical meetings or trainings, and other operating services that would have normally incurred costs. The secretariat increased costs in other areas, such as through purchasing licenses and equipment for virtual meetings. It should be noted that the 4th quarter of costs (USD 18,838) related to monthly charges

for ASHI were not recorded in the 2020 financial period. Finally, travel was understandably infrequent in 2020, which resulted in expending only 19 per cent of the budget for the year, due to the pandemic. Nevertheless, travel related to appointment and separation continued within the limits of local restrictions.

Chapter V

Financial statements for the year ended 31 December 2020

STATEMENT I

United Nations Convention to Combat Desertification

Statement of Financial Position as at 31 December 2020

(In United States Dollars)	*Note*	*31 December 2020*	*31 December 2019*
Assets			
Current Assets			
Cash and cash equivalents	5	2 854 666	6 733 387
Short-term investments	5	17 467 322	13 944 527
Indicative contributions receivable	6	2 919 521	3 324 103
Voluntary contributions receivables for global mechanism and other voluntary contribution receivables	6	7 059 831	6 099 244
Other accounts receivable	6	103 161	169 791
Other current assets	7	323 877	397 655
Total current Assets		**30 728 378**	**30 668 707**
Non-Current Assets			
Voluntary contributions receivables for global mechanism and other voluntary contribution receivables	6	3 224 426	-
Fixed Assets	8	44 250	66 474
Long-term investments	5	5 764 557	4 375 306
Total Non-Current Assets		**9 033 233**	**4 441 780**
Total Assets		**39 761 611**	**35 110 487**
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	9	763 664	971 752
Advance receipts	10	1 394 657	1 205 441
Employee benefit liability	11	735 971	787 209
Other current liabilities	12	6 586	306 460
Total Current Liabilities		**2 900 878**	**3 270 862**
Non-Current Liabilities			
Employee benefit liability	11	31 616 000	29 756 000
Total Non-Current Liabilities		**31 616 000**	**29 756 000**
Total Liabilities		**34 516 878**	**33 026 862**
Net Assets		**5 244 733**	**2 083 625**
Net Assets/Equity			
Accumulated surpluses/(deficits)		16 113 633	12 514 821

Board Report 2020

Actuarial gain (loss) recognized in net assets	11	(12 821 155)	(12 383 451)
Operating reserves	15	1 952 255	1 952 255
Total Fund Balances and Reserves		**5 244 733**	**2 083 625**

The accompanying notes form an integral part of these financial statements

STATEMENT II

United Nations Convention to Combat Desertification

Statement of Financial Performance for the period 1 January to 31 December 2020

(in United States dollars)	*Note*	*2020*	*2019*
REVENUE	13		
Indicative contributions		8 462 890	8 656 106
Voluntary contributions		9 585 540	13 685 733
Fees for services rendered		-	38 361
Interest Revenue		433 675	615 053
Gain on investments		368	-
Gain on foreign exchange		720 358	-
Other revenue		-	40
Change in provision for doubtful receivables		18 730	-
TOTAL REVENUE		**19 221 561**	**22 995 293**
EXPENSES	14		
Personnel expenses		10 194 085	10 899 410
Travel		61 632	3 304 073
Contractual services		2 109 190	3 113 308
Operating and other direct costs		757 540	1 348 386
Supplies commodities and materials		11 055	201
Equipment vehicles and furniture		141 142	59 584
Grants		2 325 881	81 493
Loss on investments		-	78 733
Loss on foreign exchange		-	135 389
Depreciation of Property, Plant and Equipment		22 224	22 224
Change in provision for doubtful receivables		-	43 267
TOTAL EXPENSES		**15 622 749**	**19 086 068**
SURPLUS/DEFICIT FOR THE PERIOD		**3 598 812**	**3 909 225**

The accompanying notes form an integral part of these financial statements

STATEMENT III

United Nations Convention to Combat Desertification

Statement of Changes in Net Assets for the year ended 31 December 2020

(United States Dollars)

	Note	Accumulated Surplus – General Fund	Reserves	Total
Net Assets 31 December 2018 (restated)		**4 937 532**	**1 952 255**	**6 889 787**
Recognition of actuarial adjustments in net assets	11	(8 715 387)	-	(8 715 387)
Interfund adjustments		-	-	-
Net result for 2019	Statement II	3 909 225	-	3 909 225
Net Assets at 31 December 2019		**131 370**	**1 952 255**	**2 083 625**
Recognition of actuarial adjustments in net assets	11	(437 704)	-	(437 704)
Interfund adjustments		-	-	-
Net result for 2020	Statement II	3 598 812	-	3 598 812
Net Assets at 31 December 2020	Statement I	**3 292 478**	**1 952 255**	**5 244 733**

The accompanying notes form an integral part of these financial statements

STATEMENT IV

United Nations Convention to Combat Desertification

Statement of Cash Flow for the period 1 January 2020 to 31 December 2020

(in United States dollars)	*Note*	*2020*	*2019*
Cash flows from operating activities			
Surplus (deficit) for the period excluding interest	State-ment II	3 165 137	3 294 172
Interest revenue		433 675	615 053
Surplus (deficit) for the period		3 598 812	3 909 225
Depreciation and amortization	8	22 224	22 224
Increase/(decrease) of provision for doubtful receivables	6	(18 730)	43 267
(Increase)/decrease in receivables	6	(3 695 071)	(3 911 404)
(Increase)/decrease in other current assets	7	73 778	46 339
Increase/(decrease) in advance receipts	10	189 216	(513 142)
Increase/(decrease) in accounts payable	9	(208 088)	(224 725)
Increase/(decrease) in other current liabilities	12	(299 874)	302 188
Increase/(decrease) in employee benefit liabilities recognized in surplus	11	1 371 058	1 279 320
Net cash flows from operating activities		**1 033 325**	**953 292**
Cash flows from investing activities			
(Increase) decrease in short-term investments	5	(3 522 795)	6 222 939
(Increase) decrease in long-term investments	5	(1 389 251)	(2 805 812)
Net cash flows from investing activities		**(4 912 046)**	**3 417 127**
Net increase (decrease) in cash and cash equivalents		**(3 878 721)**	**4 370 419**
Cash and cash equivalents at beginning of year	5	**6 733 387**	**2 362 968**
Cash and cash equivalents at end of year	5	**2 854 666**	**6 733 387**

The accompanying notes form an integral part of these financial statements

STATEMENT V

United Nations Convention To Combat Desertification

Statement of Comparison of Budget and Actual amounts for the period ended 31 December 2020

(in euros)*

Core budget of the Secretariat *Programmes*	*Original budget 2020 EUR*	*Final Budget 2020 EUR*	*Actual 2020 EUR*	*Actual 2020 USD*
I. Secretariat programmes				
A. Executive direction and management	1 013 419	1 013 419	987 769	1 127 162
B. Communications	561 295	561 295	466 472	532 300
C. External relations, policy and advocacy	1 091 937	1 091 937	784 327	895 010
D. Science, technology and implementation	1 602 685	1 602 685	1 258 231	1 435 790
E. Administrative services	1 153 523	1 153 523	969 010	1 105 755
II. Global Mechanism				
F. Global Mechanism	1 847 452	1 847 452	1 299 925	1 483 368
Subtotal (A-F)	7 270 311	7 270 311	5 765 734	6 579 385
Programme support costs	945 140	945 140	749 545	855 320
Working capital reserve	0	0	0	0
TOTAL Core Budget of the Secretariat	8 215 451	8 215 451	6 515 280	7 434 705
Contribution from the host Government	511 292	511 292	511 292	598 002
Indicative contributions	7 582 749	7 582 749	7 416 284	8 462 890
Unspent balances or contributions from prior financial periods (up to)	121 410	121 410	121 410	138 544
TOTAL income	8 215 451	8 215 451	8 048 986	9 199 436
Drought Initiative	876 117	876 117	345 526	394 287
Programme support costs	113 895	113 895	44 918	51 257
Contingency budget for conference servicing	2 104 660	2 104 660	0	0
Total other budgets approved by the Conference of the Parties	3 094 672	3 094 672	390 445	445 544

*At the average monthly exchange rate of the United Nations for the year 2020 with 1 USD = EUR 0.87633, with the exception of the contribution from the host Government

The accompanying notes form an integral part of these financial statements.

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Notes to the financial statements

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United Nations Convention to Combat Desertification

Notes to the financial statements

Note 1: The Reporting Entity

1. The permanent secretariat of the United Nations Convention to Combat Desertification (UNCCD) was established in December 1996. The Strategy is to forge global partnerships to reverse and prevent desertification and land degradation. These partnerships are also meant to mitigate the effects of drought in affected areas. Coupled with the vision is a Strategy mission: To provide a global framework to support the development and implementation of national and regional policies that are to contribute to the reduction of poverty.

2. UNCCD is governed by the following constituent bodies:

Conference of the Parties (COP) is the supreme decision-making body of the Convention. All States that are Parties to the Convention are represented at the COP, at which they review the implementation of the Convention and any other legal instruments that the COP adopts and take decisions necessary to promote the effective implementation of the Convention, including institutional and administrative arrangements.

The Bureau of the COP

At the beginning of the first meeting of each ordinary session, a President and nine Vice-Presidents are elected from among the representatives of the Parties present at the session in a manner that every geographical region shall be represented by at least two members. They serve as the Bureau of the session. One of the Vice-Presidents shall act as Rapporteur.

The President declares the opening and closing of the session, presides at the meetings of the session, ensures the observance of the present rules, and has complete control of the proceedings and over the maintenance of order thereat. The President, if temporarily absent from a meeting or any part thereof, shall designate a Vice-President to act as President.

