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NATIONS**



**Convention to Combat  
Desertification**

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CONFERENCE OF THE PARTIES

Sixth session

Havana, 25 August – 5 September 2003

Item 6(d) of the provisional agenda

**PROGRAMME AND BUDGET**

**Audited financial statements for the Convention's trust funds  
for the biennium 2000-2001 ended 31 December 2001**

**Report of the United Nations Board of Auditors**

Note by the secretariat

Addendum

**SUMMARY**

This document contains the report of the United Nations Board of Auditors on the financial and management issues of the Convention as well as the report of an external auditor on the core budget administration accounts of the Global Mechanism. Furthermore, it contains the audited and certified financial statements of the United Nations Convention to Combat Desertification (UNCCD) and the Executive Secretary's statement summarizing the performance of the secretariat for the biennium 2000-2001 ended 31 December 2001, as well as audited financial statements of the Global Mechanism for the same biennium.

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## **I. BACKGROUND INFORMATION**

1. Paragraph 20 of the UNCCD financial rules (ICCD/COP(1)/11/Add.1, decision 2/COP.1, annex) states that “the accounts and financial management of all funds governed by the present rules shall be subject to the internal and external audit process of the United Nations.”
2. In June 2002, the United Nations Board of Auditors completed its audit of the Convention’s operations for the biennium 2000-2001 ended 31 December 2001 and conducted a management review of the administrative arrangements established by the secretariat. The objectives of the audit were to: enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January to 31 December 1999 had been incurred for the purposes approved by the Conference of Parties; ascertain that income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; verify that the Convention’s financial statements presented fairly the financial position as at 31 December 1999; evaluate the adequacy of the financial systems and internal controls; examine the accounting records and other supporting evidence and determine the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of UNCCD.
3. The report by the auditors, which is being submitted herein in its entirety, indicates that UNCCD has conducted its operations in accordance with the United Nations accounting standards and has established a sound financial basis. The report has made suggestions for continuous improvement of both financial and administrative management of UNCCD.

## **II. CONCLUSION**

4. The Conference of Parties may wish to consider the recommendations of the board of auditors and provide guidance to the Executive Secretary on how they could be implemented.

Annex I

**SIGNED AUDIT CERTIFICATE AND REPORT BY THE UNITED NATIONS BOARD  
OF AUDITORS ON THE FINANCIAL STATEMENTS OF THE FUNDS OF THE  
UNCCD FOR THE BIENNIUM 2000-2001 ENDED 31 DECEMBER 2001**

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## REPORT OF THE BOARD OF AUDITORS

### Summary

The Board of Auditors has reviewed the operations for the United Nations Convention to Combat Desertification (UNCCD) and has audited its financial statements for the biennium ended 31 December 2001.

The Board's main findings are as follows:

(a) UNCCD does not comply with United Nations System Accounting Standards since it does not disclose in the notes to the financial statements the value and method of valuation of liability for staff end-of-service benefits, post-retirement benefits and annual leave, as previously recommended by the Board. Moreover, no provision covers the liability for after-service health insurance.

(b) Out of a total in assessed contributions of \$12.8 million for the biennium, \$1.4 million (10.8 per cent) remained uncollected as at 31 December 2001, an increase of 35 per cent over the previous biennium;

(c) UNCCD receives no interest on the balance of its bank account opened in Bonn by the United Nations Office at Geneva, while at the same time it pays for bank services;

(d) UNCCD accounts are still processed on the old General Accounting System, while human resources management is carried out on the Integrated Management Information System;

(e) Difficulties in communications between the United Nations Office at Geneva and Bonn tend to delay imprest-account processing and to complicate the follow-up of incoming contributions.

The Board made recommendations related to the budget presentation, banking, and administrative arrangements with UNOG, among other topics. A list of the main recommendations is presented in paragraph 7 of the present report.

### A. Introduction

1. The Board of Auditors has audited the financial statements of the United Nations Convention to Combat Desertification (UNCCD) for the biennium 2000-2001. The audit was conducted in conformity with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto, and the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. These standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.
2. The audit was conducted to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for biennium 2000-2001 had been incurred for the purposes approved by the governing bodies; whether income and

expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules; and whether the financial statements presented fairly the financial position as at 31 December 2001 and the results of the operations for the biennium. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence, to the extent the Board considered necessary to form an opinion on the financial statements.