The Bureau of the COP has an important role in the UNCCD process also outside the sessions, as it directs various aspects concerning the follow-up of the COP and the preparations of the next one. The COP Bureau is also often assigned by the COP to supervise specific, particularly demanding or sensitive tasks or processes that are carried out between the COP sessions.

The Committee for the Review of the Implementation of the Convention (CRIC) was established by decision 1/COP.5, as a subsidiary body to the COP to assist in it regularly reviewing the implementation of the Convention. Parties at COP 13 adopted new Terms of Reference of the CRIC (decision 13/COP.13). According to its Terms of Reference, the CRIC shall assist the COP in reviewing the implementation of the Convention under the authority and guidance of the COP and as an integral part of the Performance Review and Assessment of Implementation (PRAIS).

The Committee on Science and Technology (CST). In line with Article 24 of the UNCCD, the Committee on Science and Technology (CST) is established as a subsidiary body of the Conference of the Parties (COP) to provide it with information and advice on scientific and technological matters relating to combating desertification and mitigating the effects of drought. The CST meets in conjunction with the ordinary sessions of the COP. It is meant to be multidisciplinary, open to the participation of all Parties, and composed of government representatives competent in the relevant fields of expertise. The CST Bureau is composed of the Chairperson and four Vice-Chairpersons, among them a Rapporteur. The members of the Bureau are appointed with due regard to geographical representation and following the principle of rotation among the regional groups recognized by the practices of the United Nations.

3. UNCCD is financed by indicative contributions paid by Parties to the Convention, and voluntary contributions from Parties to the Convention and other donors.

4. The Organization enjoys privileges and immunities as granted under the 1947 Convention on Privileges and immunities of the United Nations and the 1996 Headquarters agreement with the Federal Government of Germany, notably being exempt from most forms of direct and indirect taxation.

Note 2: Basis of Preparation

5. The financial statements of the UNCCD have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention. The statements are prepared on a going concern basis based upon approval by the Conference of Parties of the 2020-2021 Programme and budget, the historical trend of collection of indicative and voluntary contributions over the past years and that the Conference of Parties has not made any decision to cease the operations of the Organization. At the 13th session of the COP, the Parties adopted the new strategic framework of the Convention for 2018–2030. The new strategy outlines five long-term objectives for the implementation of the UNCCD and directly contributes to the achievement of many SDGs, most notably SDG 15 concerning life on land and its target 15.3 on land degradation neutrality.

6. These are the seventh set of financial statements to be prepared in accordance with IPSAS. The adoption of IPSAS required changes to be made to the accounting policies previously followed by UNCCD, including the preparation of a single set of financial statements covering both Core budget and extra-budgetary activities, which are presented throughout in United States dollars (USD). In accordance with IPSAS, the 2020 financial statements are presented on an annual basis covering the period 1 January 2020 to 31 December 2020.

7. The Cash Flow Statement is prepared using the indirect method.

2.1 Functional and Presentation Currency

8. The financial statements are presented in United States dollars, which is the functional and presentation currency of UNCCD, whereas the budget is prepared and approved in euros.

2.2 Foreign Currency Translation

9. Transactions in currencies other than USD are translated into USD at the prevailing United Nations Operational Rates of Exchange (UNORE). Assets and liabilities in currencies other than USD are translated into USD at the UNORE year-end closing rate. Resulting gains or losses are accounted for in the Statement of Financial Performance.

2.3 Materiality and use of judgment and estimates

10. Materiality is central to the UNCCD financial statements. The UNCCD's accounting materiality framework provides a systematic method to identify, analyse, evaluate, endorse, and periodically review materiality decisions crossing a number of accounting areas. The financial statements necessarily include amounts based on judgments, estimates and assumptions by management. Actual results may differ from these estimates. Changes in estimates are reflected in the period in which they become known. Accruals, depreciation, and employee benefit liabilities are the most significant items for which estimates are utilized.

Note 3: Significant Accounting Policies

Assets

3.1 Cash and Cash Equivalents

11. Cash and cash equivalents are held at fair value and comprise cash on hand, cash at banks, money market and short-term deposits. Investment revenue is recognized as it accrues taking into account the effective yield.

3.2 Financial Instruments

12. Financial instruments are initially measured at fair value. Subsequent measurement of all financial instruments is at fair value except for accounts receivable and accounts payable, which are measured at amortized cost using the effective interest method. A provision is made for the difference between the nominal value of the accounts receivable and accounts payable.

13. Financial instruments are recognized when UNCCD becomes a party to the contractual provisions of the instrument until the rights to receive cash flows from those assets have expired or have been transferred and the UNCCD has transferred substantially all the risks and rewards of ownership.

14. The main cash pool comprises participating entity shares of cash and term deposits, short-term and long-term investments and accrual of investment revenue (the latter recognized within accounts receivable), all of which are managed by the UN Treasury. UNCCD's share of the cash pool is disclosed in the notes to the financial statements and on the Statement of Financial Position. Detailed information on the holdings of the main cash pool may be obtained in the Financial Statements of the United Nations.

15. Gains or losses arising from changes in the fair value of financial instruments are included within the statement of financial performance in the period in which they arise. Gains or losses arising from a change in the fair value of the financial assets held in the Euro cash pool are presented in the Statement of Financial Performance in the period in which they arise as finance costs if net loss or investment revenue if net gain.

16. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. UNCCD's receivables comprise indicative contributions receivable from member countries and other accounts receivable recognized on the Statement of Financial Position. Receivables are measured at amortized cost taking into account a provision for impairment and an adjustment to reflect the time value of money based on the interest rate generally applicable to securities of similar maturity and currency.

17. Receivables are stated at amortized cost less allowances for estimated irrecoverable amounts. A provision is established equal to 50% of indicative contributions receivable outstanding for more than 36 months and 100% of receivables outstanding for more than 48 months. A provision is established for all other receivables equal to 50% of the amount outstanding for more than 24 months and 100% for receivables outstanding for more than 36 months.

3.3 Inventories

18. UNCCD does not maintain an inventory of tangible assets that are held for resale or consumed in the distribution in rendering of services.

3.4 Property, Plant and Equipment

19. Equipment with a cost equals or exceeds USD 5,000 is valued at historical cost less accumulated depreciation and any impairment losses. UNCCD is deemed to control equipment if it can use or otherwise benefit from the asset in the pursuit of its objectives and if UNCCD can exclude or regulate the access of third

parties to the asset.

Depreciation

20. Depreciation is calculated over their estimated useful life of equipment using the straight-line method. The estimated useful life for equipment classes are as follows:

Class	Estimated useful life (years)
Computer Equipment	5
Communication and audio-visual equipment	5
Furniture and fixtures	10
Machinery and equipment	10
Vehicles	10
Leasehold improvements	10 (or lease term, whichever shorter)

21. Impairment assessments are conducted when events or changes in circumstance indicate that carrying amounts may not be recoverable and any impairment losses are recognized in the Statement of Financial Performance. The useful lives of equipment are reviewed and adjusted, if applicable.

3.5 Intangible Assets

22. Intangible assets are valued at historical cost less accumulated amortization and any impairment losses. Intangible assets acquired externally are capitalised if their costs equal or exceed USD 5,000. Internally developed software is capitalized if its cost exceeded a threshold of USD 100,000 or more excluding research and maintenance costs and including directly attributable costs such as staff assigned full time to a development projects, subcontractors and consultants.

Amortization

23. Amortization is provided over the estimated useful life using the straight-line method. The estimated useful lives for intangible asset classes are as follows:

Class	Estimated useful life (years)
Software acquired externally	5
Internally developed software	3 – 6

24. Impairment reviews are undertaken for all intangible assets at least every two years and any impairment losses are recognized in the Statement of Financial Performance.

Liabilities

3.6 Accounts payable

25. Accounts payable are financial liabilities in respect of either goods or services that have been acquired and received by UNCCD and for which the invoices have been received from the suppliers. They are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest method. As the accounts payable of UNCCD generally fall due within 12 months, the impact of discounting is immaterial, and nominal values are applied to initial recognition and subsequent measurement.

3.7 Accruals

26. Accruals are liabilities for goods and services that have been received or provided to UNCCD during the year and have not been invoiced by suppliers as at the reporting date.

3.8 Advances

27. Advances are prepayments from customers, parties, or donors for subsequent periods.

3.9 Other Liabilities

28. Other liabilities primarily include obligations for future refunds and other miscellaneous items such as unapplied cash receipts. They are designated similarly to accounts payable and accruals and are recorded at nominal value, as the impact of discounting is immaterial.

3.10 Employee Benefits

29. UNCCD provides the following employee benefits:

- Short-term employee benefits comprise first-time employee benefits (assignment grants), regular monthly benefits (wages, salaries, allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (education grant, reimbursement of taxes) which fall due wholly within twelve months after the end of the accounting period in which employees render the related service;

- Post-employment benefits including ASHI, repatriation grant, separation related travel and shipping costs, accumulated annual leave on separation and death benefit; and

- Termination benefits include indemnities for voluntary redundancy payable once a plan has been formally approved.

30. The liability recognized for post-employment benefits is the present value of the defined benefit obligations at the reporting date. An independent actuary using the projected unit credit method calculates the

defined benefit obligations. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-grade corporate bonds with maturity dates approximating those of the individual plans.

31. Employee benefits including payments to staff members on separation from service such as repatriation grant, accrued annual leave, repatriation travel and removal on repatriation are expensed on an accrual basis.

32. Actuarial gains and losses related to post-employment benefits for after service health insurance (ASHI) are recognised in the period in which they occur on the statement of changes in net assets as a separate item in net assets/equity.

33. The UNCCD is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF or the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability, and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization that participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

34. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. UNCCD and the UNJSPF, in line with the other participating organizations in the Fund, are not in a position to identify UNCCD's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence UNCCD has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39. UNCCD's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

3.11 Provisions

35. Provisions are made for future liabilities and charges where UNCCD has a present legal or constructive obligation as a result of past events and is probable that UNCCD will be required to settle the obligation, and the value can be reliably measured.

3.12 Contingent liabilities and contingent assets

36. Contingent liabilities, where their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNCCD or where the value cannot be reliably estimated, are disclosed in the notes to the financial statements. Contingent liabilities are evaluated continually to determine whether an outflow of resources has become probable. If an outflow becomes probable, a provision is recognized in the financial statements in the period in which probability occurs.

3.13 Leases

37. Leases, where the lessor retains a significant portion of the risks and rewards inherent in ownership, are classified as operating leases. Payments made under operating leases are charged on the Statement of Financial Performance as an expense on a straight-line basis over the period of the lease.

Revenue

3.14 Non-exchange Revenue and Receivables

38. Indicative contributions to the Core Budget and are recognised at the beginning of the year to which

the assessment relates. The revenue amount is determined based on the approved budgets and the scale of assessment approved by the United Nations General Assembly as adopted by the Conference of the Parties.

39. Voluntary contributions are recognised upon the signing of a binding agreement with the donor. Revenue is recognised immediately if no condition is attached. If conditions are attached, including a requirement that funds not utilized in accordance with the agreement must be returned to the contributing entity, revenue is recognised only upon satisfying the conditions. Until such conditions are met a liability (deferred revenue) is recognised. Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are considered contingent assets and are recognised as revenue when received and disclosed in the notes to the financial statements if receipt is considered probable. Refunds to the donors are offset against the revenue. Table on paragraph 117 119 refers.

40. Multi-year voluntary conditional contributions due in future financial periods are recognized as receivables on the signing of the agreement along with a liability (deferred revenue) until the conditions are met.

41. Goods in kind are recognised at their fair value, measured as of the date the donated assets are acquired. Services in kind including the use of space provided are not recognized.

42. UNCCD charges projects financed by voluntary contributions with the cost of providing programme support services. The charge is recognized as revenue in the funds performing the service and expenses in the funds receiving support services and reflected in the statement of financial performance by fund. In the consolidated Statement of Financial Performance (Statement II) both programme support revenue and expenses are eliminated since they represent inter-fund charges and revenue. The income from Repatriation Grant and ASHI for voluntary contributions are also eliminated with the corresponding expenses recorded by Payroll.

3.15 Exchange Revenue

43. Interest revenue is recognised on a time proportion basis as it accrues, taking into account the effective yield.

3.16 Expenses

44. Expenses arising from the purchase of goods and services are recognized when the services or goods have been received and accepted by UNCCD. Services are considered received on the date when the service is certified as rendered. For some service contracts, this process may occur in stages. Balances of unliquidated obligations recognized as expenses in the Core Budget on the Statement of Budget to Actual Comparison related to services or goods not received and accepted by UNCCD at the reporting date are not recognized as expenses on the Statement of Financial Performance.

45. Savings resulting from the cancellation of expenses accrued in prior period and from instances where actual costs incurred are lower than the amount accrued in a prior period are recognized as a reduction of expenses in the current period on the Statement of Financial Performance.

3.17 Segment Reporting

46. UNCCD is a single purpose entity with a mandate to assist the signatories of the UN Convention to Combat Desertification to the living conditions for people in drylands, to maintain and restore land and soil productivity, and to mitigate the effects of drought. Its operations, therefore, consist of a single segment. However, to provide additional information for use to senior management and Parties to the Convention supplemental disclosures are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all UNCCD funds. A fund is a self -balancing accounting entity established for the transactions of a different specified purpose or objective. Fund balances represent the accumulated residual of revenue and expenses.

47. UNCCD classifies all projects, operations and fund activities into seven funds and special accounts:

- Trust fund for the Core Budget of UNCCD financed from indicative contributions (or general purpose contributions from donors)
- Trust fund for Participation of representatives of State Parties in the session of UNCCD Conference
- Trust fund for Convention events organized by the UNCCD Secretariat (the Bonn Fund)
- Trust fund for Voluntary financing of activities under the UNCCD
- Special account for UNCCD Programme Support
- UNCCD Cost Recovery under Host Country Agreement
- Trust fund for the Voluntary financing of the UNCCD Global Mechanism

48. Transactions occurring between funds are accounted for at cost and eliminated on consolidation.

49. UNCCD reports on the transactions of each fund during the financial period, and the balances held at the end of the period.

3.18 Budget Comparison

50. UNCCD's budget is prepared on a modified cash basis and the financial statements are prepared on an accrual basis. The budget is adopted on a biennial basis and presented in annual estimates in the financial statements. Unexpended balances at the end of the first year of the biennium are carried forward and added to the annual budget estimate for the second year of the biennium.

51. Statement V compares the final budget to actual revenue and expenses amounts calculated on the same basis as the corresponding approved budget.

52. As the basis used to prepare the budget and financial statements differ. Note 16 provides a reconciliation between the actual amounts presented in statement V and the actual amounts presented on the Statement of Financial Performance (statement II).

53. The COP approves the biennial Core budget of the secretariat and the Global Mechanism in Euros. The COP has delegated authority to the Executive Secretary to make transfers between each of the main appropriations lines in Statement V up to an aggregate limit of 20% of the total estimated expenses for those appropriation lines subject to a further limitation of up to minus 25% of each appropriation line.

Note 4: Financial Risk and Instruments

54. In addition to directly held cash and cash equivalents and investments, the United Nations Convention to Combat Desertification ("UNCCD") participates in the United Nations Treasury cash pool. The main pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

55. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity's principal balance.

56. As at 31 December 2020, the cash pools and the total assets for USD 10,652.4 million (2019: USD

9,339.4 million), of which USD 26.1 million was due to the Organization (2019: USD 25.2 million), and its share of revenue from cash pools was USD 0.4 million (2019: USD 0.6 million).

Summary of assets and liabilities of the main pool as at 31 December 2020 compared to 2019
(Thousands of United States dollars)

	Main pool 2020	*Main pool 2019*
Fair value through the surplus or deficit		
Short-term investments	7 120 747	5 177 137
Long-term investments	2 349 880	1 624 405
Total fair value through the surplus or deficit investments	**9 470 307**	**6 801 542**
Loans and receivables		
Cash and cash equivalents	1 163 683	2 499 953
Accrued investment revenue	18 398	37 867
Total loans and receivables	**1 182 082**	**2 537 820**
Total carrying amount of financial assets	**10 652 389**	**9 339 362**
Cash pool liabilities		
Payable to UNCCD	26 132	22 155
Payable to other cash pool participants	10 626 257	9 317 207
Total liabilities	**10 652 257**	**9 339 362**
Net assets	–	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2020 compared to 2019
(Thousands of United States dollars)

	Main pool 2020	*Main pool 2019*
Investment revenue	113 031	198 552
Unrealized gains / (losses)	54 145	14 355
Investment revenue from main pool	**167 176**	**212 907**
Foreign exchange gains / (losses)	5 837	3 287
Bank fees	(578)	(808)
Operating gains (losses) from main pool	**5 259**	**2 479**
Revenue and expenses from main pool	**172 435**	**215 386**

Financial risk management

57. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Guidelines.

58. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market rate of return component of the objectives.

59. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

60. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible cash pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

61. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

62. The credit ratings used for the cash pools are those determined by major credit-rating agencies; Standard & Poor's and Moody's and Fitch are used to rate bonds, certificates of deposit and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown below.

Investments of the cash pool by credit ratings as at 31 December 2020

Main pool	*Ratings as at 31 December 2020*					*Ratings as at 31 December 2019*				
Bonds (Long term ratings)						**Bonds (Long term ratings)**				
	AAA	**AA+u/AA/AA-**	**A+**	**NR/WD**			**AAA**	**AA+/AA/AA-**	**A+**	**NR**
S&P	44.0%	53.2%		2.8%		S&P	35.8%	58.8%		5.4%
Fitch	61.4%	15.5%		23.1%		Fitch	60.2%	23.8%		16.0%
	Aaa	**Aa1/Aa2/Aa3**	**A1**				**Aaa**	**Aa1/Aa2/Aa3**	**A1**	
Moody's	61.1%	34.9%	0.4%	3.6%		Moody's	54.8%	45.2%		
Commercial papers/ Certificates of Deposit (Short term ratings)						**Commercial papers (Short term ratings)**				
	A-1+/A-1						**A-1+/A-1**			
S&P	100.0%					S&P	100.00%			
	F1+/F1			**NR**			**F1+**			
Fitch	98.0%			2.0%		Fitch	100.00%			
	P-1						**P-1**			
Moody's	100.0%					Moody's	100.00%			
Term deposits (Fitch viability ratings)										
	aaa	**aa/aa-**	**a+/a/a-**				**aaa**	**aa/aa-**	**a+/a**	
Fitch	-	27.5%	72.5%			Fitch	-	84.2%	15.8%	

63. The United Nations Treasury actively monitors credit ratings and, given that the Organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

Financial risk management: liquidity risk

64. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. They maintain sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The cash pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

65. The cash pools comprise the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than four years (2019: five years). The average duration of the main pool on 31 December 2019 was 0.72 years (2019: 0.74 years), which is considered to be an indicator of low risk.

Cash pools interest rate risk sensitivity analysis

66. This analysis shows how the fair value of the cash pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 %). The basis point shifts are illustrative.