3. In addition to its audit of the accounts and financial transactions, the Board carried out reviews under article 12.5 of the Financial Regulations and Rules of the United Nations. 2000-2001 was the first complete biennium of operation of the Permanent Secretariat of the UNCCD at its location at Bonn, Germany.
4. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Conference of Parties. The Board's observations on all matters contained in the present report were communicated to UNCCD. UNCCD's comments are included where applicable.
5. The Board's main recommendations are presented in paragraph 9 below. The detailed findings are in paragraphs 9 to 34.

**1. Previous recommendations not fully implemented**

6. The Board reviewed the measures taken by the Administration to implement the recommendations made in its report for the financial period ended 31 December 1999 (ICCD/COP(4)/2/Add.5(A)). Details of the action taken and the comments of the Board are set out in the annex to the present report.

**2. Main recommendations**

7. The Board's main recommendations are that UNCCD should:
  - (a) **Comply with United Nations System Accounting Standard by disclosing in the notes to the financial statements the value and method of valuation of liability for staff end-of-service benefits, post-retirement benefits and annual leave, as previously recommended by the Board, and by introducing a provision to cover the liabilities for after-service health insurance (para. 22).**
  - (b) **Re-negotiate banking conditions and services, toward an agreement with the bank to be formally approved by United Nations Headquarters Treasurer through UNOG (para. 26);**
  - (c) **Complete with UNOG their review of administrative arrangements between international bodies in Bonn in order to streamline and build up common services able to provide transversal administrative and financial functions in the most cost-efficient fashion (para. 31);**
  - (d) **Implement the Integrated Management Information System in conjunction with UNFCCC and UNOG (para. 33).**

8. The Board's other recommendations are shown in paragraphs 13, 17 and 29.

## **B. Financial issues**

### **1. Financial position**

#### *Overall Position*

9. As shown in statement I, the total income of \$24.9 million in 2000-2001 exceeded total expenditure of \$22.8 million by \$2.27 million, including prior period adjustments of \$0.16 million. This excess of income over expenditure, together with transfers from other funds, increased UNCCD's combined fund balance to \$7 million as at 31 December 2001.
10. Statement II shows that UNCCD has a good overall liquidity position, with a ratio of current assets (\$10.9 million) to current liabilities (\$3.9 million) of 28:1. This is due, in particular, to the high level of net assets of the Trust Fund for voluntary financing of activities.
11. During the biennium 2000-2001, UNCCD therefore did not need to draw down any of its reserves, which remained at \$862,283 (operating reserve) and \$528,037 (working capital reserve). The Board is pleased to note the Secretariat's efforts to confirm the financial stability of the UNCCD Trust Funds.

#### *Assessed Contribution Income*

12. Schedule 1.1 to the financial statements shows total assessed contributions of \$12,859,300 for the biennium. Some \$1,395,422 (10.8 per cent) of this amount remained outstanding at 31 December 2001. The figure for the preceding period was \$396,736, but could not easily be compared, since UNCCD began its operations mid-way through the biennium. This figure shows an increase of 35 per cent of assessed outstanding contributions over the previous biennium. Unpaid contributions of over \$50,000 from six Member States totalled \$1,099,287 or 78.7 per cent of the outstanding amount (8.5 per cent of the total assessed contributions for the biennium).
13. **The Board notes with concern the high level of uncollected contributions, involving two-thirds of the Parties, and recommends that further efforts be made to collect them.**
14. According to the indicative scale of contributions to the Core Budget for the biennium 2000-2001, UNCCD in 1999 estimated the 2000 contributions at \$6,329,700 and the 2001 contributions at \$6,194,300, assessed on 159 Parties. In December 2000, UNCCD issued a "Report on the status of contributions to the Convention's trust funds for the biennium 2000-2001 as at 12 December 2000", showing the 2000 contributions of \$6,329,705, assessed on 169 Parties, since 10 additional Parties became contributors between 30 November 1999 and 12 December 2000. In respect of rules 12 (a) and 16 of the financial rules for the Conference, the 2000 contributions from the Parties were

adjusted accordingly and contributions from countries that became Parties after 1 January 2000 were established *prorata temporis* for the balance of the year.