Main pool interest rate risk sensitivity analysis as at 31 December 2020

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars):									
Main pool total	148.41	111.30	74.20	37.10	0	(37.10)	(74.18)	(111.26)	(148.34)

Main pool interest rate risk sensitivity analysis as at 31 December 2019

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars):									
Main pool total	134.47	100.84	67.22	33.61	-	(33.60)	(67.20)	(100.79)	(134.38)

Other market price risk

67. The cash pools are not exposed to significant other price risks because they do not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

68. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

69. The levels are defined as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

70. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third-parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held in the cash pools is the current bid price.

71. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximise the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2.

72. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no Level 3 financial assets nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December: main pool
(Thousands of United States dollars)

	31 December 2020			*31 December 2019*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	452 281	–	452 281	148 473	–	148 473
Bonds – non-United States agencies	931 565	–	931 565	755 027	–	755 027
Bonds – supranational	787 362	–	787 362	423 230	–	423 230
Bonds – United States treasuries	502 462	–	502 462	497 829	–	497 829
Bonds – non-United States sovereigns	151 035	–	151 035	–	–	–
Main pool – commercial papers	–	2 062 987	2 062 987	–	347 398	347 398
Main pool – certificates of deposit	–	2 762 615	2 762 615	–	3 419 585	3 419 585
Main pool – term deposits	–	1 820 000	1 820 000	–	1 210 000	1 210 000
Total	**2 824 705**	**6 645 602**	**9 470 307**	**1 824 559**	**4 976 983**	**6 801 542**

Financial Instruments

(United States Dollars)	**2020**	**2019**
Cash and cash equivalents at fair value through surplus and deficit	2 854 666	6 733 387
Short-term investments at fair value through surplus and deficit	17 467 322	13 944 527
Long-term investments	5 764 557	4 375 306
Accounts Receivable at amortized cost	13 306 939	9 593 138
Accounts Payable at amortized cost	(569 790)	(835 429)
Total net financial instruments	**38 823 694**	**33 810 929**

73. The carrying amounts of the indicative contribution receivable are denominated in euros. The age of Indicative contributions and other accounts receivables including voluntary contributions at the reporting date are as follows.

(United States dollars)

Receivables past due	*Indicative*	*Voluntary contri-butions and other receivables*
Up to 1 year	1 281 884	8 672 616
1 to 2 years	906 247	216 031
2 to 3 years	456 347	253 926
3 to 4 years	115 077	35 545
Above 4 years	1 960 633	453 166
Total receivables at 31 December	**4 720 188**	**9 631 284**
Provision for impaired receivables at 1 January	(1 904 867)	-
Revaluation	104 200	756 134
Total receivables after provisioning as at 31 December	**2 919 521**	**10 387 418**

Note 5: Cash, Cash Equivalents and Investments

Cash and investments

(in United States dollars)	**2020**	**2019**
Cash and cash equivalents held in OAH Euro dollar Cash Pool	2 854 666	6 733 387
Total cash	2 854 666	6 733 387
Short-term investments	17 467 322	13 944 527
Total current cash and short-term investments	20 321 988	20 677 914
Long-term investments	5 764 557	4 375 306
Total cash and investments	**26 086 545**	**25 053 220**

74. UNCCD cash forms part of the cash pools that are maintained and managed by the UN Treasury. The cash pools comprise UNCCD's participating share of cash and term deposits, short term and long-term investments and accrual of investment income all of which are managed in the pool.

75. The total cash and investments above include USD 20,356,252 (2019: USD 20,867,830) that are subject to general stipulations in the agreements which did not meet the requirements to be conditions under IPSAS 23. Historically, UNCCD has had positive experiences with regard to receiving the payment tranches from donors in accordance with the agreements and has never been in breach of stipulations that would prompt donors to demand refunds or reimbursements.

Note 6: Accounts receivable

In United States dollars	2020	2019
Indicative Contributions due from Parties to the Convention (Non-exchange transactions)		
Current	4 720 188	5 280 618
Revaluation	104 200	(32 919)
Less provision for doubtful receivables	(1 904 867)	(1 923 596)
Sub-total indicative contributions	2 919 521	3 324 103

Ageing of indicative contributions as at 31 December 2020

In United States dollars	31 December 2020		31 December 2019	
	Gross receivable	Allowance	Gross receivable	Allowance
Less than one year	1 409 286	0	2 762 513	0
One to two years	974 076	0	431 548	0
Two to three years	468 666	0	118 173	0
Three to four years	134 986	67 493	89 574	44 786
More than four years	1 837 374	1 837 374	1 878 810	1 878 810
Total	**4 824 388**	**1 904 867**	**5 280 618**	**1 923 596**

76. Indicative contributions reflect the contributions receivable from Parties to the Convention to fund the Core Budget in accordance with the Financial Rules adopted by the COP.

77. Voluntary contributions receivable of USD 10,284,257 (2019: USD 6,099,244) includes for both Secretariat and Global Mechanism as per the signed agreements. The voluntary contribution receivables for 2020 have been classified and presented in the Financial Position as current (USD 7,059,831) and non-current (USD 3,224,426) assets based on the due date.

Other accounts receivables (in United States dollars)	2020	2019
VAT	58 028	23 819
Investment income receivable	45 133	101 995
Other	0	43 977
Sub-total	**103 161**	**169 791**

78. Value Added Tax (VAT) for USD 58,028 has been invoiced for taxes reimbursable under the headquarters agreement with the host government, and investment revenue receivable of USD 45,133 reported by UNHQ Treasury.

79. The receivables above include USD 9,600,058 (2019: USD 5,828,915) that are subject to general stipulations in the agreements which did not meet the requirements to be conditions under IPSAS 23. Historically, UNCCD has had positive experiences with regard to receiving the payment tranches from donors in accordance with the agreements and has never been in breach of stipulations that would prompt donors to demand refunds or reimbursements.

Note 7: Other current assets

80. Other current assets consist of the following:

Other current assets (in United States dollars)	2020	2019
Education grant advance	**173 432**	**172 463**
UNDP Remittances net of charges	**90 184**	**149 843**
Travel advance	**50 853**	**56 810**
Salary advance	**8 672**	**17 869**
Other	**736**	**670**
Total other current assets	**323 877**	**397 655**

81. Staff members for the internationally recruited received advance for education grants. The education grant liability of USD 173,432 related to 13 staff members earned in 2020 but not claimed at the reporting date.

82. UNDP remittance of net charges related to the fund balance between the amount transferred minus the expenses reported at 31 December 2020. The balance amount of USD 90,184 will be used to cover the payments to implementing partners, consultants, and vendors in 2021.

Note 8: Fixed Assets
(United States dollars)

	Vehicles	Communications Information Technology Equipment	Total
Cost as at 31 December 2019	**109 882**	**91 432**	**201 314**
Additions	0	0	0
Impairment	0	0	0
Disposals	0	0	0
Cost as at 31 December 2020	**109 882**	**91 432**	**201 314**
Accumulated depreciation as at 31 December 2019	**87 239**	**47 601**	**134 840**
Depreciation	3 938	18 286	22 224
Impairment	0	0	0
Disposals	0	0	0
Accumulated depreciation as at 31 December 2020	**91 177**	**65 887**	**157 064**
Net carrying amount			
31 December 2019	22 643	43 831	66 474
31 December 2020	**18 705**	**25 545**	**44 250**

83. In 2015, the Organization acquired a new vehicle at the cost equals the capitalization threshold of USD 5,000 or above. The vehicle has been capitalized as an asset and is being depreciated over a period of ten years (see accounting policy note 3.4).

84. In 2017, the Organization acquired additional communications and information technology equipment at a cost equals the capitalization threshold of USD 5,000 or above. The equipment has been capitalized as an asset and is being depreciated over a period of five years (see accounting policy note 3.4).

Note 9: Accounts payables and accrued expenses

(in United States dollars)	**2020**	**2019**
Vendor payables	153 410	275 322
Unexpended balance of contribution from the Government of the Bolivarian Republic of Venezuela	416 380	556 742
Unapplied deposits	-	3 365
Accruals for goods and services	193 874	136 323
Total payables and accrued expenses	**763 664**	**971 752**

85. Payables to vendors relate to amounts due for goods received and services rendered payment had

not been completed.

86. In October 2006, UNCCD had received USD 2,000,000 from the Government of Bolivarian Republic of Venezuela for project "Demonstration on Rehabilitation of Degraded Lands and Drought Mitigation" to support implementation of the common actions proposed by the UNCCD secretariat in the South Pacific Island Nations. In 2014, the secretariat took steps to close this multi-year project. All participating countries in the project were informed of the closure and action taken to reconcile their respective financial reports. The funds held by the participating countries in the amount of USD 109,018, and USD 860,681 due to the Government of Bolivarian Republic of Venezuela has been included in the 2014 financial statements.

87. The portion of the amount payable to the Government of the Bolivarian Republic of Venezuela in the amount of USD 444,031 has been used, and the remaining balance of USD 416,380 at 31 December 2020 as below. This amount has been included as accounts payable and accrued expenses, pending the finalization of the agreement between UNCCD, UNDP Venezuela and the Government of the Bolivarian Republic of Venezuela.

	Amount in USD	
Balance as per financial utilization report dated 23 December 2015		860 681
Expenditures:		
Amount approved for LDN TSP activities including Programme Support Costs	61 020	
Offset of indicative contributions outstanding for 2010-2017	303 939	
Offset of indicative contributions outstanding for 2018 (full) and 2019 (partial)	79 342	444 301
Fund Balance: Amount to be transferred to UNDP Venezuela as authorized		**416 380**

88. Accruals are liabilities for goods and services that have been received or provided to UNCCD during the year and which have not been invoiced by suppliers.

Note 10: Advance receipts and deferred revenue

(in United States dollars)	**2020**	**2019**
Conditional voluntary contributions	562 724	621 477
Indicative contributions received in advance	831 933	583 964
Total advance receipts	**1 394 657**	**1 205 441**

89. UNCCD recognizes a liability in cases where conditions are attached to voluntary contributions. Conditions are imposed by donors on the use of contributions and include both an obligation to use the donation in a specified manner and an obligation to return any amount not expended in accordance with performance specified by the donation. The amount recognised as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As UNCCD satisfies the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognised.

90. Indicative contributions received in advance cover amounts received before the due date as established by the Financial Rules and Regulations.

Note 11: Employee Benefit liability

91. The employee benefit liabilities outstanding at the reporting date are as follows:

(in United States dollars)	2020	2019
Current liabilities		
Repatriation grant and travel	164 000	213 000
After service health insurance	132 000	111 000
Accumulated annual leave	72 000	104 000
USA Tax reimbursement	13 664	63 268
Home leave	155 337	104 283
Other	198 970	191 658
Subtotal current liabilities	**735 971**	**787 209**
Non-current liabilities		
Repatriation grant and travel	1 522 000	1 410 000
After service health insurance	29 367 000	27 657 000
Accumulated annual leave	727 000	689 000
Subtotal non-current liabilities	**31 616 000**	**29 756 000**
Total employee benefits liabilities	**32 351 971**	**30 543 209**

92. The ASHI liability increased from USD 27.8 million to USD 29.5 million mainly due to the decrease of the discount rates slightly compensated by the increase of the health care trend. The repatriation grant of USD 0.063 million increase in 2020 due to decreased interest and by experience adjustments due to changes in the population. The annual leave liability has slightly increased in 2020 due to the interest rate effects.

93. The methodology for estimating the amounts of each liability is as follows:

Education grant: Internationally recruited staff members are eligible for partial reimbursement of the amounts paid for the education of dependent children up to maximum allowances established by the International Civil Service Commission (ICSC). The liability relates to the amount earned but not claimed at the reporting date. Staff members received advances for education grants. The advances exceeded the respective liability. Hence, the liability against the staff members was offset from the advances and shown under "other current assets".

Home leave: Non-locally recruited UNCCD staffs are entitled to reimbursement for the costs of travel to their home country in the second year after their initial appointment and thereafter, every second year. The liability recorded has been calculated proportionately reflecting the number of months of home leave entitlement earned by officials since their last entitlement at the reporting date.

US taxes: American citizens that are officials of UNCCD are reimbursed for the amounts of income taxes payable on the compensation they earn from the Organization.

Post-employment benefits

Annual leave: In accordance with UN Staff Rules and Staff Regulations, UNCCD staff may accumulate annual leave of up to 60 working days which is payable on separation from service.

Repatriation grant and travel: In accordance with UN Staff Rules and Staff Regulations, non-locally recruited UNCCD staff are entitled to a grant calculated based on length of services and family status on separation from service if they have completed five year of service outside their home country. In addition, non-locally recruited UNCCD staff are entitled to reimbursement of travel and transport of personal effects on separation for themselves, their spouse and their dependent children.

After Service Health Insurance (ASHI): Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or later are eligible for ASHI coverage if they have contributory health insurance coverage prior to retirement for at least five years of service for staff hired before 1 July 2007 and ten years of service for staff hired after 1 July 2007. Staff hired before 1 July 2007 who retire with less than ten years but more than 5 years of covered receive unsubsidized coverage until enrolled for 10 years at which time the coverage is subsidized. UNCCD's liability for ASHI is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff. For 2020, the gross liability was calculated by the actuary as USD 29,499,000 net of contributions from plan participants (USD 27,768,000 at 31 December 2019.).

After-service health insurance for retired staff members and their survivors and dependents of UNCCD is provided by the United Nations Staff Mutual Insurance Society against Sickness and Accident (UNSMIS) established under article 6.2 of the United Nations Staff Regulation. UNSMIS is governed by its General Assembly and approves amendments to the Statutes. An Executive Committee consisting of three members appointed by the Director-General of the United Nations Office at Geneva, three members appointed by the Co-ordinating Council of the United Nations at Geneva in consultation with corresponding bodies of the specialized agencies affiliated to the UNSMIS and one member appointed by the other six members, is responsible for approving the UNSMIS accounts and management report.

In accordance with Article 11 of the Statute, persons insured by UNSMIS shall pay monthly contributions, the amount of which shall be fixed by its Internal Rules. The UNCCD, or other UNSMIS affiliated organizations, shall contribute to the UNSMIS funds through the payment of a subsidy, the proportion of which in relation to staff member contributions shall be fixed by the Director-General of the United Nations Office at Geneva within the limits of the relevant credited voted by the General Assembly of the United Nations. The ASHI liability calculation also includes staff members who contribute to other United Nations insurance plans and accrue eligibility for after-service health insurance.

Defined benefit obligations: An actuarial valuation at 31 December 2020 has been utilized to determine the UNCCD's estimated liability and expenses recognized on the Statement of Financial Performance for repatriation grants and travel, accumulated leave and after-service health insurance at the reporting date.

The results as at 31 December 2020 presented in this report for defined benefit obligations are

based on a roll-forward of the 31 December 2019 figures. Financial assumptions such as discount rates, salary increases, inflation rates and health-care cost trends have been updated since the actuarial valuation carried out in 2019 to determine UNCCD's estimated liability for defined benefit obligations at the reporting date. Demographic assumptions including probability of marriage at retirement will be updated in the actuarial study to be conducted in 2020.

94. Each year, the UNCCD reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expenses and contribution requirements for the UNCCD's after-service medical care plans and separation benefit plans. The discount rate is determined by calculating the expected benefit payments for each future year attributable to past service as of the valuation date and then discounting these benefit payments using spot rates for high quality corporate bonds. A single equivalent discount rate was then determined that resulted in the same past service obligation. The resulting single discount rate was rounded to the nearest 1/2 basis point.

95. The following assumptions and methods have been used to determine the value of employee benefit liabilities for the UNCCD at 31 December 2020.

Assumption	*After-service health insurance*	*Repatriation grant*	*Accumulated annual leave*
Discount rate (31 December 2019)	0.34%	2.99%	2.44%
Discount rate (31 December 2020)	0.21%	2.05%	2.07%
Travel inflation (31 December 2019)	–	2.2	–
Travel inflation (31 December 2020)	–	2.2	–
Health-care cost trend rate (31 December 2019)	3.91 decreasing to 3.65 in four years	–	–
Health-care cost trend rate (31 December 2020)	3.91 decreasing to 3.65 in four years	–	–
Salary increase rate	Based upon age and calculated separately for Professional and General Service staff		

96. The following assumptions were utilized by the actuary in determining the maturity profile of the defined benefit obligations at 31 December 2020:

- ASHI scheme: full eligibility is achieved once the staff member's period of service reaches 10 years in duration (5 years if hired before 01.07.2007) and once he/she reaches 55 years old. The projected duration of the ASHI liability is 25 years.

- Repatriation benefits: historically, for disclosure purposes it has been assumed that full eligibility is achieved from the time when the staff member's period of service reaches 12 years. The projected duration of the repatriation grant liability is 8 years;

- Annual leave: historically, for disclosure purpose sit has been assumed that full eligibility is achieved from the time when the staff member has accumulated 60 days of leave, i.e. once the maximum of benefits has been accumulated. The projected duration of the annual leave liability is 8 years.

97. The principal financial assumptions in the valuation of the defined benefit obligations are the rate at which medical costs are expected to increase in the future and the discount rate curve, which is calculated

on the basis of corporate bonds. The sensitivity analysis looks at the change in liability due to changes in the medical cost trend rates and discount rate. The sensitivity analyses below are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognized in the statement of financial position. Should the discount rate or the medical cost trend assumption vary by 1 percentage point, this would affect the measurement of the defined-benefit obligations as follows:

(Thousands of United States dollars)

	2020		*2019*	
	In-	*De-*	*In-*	*De-*
1 percentage point movement in the assumed medical costs trend rate				
Effect on the defined benefit obligation	4 354	(3 793)	4 147	(3 527)
Effect on the aggregate of the current service cost and interest cost	311	(256)	296	(243)

	2020		*2019*	
	In-	*De-*	*In-*	*De-*
1 percentage point movement in the assumed discount rate				
Effect on the ASHI defined-benefit obligation	(3 843)	4 593	(3 660)	4 375
Effect on the Repatriation Grant defined-benefit obligation	(50)	56	(52)	58
Effect on the Annual Lease defined-benefit obligation	(27)	28	(28)	29

98. The liabilities established for defined benefit obligations and the net service costs for 2020 are as follows:

(Thousands of United States dollars)	ASHI	Repatriation Grant & Travel	Annual Leave
Reconciliation of defined benefit obligation			
Defined benefit obligation, beginning of year	27 768	1 623	793
Current service cost	1 391	119	71
Interest cost	94	46	19
Benefits paid (net of participant contribution)	(114)	(220)	(107)
Liability (gain)/loss due to actuarial assumptions and experience recognized in net assets	360	118	23
Total liability recognized on Statement of Financial Position	**29 499**	**1 686**	**799**
Annual expense for calendar year			
Current service cost	1 391	119	71
Interest cost	94	46	19
Benefits paid (net of participant contribution)	(114)	(220)	(107)
Total (charge)/credit recognized on statement of financial performance	**1 371**	**(55)**	**(17)**

99. Under IPSAS-39 the liabilities for ASHI, repatriation grant and travel and accumulated annual leave are considered unfunded and, therefore, no fair value of plan assets has been recognized and the entire liabilities are recognized as liabilities of UNCCD.

100. Effective 01 January 2017, a monthly accrual has been implemented to start funding after-service health insurance liabilities relating to extra-budgetary activities. For this purpose, an accrual rate of 3% is applied on the sum of gross salary and post adjustment.