15. Further to a budget increase by \$335,300, UNCCD issued a "Report on the status of contributions to the Convention's trust funds for the biennium 2000-2001 as at 30 September 2001" (ICCD/COP/ (5)/Add.6) showing the assessed contributions of \$6,329,700 for 2000 and of \$6,529,600 for 2001, the total being of \$12,859,300, assessed on 176 Parties (additional 7 Parties with respect to December 2000). Table 2 of the same report shows all contributions from the 17 Parties which joined the Commission between January 2000 and September 2001 at \$1,471,210. However, in table 1 of the same report, of this amount only \$1,138,810 was included in the assessed contributions. The remaining balance of \$332,400 was transferred to the Special Fund, further to decision 4 of the Conference of Parties, to fund the Special Fund by using, on an exceptional basis, the assessed contributions from States that became Parties to the Convention in 2000 and 2001.
16. The budget was later increased by \$335,300 and 17 Parties joined the Convention between January 2000 and September 2001. However, UNCCD did not establish on the basis of the amount required a new indicative scale of contributions to the Core Budget, since this scale was to be based on the next scale voted by the General Assembly.
- 17. The Board recommends that UNCCD document budget revisions more precisely, with an updated breakdown for contributions.**

#### *Core Budget implementation*

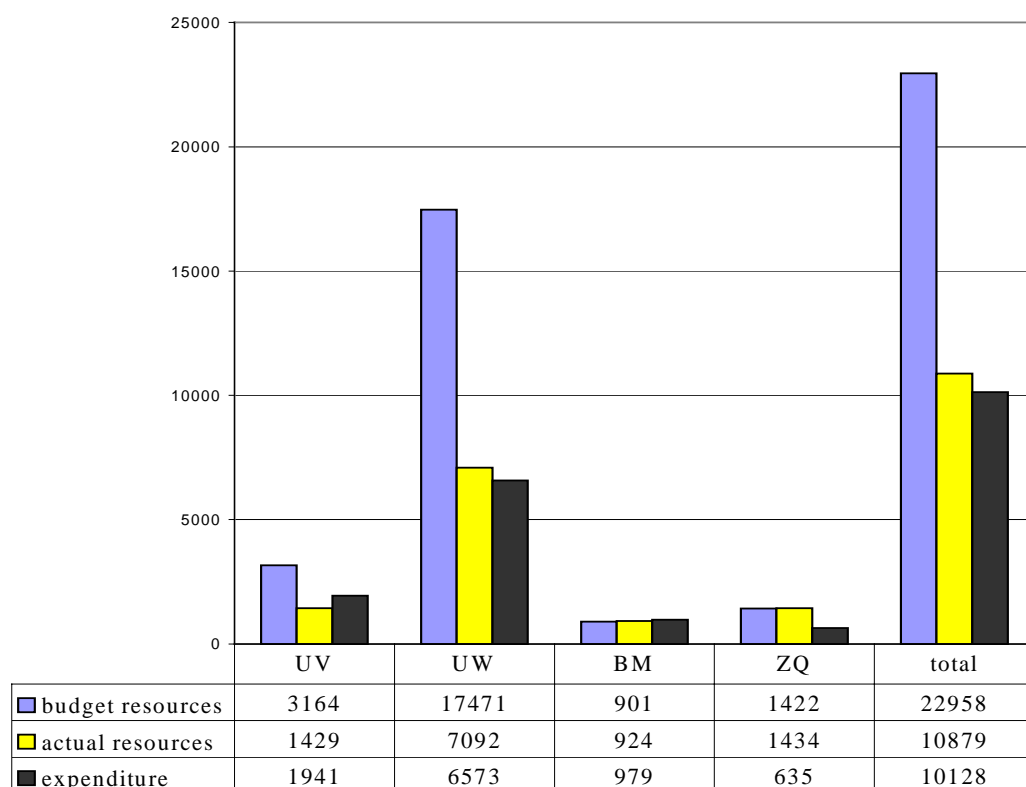
18. At its 3<sup>rd</sup> session, the Conference of the Parties approved for 2000-2001 a Core Budget of \$13,660,400. It also approved a contingency budget of \$5,368,900 for conference servicing should resources from the United Nations regular budget be unavailable, and authorized the Executive Secretary to make transfers between appropriation lines. For transfers, the authorization specified a limit of 15 per cent of the total estimated expenditure for those appropriation lines, with a further limit of up to minus 25 per cent of each appropriation line. Those limits have been respected. The final revised budget figures were \$14 million in income and \$12.8 million in expenditure.

#### *Other Trust funds*

19. Out of the four Trust Funds, other than the Core Budget Trust fund, two benefit from a guaranteed income. The "Trust Fund for convention events organized by the UNCCD Secretariat" (BM) is funded by the pledged contribution of the host country, and the "Special Account for UNCCD programme support costs" (ZQ), has resources levied on the other Trust Funds. Two other Trust funds depend only on voluntary contributions: the "Trust Fund for Participation of Representatives of State Parties in the session of the UNCCD Conference" (UV), and the "Trust Fund for voluntary financing of activities under the UNCCD" (UW). Contributions to the latter reached only 45 per cent (UV) and 41 per cent (UW) of the 2000-2001 target income, while UV and BM spent more than they had resources:



**Implementation of the Trust Funds Biennium budgets  
(In thousands of United States dollars)**



In regard to the under-achievement of income targets (UV, UW) and over-expenditure against actual income (UV, BM), the Board is aware that this was only the first full biennium for UNCCD, and will keep this matter under review.

**2. United Nations System Accounting Standards**

20. The Board assessed the extent to which financial statements of UNCCD for the biennium ended 31 December 2001 conformed to the United Nations System Accounting Standards (UNSAS). The review indicated that the presentation of the financial statements was generally consistent with the standards.

**3. After-service liabilities**

21. In its report for the previous biennium, the Board recommended that UNCCD disclose in the notes to the financial statements the value and method of valuation of liability for

end-of-service benefits, post-retirement benefits and annual leave in compliance with UNSAS. This recommendation has not been implemented. Moreover, there is no provision in UNCCD's financial statements to cover the liability for after-service health insurance. UNCCD indicated that it has initiated consultations with the United Nations Headquarters on this matter.

- 22. The Board reiterates its previous recommendation on the disclosure of after-service liabilities in the notes to the financial statements, indicating the value and method of valuation of liability for end-of-service benefits, post-retirement benefits and annual leave, and recommends that UNCCD, in conjunction with United Nations Headquarters, other funds and programmes, review the funding mechanism and targets for after-service benefits to provide for the full estimated liability.**

**4. Write-off of losses of cash, receivables and property**

23. UNCCD incurred no losses of cash, receivables or property in the biennium 2000-2001.

**5. Ex-gratia payments**

24. No ex-gratia payments were reported by UNCCD during the biennium 2000-2001.

**C. Management issues**

**1. Banking arrangements**

25. The opening of UNCCD bank account in Bonn in 1999 was authorized by the United Nations Headquarters Treasury. The monthly imprest level of 750,000 DM (1) at the end of 2001 was to be increased to 500,000 Euro was under consideration. UNCCD receives no interest on the balance of its bank account opened at Bonn while at the same time it pays for bank services.

- 26. The Board recommends that UNCCD renegotiate banking conditions and services and that a new agreement with the bank be formally approved by the United Nations Headquarters Treasurer through UNOG.**

**2. Administrative arrangements**

*UNOG support*

27. Under arrangements outlined by in a letter of April 1998, the United Nations Office at Geneva (UNOG) provides support to UNCCD in the areas of personnel, finance and common services. These services are financed from Programme Support Costs levied on the Trust Funds. In 2000-2001, \$2,552,351 has been spent for Programme Support Costs levied on Trust Fund expenditures, of which \$1,421,736 was for 15 posts in the Bonn Administrative Unit. The total cost for UNOG services has been \$1,130,615, or 5 per cent of the total UNCCD expenditure.

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1) One Euro=1.95583 DM. One US\$=1.136 Euro, United Nations operational rate of exchange, January 2002.

28. At UNOG, UNCCD accounts are still processed on the old General Accounting System, while human resources are managed on IMIS. Communications between Geneva and Bonn tend to complicate the follow-up of incoming contributions – including, in one instance, deciding whether a major contribution was voluntary or assessed - and to delay imprest-account processing. The supporting documents for accounting and human resources are mailed to Geneva, and a number of manual checks have to be made. Some income reconciliations took up to several weeks to be completed.
- 29. The Board recommends that UNCCD, in conjunction with UNOG, endeavour to improve the communications with the Geneva-based services.**

*Common administrative services*

30. The administrative and financial functions of UNCCD are currently performed partly by the Secretariat and partly by UNOG. Other non-programme functions, such as maintenance, cleaning and security are provided by a Common Services Unit which assists UNCCD, UNFCCC and other United Nations agencies located in the same premises. These organizations are faced with similar difficulties which they could address jointly while retaining their independence, but they have not yet extensively shared common tools, and have no extensive joint services, although the Board made a recommendation to that effect in the previous period (ICCD/COP(4)/2/Add.5, recommendation 20). UNCCD and UNFCCC have been exploring the feasibility of establishing a Common Management Services unit to deal with such aspects as finance, general administration, human resources, procurement and travel.
- 31. The Board recommends that UNCCD and UNOG complete their review of administrative arrangements between United Nations entities in Bonn in order to streamline and build up common services capable of providing transversal administrative and financial functions in the most cost-efficient fashion.**
32. The United Nations Office at Geneva is of the opinion that it would be more economical to implement the Integrated Management Information Systems (IMIS) both in UNFCCC and the United Nations Convention on Climate Change (UNCCD). Consultations have been held, but the delay toward reaching a decision has impacted staff training, and accordingly impaired the streamlining and delivery of the administrative and financial functions. UNFCCC informed the Board that it recently agreed to implement the financial module of IMIS and was taking steps to upgrade the existing technical infrastructure, in order to accommodate additional demands posed by IMIS Release 3, and to provide a joint gateway with UNCCD.
- 33. The Board recommends that UNCCD, in conjunction with UNOG and UNFCCC, promptly endeavour to implement IMIS and other joint services.**