101. As of 31 December 2020, UNCCD accrued USD 131,078 for repatriation grant and travel and USD 190,693 for ASHI from all funds except core budget and programme support costs. These amounts were collected in the fund for employee benefits and will be used to (partially) fund future payments for ASHI and repatriation grants relating to the funds participating in the accrual.

102. Beginning in 2014 with the adoption of IPSAS, interest cost and current service cost related to the defined benefit obligation for ASHI liability, repatriation grant and travel, death benefits and accumulated leave have been recognized on the statement of financial performance as a component of staff costs. Actuarial gains or losses for the ASHI defined benefits plan results from changes in actuarial assumptions or experience adjustments including experience adjustments are directly recognized in the consolidated statement of changes in net assets. Actuarial adjustments for other long-term benefits including repatriation grants, death benefits and accumulated leave are recognized directly in the Statement of Financial Performance. The balance of each provision is reviewed annually and adjusted to reflect actual experience.

Historical present value of liability for defined-benefit obligations as at 31 December 2020
(Thousands of United States dollars)

Present value of liability for defined benefit obligation at 31 December	2020	2019	2018 (Restated)
After Service Health Insurance	29 499	27 768	18 311
Repatriation Grant and Travel	1 686	1 623	1 233

Annual Leave	799	793	698
Total	**31 984**	**30 184**	**20 242**

103. Short-term employee benefit liabilities for education grants and home leave are recognized at an undiscounted amount. Short-term compensated absences are recognized, as employees earn their entitlement to future compensated absences through rendering a service to the UNCCD. For non-accumulating compensating absences an expense is recognized when the absence occurs.

United Nations Joint Staff Pension Fund

104. The UNCCD is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

105. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. The UNCCD and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the UNCCD's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the UNCCD has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee Benefits. The UNCCD's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

106. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

107. The UNCCD's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9% for participants and 15.8% for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

108. The latest actuarial valuation for the Fund was completed as of 31 December 2019, and a roll forward of the participation data as of 31 December 2019 to 31 December 2020 will be used by the Fund for its 2020 financial statements.

109. The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2% (139.2% in the 2017 valuation). The funded ratio was 107.1 (102.7% in the 2017 valuation) when the current system of pension adjustments was taken into account.

110. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there

was no requirement, as of 31 December 2019, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

111. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2017, 2018 and 2019) amounted to USD 7,546.92 million, of which 0.058% was contributed by UNCCD.

112. During 2020, contributions paid to the Fund by UNCCD amounted to USD 1.55 million (2019 USD 1.50 million). Expected contributions due in 2021 are approximately USD 1.58 million.

113. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

114. The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments and these can be viewed by visiting the Fund at www.unjspf.org.

Note 12: Other current liabilities

(United States dollars)	2020	2019
Repatriation grant held in trust	6 586	6 586
Provision for Litigation	-	300 000
Others	-	(126)
Total	**6 586**	**306 460**

115. USD 6,586 related to the repatriation grant payable to staff member whose contracts expired in 2018. This charge will be further reviewed, and appropriate action will be taken by UNCCD in coordination with UNOG/UNHQ.

116. There are no claims arising from legal actions that are likely to result in a significant liability to UNCCD. In 2019, UNCCD made a provision to cover the litigation claim pending the final decision of United Nations Dispute Tribunal (UNDT), which has been received and resolved in 2020.

Note 13: Revenue

117. Indicative contributions are funds received from Parties to the Convention toward funding the Core Budget based on the United Nations scale of assessment and have been recorded in accordance with the Financial Rules and Regulations of the United Nations. The contributions are based on a biennium budget adjusted for changes in exchange rates and post adjustments and are recognized as of the first day of the year to which they relate. Indicative contributions are considered to be without conditions.

Indicative contributions
(In United States dollars)

	2020	2019
Indicative contributions approved by the Conference of the parties	8 462 890	8 656 106
Amount reported in Statement II: Indicative contributions	**8 462 890**	**8 656 106**

118. The above amount of USD 8,462,890 includes the contributions from the following top ten countries which represents 67.47 per cent of total amounts.

	Amount in USD	Percent
United States of America	1,815,093	21.45
People's Republic of China	990,463	11.70
Japan	706,566	8.35
Germany	502,451	5.94
United Kingdom of Great Britain and Northern Ireland	376,797	4.45
France	365,246	4.32
Italy	272,842	3.22
Brazil	243,222	2.87
Canada	225,567	2.67
European Union	211,573	2.50
Total	**5,709,818**	**67.47**

119. Voluntary contributions are recognised as revenue at the point of signature except where such agreement contains a condition in which case recognition as revenue is deferred until the conditions specified in the donor agreement have been satisfied.

Voluntary contributions
(In United States dollars)

	2020	2019
Voluntary contributions	10 056 003	13 691 432
Refunds	(470 463)	(5 699)
Net voluntary contributions	**9 585 540**	**13 685 733**

120. In 2020, interest income earned totalled USD 433,675 compared to USD 615,053 in 2019, recorded by UNHQ Treasury New York.

121. Gain on foreign exchange represents the realized gain on transactions occurring in currencies other than US dollars and unrealized gain resulting from revaluation of monetary assets. In 2020, USD 368 as gain on investment and USD 720,358 as gain on foreign exchange booked by UNHQ New York., adjusted based on manual revaluation.

122. Change in provision for doubtful receivable represents the provision for the theoretical amount of uncollectable indicative contributions during the reporting period, based on UNCCD policies.

Note 14: Expenses

123. Personnel expenses include employee salaries, allowances, and benefits. Employee salaries include international, national, and general temporary staff salaries, post adjustment and staff assessment including

employment of temporaries. The allowances and benefits include other staff entitlements, such as pension and insurance subsidies and staff assignment, repatriation, hardship, living allowances and post-employment benefits for United Nations Volunteers, and other allowances.

In United States dollars	2020	2019
Salary and wages	6 199 935	5 868 061
Pension and insurance benefits	1 820 687	1 750 831
Other benefits	2 173 463	3 280 518
Total personnel costs	**10 194 085**	**10 899 410**

124. Travel covers the cost of airfare and other transport cost, daily support allowances and terminal allowances. Travel costs decreased from USD 3,304,073 in 2019 to USD 61,632 in 2020 due to the organization of on-line and virtual conferences, caused by the Covid-19 pandemic.

125. Non-employee compensation and allowances (contractual services) cover the cost of contracting with individual experts and consultants, insurances and travel expenses of the consultants, ICT services, production and printing of information materials, and translation and interpretation services.

In United States dollars	2020	2019
ICT services	84 243	105 364
Information services - production and printing	26 045	373 384
Consultancy services - individual and institutional	1 953 525	2 506 176
Translation and interpretation services	41 531	116 260
Other	3 846	12 124
Total contractual services	**2 109 190**	**3 113 308**

126. Operating and other expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, and insurance, as per details below. A decrease of USD 0.59 million in operating and other direct costs comparing with the expenses of 2019. The main decreases were in bank charges of and UNDP service fee of USD 0.04 million, contracted services of USD 0.23 million, hospitality and official functions of USD 0.01 million, joint activities of USD 0.08 million, rental of USD 0.18 million, shared services and shipping of USD 0.05 million. During 2020 all workshops, meetings and inter-sessional conferences were organized virtually due to the COVID-19 pandemic and hence no UNDP and other services were used.

Other operating expenses	**2020**	**2019**
Bank Charges and UNDP service fee	5 489	42 997
Communications Utilities	59 136	56 536
Contracted services	285 926	516 053
Insurance	-	3 323
Joint activities	318 964	399 523
Maintenance	-	2 160
Shared services	16 065	40 976
Rental	55 220	234 413
Shipping	3 666	27 166
Hospitality and official functions	9 439	22 938
Training	3 635	2 301
Total Other Operating Expenses	**757 540**	**1 348 386**

127. Grant amounts of USD 2,325,881 include outright grants and transfers to the implementing agencies, partners and other entities to carry out the mandates contained in the Convention. There was a considerable increase in 2020 mainly due to the 1st instalment of USD 1,901,408 to International Union for Conservation of Nature and Natural Resources for the implementation of the project transforming through landscape restoration in the Sahel in Burkina Faso, Ghana and Niger. Further, USD 399,554 has been transferred to the Regional Environment Center for Central Asia for the project combatting sand and dust storm and drought in Central Asia, as per the signed agreement. The remaining amount of USD 24,919 has been processed for the gender responsive, production of video to raise awareness and 2020 Land Hero Award Prize.

Note 15: Reserves

128. A working capital reserve has been established for the Core Budget as part of the adoption of the budget by the COP along with operating reserves established for the Trust Fund for Voluntary Financing, Trust Fund for participation of State Parties in the Conference and Special Account for Programme Support. The total reserves at the reporting date totalled USD 2.0 million (USD 2.0 million as at 31 December 2019).

Note 16: Budget Comparison and Reconciliation

129. UNCCD's budget is prepared on a modified cash accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS. On statement V, the budget is adopted in euro on a biennial basis and divided into annual amounts for presentation in the financial statement. Comparison of budget and actual amounts are presented in euro, with the corresponding amounts of actuals presented in United States dollars. The comparison is only made in respect of budgets adopted by the COP.

130. The actual amounts presented on a comparable basis to the budget are not prepared on a comparable basis to the Statement of Financial Performance, as the accounts are maintained in United States dollars. A reconciliation of the revenue and expenses on the budgetary basis as on the Statement V to the amounts presented on the Statement II is presented below. As required by IPSAS-24 the differences have been categorized as follows:

Presentation differences are differences in the format and classification schemes in the Statement of Financial Performance which includes both revenue and expenses and the Statement of Comparison of Budget and Actual Amounts which includes only revenue.

Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the net results on an IPSAS basis the

non-cash elements such as un-liquidated obligations, payments against prior year obligations and outstanding indicative contributions are included as basis differences.

Entity differences represent funds other than Core budget that are reported in the Statement of Financial Performance.

131. The reconciliation between the actual amounts presented in statement V, and the actual amounts presented on the Statement of Financial Performance is as follows:

Reconciliation of net results on budgetary and IPSAS basis	
	Amount in USD
Actual net result on the Statement of budgets to actual comparison	
Core Budget (UXA) Revenue	9 199 436
Statement V-A Core Budget (UXA) expense on budgetary basis	7 434 705
Drought Initiative	445 544
Core Budget (UXA) Expense	7 880 249
Core Budget (UXA) Actual net result on budgetary basis	1 319 187
Basis differences	
Adjustments to revenue	
Gain on investment	8 774
Gain on Foreign Exchange	107 503
Miscellaneous revenue not included in budget	(55 084)
	61 193
Capitalization of equipment & intangible Assets	5 026
Change in provision for doubtful debts	(18 730)
Other adjustments to expenditure	281 734
Post employment benefit interest and current service cost	(779 000)
	(510 970)
Sub-total basis differences	(449 777)
Full accrual based net result for Core Budget	869 410
Entity differences on IPSAS Basis	
Global Mechanism (GMZ)	(469 939)
Participation in UNCCD COP Sessions (UVA)	67 908
Convention events organized by Secretariat (BMA)	227 713
Programme support costs (ZQA)	(941 966)

Cost Recovery under home country agreement (ZHC)	(244 335)
Voluntary Financing of activities (UWA)	4 090 021
Sub-total entity differences	2 729 402
Actual net result on the Statement of Financial Performance	**3 598 812**

Note 17: Budget to Actual variance analysis

132. Explanations of material differences between the original budget and final budget, and final budget and the actual amounts are presented in the statement V from the Executive Secretary accompanying these statements.

Note 18: Related Parties

133. The key management personnel of UNCCD are the Executive Secretary, Deputy Executive Secretary and Chiefs of major organizational units, who have the authority and responsibility for planning, directing, and controlling the activities of UNCCD and influencing its strategic direction.

Key management remuneration
(United States dollars)

	Number of Individuals (full time equivalents)	*Aggregate Remuneration*	*After-service health insurance, repatriation, and annual leave liability*
Senior Management (2020)	11	1 840 269	839 000
Senior Management (2019)	10	1 764 834	799 000

134. The aggregate remuneration paid to key management personnel includes gross salaries, post adjustment, entitlements, assignments and other grant, rental subsidy, personal effects shipment costs, income tax reimbursement, employer contributions to pension plan and current health insurance contributions. Key management personnel are also qualified for post-employment benefits which are payable only upon separation. In addition to the aggregate remuneration, the post-employment benefits for the key management personnel as at 31 December 2020 in the amount of USD 839,000 provided by the actuary.

135. Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund (UNJSPF).

136. Advances are those made against entitlements in accordance with the staff rules and regulations. There were no loans granted to key management personnel.

137. Except otherwise noted in these statements for revenue from non-exchange transactions including contributions in kind, all transactions made with 3rd parties occur within a normal supplier or client/recipient relationship or at arm's length terms and conditions.

138. The charges paid to the United Nations (UN Office at Geneva – UNOG) for services related to security, payroll, treasury and other services are considered to be provided on a normal supplier basis. The

United Nations Secretariat also provides support services on a normal supplier basis such as translation and editing of documents related to the meetings of the Conference of Parties to the Organization. In addition, the United Nations Volunteers (UNV) is responsible for the management of the building occupied by UNCCD in Bonn, Germany. UNV charges UNCCD for the costs of space occupancy and security services on a normal supplier basis.

139. The authority to establish funds is vested in the Secretary General of the United Nations with the approval of the Conference of the Parties. All such funds must be consistent with the objectives of the UN Convention to Combat Desertification. The termination of any existing fund by the Conference of the Parties and the distribution of any remaining fund balance is subject to consultation with the Secretary General of the United Nations.

140. The Organization reimburses the United Nations for the cost of all services provided at such rates as may from time to time be agreed upon for that purpose by both organizations.

Note 19: Leases and commitments and Contingencies

141. UNCCD has operating leases for photocopiers, water coolers, data and telecommunications equipment and outsourced computer services. The leases for photocopiers provide for the payment of costs per copy made above a maximum monthly amount, the leases for the water coolers for water supplies and for computer services provide for special services charged on an as needed basis. These additional charges are considered contingent rents and are not included in the minimum lease payments disclosed below.

142. The minimum lease payments under non-cancellable property in 2020 are USD 14,390 compared to 2019 in the amount of USD 23,707, and has no outstanding leases qualifying as finance leases at the reporting date. Lease payments recognised as expenses in the period are USD 14,390 (2019: USD 23,707).

143. Other commitments relate to the acquisition of goods and services contracted for, but not delivered, as at 31 December 2020 amount to USD 153,411 (2019: USD 278,687).

144. There are no contingent assets of which relate to official confirmation made by donors to UNCCD for future contributions at the reporting date as at 31 December 2020.

Note 20: In-kind contributions of services

145. The UNCCD receives in-kind contributions from the government of the Federal Republic of Germany of the right to use land, office space and other facilities in its operations. The Organization has not received title to these properties which remain with the government. The facilities are provided to UNCCD without charge. The agreement under which the facilities are provided may be cancelled by the UNCCD or by the government with twelve months' notice but, in such case, would remain in force for whatever additional period is required for UNCCD to cease its activities in the Federal Republic of Germany in an orderly manner. UNCCD does not recognize the value of in-kind contributions of services including the financial value of the donated right to use the facilities provided by the Federal Republic of Germany on the financial statements.

Note 21: Events after the reporting date

146. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date on which the financial statements were authorized for issue that would have had a material impact on these statements.

Note 22: Fund Accounting

147. The UNCCD is a single purpose entity established by the Parties to the Convention and the United Nations. The UNCCD has one major mandate to assist the signatories of the Convention. It, therefore, does not have segments as defined under IPSAS-18: Segment reporting.

148. However, to provide essential information to senior management and parties on the utilization of resources by funding source, separate funds have been established to reflect the major funding sources of UNCCD as follows:

- Trust fund for the Core Budget of UNCCD financed from indicative contributions (or general purpose contributions from donors) supports the core functions of the secretariat.
- Trust fund for Participation of Representatives of eligible State Parties affected by Desertification and/or Drought in the sessions of the Conference of the Parties and its Subsidiary Bodies.
- Sub-Fund of the Special Fund for the voluntary financing of activities under the UNCCD (United Nations Convention to Combat Desertification) enabling a donor or a recipient government to make voluntary contributions supports mandated activities for which provisions are not made under the Core budget.
- Trust fund for the Sub-Fund of the Trust Fund for Convention Events organized by the UNCCD Secretariat.
- Special account for Programme Support Costs financed from charges made to the projects financed from voluntary contributions used to manage the overhead charges payable on all trust funds to cover costs relating to administrative services.
- Special account for UNCCD Cost Recovery under the Host Country Agreement used to finance costs associated with the hosting of the Conference of the Parties under the host country agreement. Balances in this account are refunded to the host country.
- Trust Fund for voluntary financing of Global Mechanism

149. Program Support Revenue is charged in line with the UN financial procedures, where UNCCD charges a standard programme support cost of 13% on technical cooperation financed activities and 12% for Associate Experts. Programme support revenue and matching expenses is eliminated in the financial statements since they represent inter-fund charges and revenue.

150. All funds elimination includes revenue and expenses arising from transfers between funds which are accounted for at cost and are eliminated on consolidation.

STATEMENT I

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Statement of Financial Position by Fund

as at 31 December 2020

	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		TRUST FUND FOR VOLUNTARY FINANCING OF THE UNCCD GLOBAL MECHANISM (GMZ)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE(UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)		TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)		UNCCD COST RECOVERY UNDER HCA (ZHC)		TOTAL	
	31 December 2020	*31 December 2019*	*31 December 2020*	*31 December 2019*	*31 December 2020*	*31 December 2019*	*31 December 2020*	*31 December 2019*	*31 December 2020*	*31 December 2019*	*31 December 2020*	*31 December 2019*	*31 December 2020*	*31 December 2019*	*31 December 2020*	*31 December 2019*
Assets																
Current Assets																
Cash and cash equivalents	117 758	223 800	703 611	2 185 300	12 987	144 690	1 203 978	2 484 908	601 999	944 418	9 474	131 719	204 859	618 552	2 854 666	6 733 387
Short-term investments	720 545	463 480	4 305 307	4 525 654	79 464	299 645	7 366 982	5 146 128	3 683 550	1 955 844	57 970	272 785	1 253 504	1 280 991	17 467 322	13 944 527
Indicative contributions receivable	-	-	-	-	-	-	-	-	2 919 521	3 324 103	-				2 919 521	3 324 103
Voluntary contributions receivable for global mechanism and other voluntary contribution receivables	-	-	4 999 058	4 622 633	33 975	-	2 026 798	1 414 611	-	-	-	-	-	62 000	7 059 831	6 099 244
Other accounts receivable	1 862	3 390	11 501	33 106	205	2 192	22 007	39 981	58 309	30 170	1 850	47 583	7 427	13 369	103 161	169 791
Other current assets	1 155	123	25 780	16 234	11 798	9 189	20 604	8 323	226 720	267 790	40 799	99 295	(2 979)	(3 299)	323 877	397 655
Total current Assets	841 320	690 793	10 045 257	11 382 927	138 429	455 716	10 640 369	9 093 951	7 490 099	6 522 325	110 093	551 382	1 462 811	1 971 613	30 728 378	30 668 707
Non-Current Assets																
Voluntary contributions receivable for global mechanism and other voluntary contribution receivables			836 320				2 388 106								3 224 426	-
Equipment	-	-	-	-			25 182	42 380	19 068	24 094			-	-	44 250	66 474
Long-term investments	237 794	145 424	1 420 835	1 419 992	26 224	94 018	2 431 248	1 614 675	1 215 644	613 676	19 131	85 591	413 681	401 930	5 764 557	4 375 306
Total Non-Current Assets	**237 794**	**145 424**	**2 257 155**	**1 419 992**	**26 224**	**94 018**	**4 844 536**	**1 657 055**	**1 234 712**	**637 770**	**19 131**	**85 591**	**413 681**	**401 930**	**9 033 233**	**4 441 780**
Total Assets	**1 079 114**	**836 217**	**12 302 412**	**12 802 919**	**164 653**	**549 734**	**15 484 905**	**10 751 006**	**8 724 811**	**7 160 095**	**129 224**	**636 973**	**1 876 492**	**2 373 543**	**39 761 611**	**35 110 487**
Liabilities																
Current liabilities																
Accounts payable and accrued expenses	3 879	(9 706)	37 649	70 519	5 291	(9 954)	605 579	614 239	67 890	135 673	-	45 542	43 376	125 439	763 664	971 752
Advance receipts	-	-	22 857	22 857	-	-	539 868	598 620	831 932	583 964	-		-	-	1 394 657	1 205 441
Employee benefit liability	3 931	11 332	4 324	4 996	-	-	11 542	5 461	532 683	617 599	183 491	147 821	-	-	735 971	787 209
Other current liabilities	-	-	-	-	-	-	-		6 586	306 509	-	(49)	-	-	6 586	306 460
Total Current Liabilities	**7 810**	**1 626**	**64 830**	**98 372**	**5 291**	**(9 954)**	**1 156 989**	**1 218 320**	**1 439 091**	**1 643 745**	**183 491**	**193 314**	**43 376**	**125 439**	**2 900 878**	**3 270 862**
Non-Current Liabilities																
Employee benefit liability	-	1 669 000	-	257 000	-	-	-	137 000	20 337 000	19 134 000	11 279 000	8 559 000	-	-	31 616 000	29 756 000
Total Non-Current Liabilities	**-**	**1 669 000**	**-**	**257 000**	**-**	**-**	**-**	**137 000**	**20 337 000**	**19 134 000**	**11 279 000**	**8 559 000**	**-**	**-**	**31 616 000**	**29 756 000**
Total Liabilities	**7 810**	**1 670 626**	**64 830**	**355 372**	**5 291**	**(9 954)**	**1 156 989**	**1 355 320**	**21 776 091**	**20 777 745**	**11 462 491**	**8 752 314**	**43 376**	**125 439**	**34 516 878**	**33 026 862**
Net Assets	**1 071 304**	**(834 409)**	**12 237 582**	**12 447 547**	**159 362**	**559 688**	**14 327 916**	**9 395 686**	**(13 051 280)**	**(13 617 650)**	**(11 333 267)**	**(8 115 341)**	**1 833 116**	**2 248 104**	**5 244 733**	**2 083 625**
Accumulated surpluses/(deficits)	(59 425)	(287 138)	11 400 892	11 870 831	411 919	344 011	12 793 152	8 703 131	(6 269 961)	(7 139 371)	(4 166 713)	(3 224 747)	2 003 769	2 248 104	16 113 633	12 514 821
Actuarial gain (loss) recognized in net assets	1 130 729	(547 271)	836 690	576 716	-	-	510 483	307 161	(7 735 337)	(7 432 297)	(7 563 720)	(5 287 760)	-	-	(12 821 155)	(12 383 451)
Operating reserves	-	-	-	-	(252 557)	215 677	1 024 281	385 394	954 018	954 018	397 166	397 166	- (170 653)	-	1 952 255	1 952 255
Total Fund Balances and Reserves	**1 071 304**	**(834 409)**	**12 237 582**	**12 447 547**	**159 362**	**559 688**	**14 327 916**	**9 395 686**	**(13 051 280)**	**(13 617 650)**	**(11 333 267)**	**(8 115 341)**	**1 833 116**	**2 248 104**	**5 244 733**	**2 083 625**

STATEMENT II

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Statement of Financial Performance for the period 1 January to 31 December 2020 by fund

(in United States dollars)	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		TRUST FUND FOR VOLUNTARY FINANCING OF THE UNCCD GLOBAL MECHANISM (GMZ)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE (UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)		TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)		UNCCD COST RECOVERY UNDER HCA (ZHC)		ELIMINATIONS		TOTAL	
	2020	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*
REVENUE																		
Indicative contributions	-	-	-	-	-	-	-	-	8 462 890	8 656 106	-	-	-	-			8 462 890	8 656 106
Voluntary contributions	598 003	568 102	1 927 826	7 236 641	63 224	1 010 000	6 677 428	3 124 630	598 002	568 102	-	-	(278 943)	1 178 258			9 585 540	13 685 733
Fees for services rendered	-	-	-	-	-	-	-	-	-	-	-	38 361	-	-			-	38 361
Interest Revenue	13 890	20 403	122 014	185 410	6 938	21 524	169 700	210 760	83 460	113 164	2 836	1 490	34 837	62 302			433 675	615 053
Programme support revenue	-	-	-	-	-	-	-	-	-	-	1 663 713	2 110 664	-	-	(1 663 713)	(2 110 664)	-	-
Gain on investments	-	-	-	-	269	-	(9 772)	-	8 774	-	20	-	1 077	-			368	-
Gain on foreign exchange	(13 068)	-	516 432	-	(10 176)	-	119 039	-	107 503	-	743	-	(115)	-			720 358	-
Other revenue	-	-	-	-	-	-	-	-	-	-	-	40	-	-			-	40
Change in provision for doubtful receivables									18 730								18 730	-
TOTAL REVENUE	**598 825**	**588 505**	**2 566 272**	**7 422 051**	**60 255**	**1 031 524**	**6 956 395**	**3 335 390**	**9 279 359**	**9 337 372**	**1 667 312**	**2 150 555**	**(243 144)**	**1 240 560**	**(1 663 713)**	**(2 110 664)**	**19 221 561**	**22 995 293**
EXPENSES																		
Personnel expenses	325 642	353 982	476 854	423 737	-	-	843 543	717 303	5 960 446	6 816 455	2 587 600	2 587 933	-	-			10 194 085	10 899 410
Travel	-	309 054	60 606	122 486	(6 695)	1 232 397	(62 770)	449 629	69 828	524 501	-	3 495	663	662 511			61 632	3 304 073
Contractual services	-	1 399	189 683	753 618	-	19 821	1 424 392	1 209 793	495 115	953 936	-	-	-	174 741			2 109 190	3 113 308
Operating and other direct costs	175	577	83 174	69 372	89	343	(66 010)	115 940	716 882	1 063 972	21 678	1	1 552	98 181			757 540	1 348 386
Supplies commodities and materials	-	-	-	-	-	-	-	-	11 055	201	-	-	-	-			11 055	201
Equipment vehicles and furniture	-	-	-	-	-	-	30 726	1 645	111 440	36 646	-	-	(1 024)	21 293			141 142	59 584
Grants	-	-	1 901 408	-	-	-	290 544	81 493	133 929	-	-	-	-	-			2 325 881	81 493
Programme support costs	45 295	83 380	324 486	36 760	(1 047)	162 827	388 751	334 823	906 228	1 108 865	-	-	-	384 009	(1 663 713)	(2 110 664)	-	-
Loss on investments	-	-	-	60 774	-	(768)	-	10 025	-	8 702	-	-	-	-			-	78 733
Depreciation of Property, Plants and Equipment	-	-	-	-	-	-	17 198	17 198	5 026	5 026	-	-	-	-			22 224	22 224
Change in provision for doubtful receivables	-	-	-	-	-	-	-	-	-	43 267	-	-	-	-			-	43 267
Loss on foreign exchange	-	(6 838)	-	(25 527)	-	(11 883)	-	(59 075)	-	240 418	-	724	-	(2 430)	-	-	-	135 389
TOTAL EXPENSES	**371 112**	**741 554**	**3 036 211**	**1 441 220**	**(7 653)**	**1 402 737**	**2 866 374**	**2 878 774**	**8 409 949**	**10 801 989**	**2 609 278**	**2 592 153**	**1 191**	**1 338 305**	**(1 663 713)**	**(2 110 664)**	**15 622 749**	**19 086 068**
SURPLUS/DEFICIT FOR THE PERIOD	**227 713**	**(153 049)**	**(469 939)**	**5 980 831**	**67 908**	**(371 213)**	**4 090 021**	**456 616**	**869 410**	**(1 464 617)**	**(941 966)**	**(441 598)**	**(244 335)**	**(97 745)**	**-**	**-**	**3 598 812**	**3 909 225**

ACRONYMS

ASHI	After Service Health Insurance
COP	Conference of the Parties
ICSC	International Civil Service Commission
IFAD	International Fund for Agricultural Development
IPSAS	International Public Sector Accounting Standards
OAH	Office Away from Headquarters
PP&E	Property, plant and equipment
SDG	Sustainable Development Goals
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification
UNDP	United Nations Development Programme
UNDSA	United Nations Daily Subsistence Allowance
UNJSPF	United Nations Joint Staff Pension Fund
UNOG	United Nations Office at Geneva
UNORE	United Nations operational rate of exchange
UNV	United Nations Volunteers
USD	United States dollar