3. Cases of fraud and presumptive fraud


34. UNCCD reported no cases of fraud or presumptive fraud in the biennium 2000-2001.

D. **Acknowledgement**

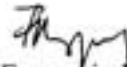
35. The Board of Auditors wishes to express its appreciation for the co-operation and assistance extended to its auditors by the Executive Secretary and the staff of UNCCD.



Shauket A. **Fakie**  
Auditor-General of the Republic of South Africa



Guillermo N. **Carague**  
Chairman, Philippine Commission on Audit



François **Logerot**  
First President of the Court of Accounts of France

27 June 2002

**ANNEX**

**Follow-up on action taken to implement the recommendations of the Board of Auditors in its report for the biennium ended 31 December 1999**

The Board has followed-up on the actions taken by UNCCD to implement the Board's recommendations made in the context of its report for the biennium ended 31 December 1999. Table A summarizes the status of implementation of all the previous recommendations while table B details specifically those recommendations not implemented, and those recommendations under implementation which require further comment.

A total of 3 recommendations were made in the audit of the biennium 1998-1999. Of the 3 recommendations, 2 (66.7 per cent) were under implementation and 1 (33.3 per cent) was not implemented.

Table A. Summary of status of implementation of recommendations for the biennium ended 31 December 1999

<b><u>Topic</u></b>	<b><u>Implemented</u></b>	<b><u>Under implementation</u></b>	<b><u>Not implemented</u></b>	<b><u>Total</u></b>
<b>COMPONENT A</b>				
<b>Financial issues</b>				
1. Accounts and financial reporting			Para. 7(a)	
2. Income		Para. 7(b)		
Subtotal No.	0	1	1	2
Subtotal %	0%	50%	50%	100%
<b>COMPONENT B</b>				
<b>Management issues</b>				
Financial Management and Control Systems		Para. 7(c)		
Subtotal No.	0	1	0	1
Subtotal %	0%	100%	0%	100%
<b>TOTAL - No.</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>3</b>
<b>TOTAL %</b>	<b>0%</b>	<b>66.7%</b>	<b>33.3%</b>	<b>100%</b>

Table B: Details on previous recommendations under implementation or not implemented for the biennium 1998-1999

<b>Management</b>			
<b>Component/Area of concern</b>	<b>Recommendation</b>	<i>As at 30 April 2002</i>	<b>Comments of the Board</b>
		<b>Specific management action/comments</b>	
(A)	(B)	(C)	(D)
Accounts and financial reporting  Ref.: Para. 7(a)	In compliance with United Nations accounting standards, UNCCD disclose in the notes to the financial statements the value and method of valuation of liability for end-of-service benefits, post-retirement benefits and annual leave.		Not implemented  Addressed in paragraphs 23 to 24 of present report
Income  Ref.: Para. 7(b)	The Conference of the Parties determines a minimum level of assessed contribution sufficient to cover collection costs.	The UNCCD secretariat reported to the Conference of the Parties that in light of the overall financial position of the different Trust Funds and the level of outstanding contributions, it will take appropriate steps/measures and make proposals on this matter.	Under implementation  Measures not yet taken at the time of the Board's review in April 2002. The Board will continue to keep this matter under review.
Administrative arrangements  Ref.: Para. 7(c)	The secretariat of UNCCD, in conjunction with other United Nations bodies at Bonn, completes its review of administrative arrangements as soon as possible in order to establish the most cost effective arrangements.	The recommendation has been considered by the secretariat; negotiations are underway to review the modalities of establishing a joint administrative unit, with no result so far.	Under implementation  Measures not yet taken at the time of the Board's review in April 2002. The Board will continue to keep this matter under review.

## Audit Opinion

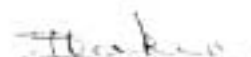
We have audited the accompanying financial statements, comprising statements I to IV, and schedules 1.1 to 1.3 and the supporting notes of the United Nations Convention to Combat Desertification for the financial period ended 31 December 2001. The financial statements are the responsibility of the Executive Secretary. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Executive Secretary, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position as at 31 December 2001 and the results of operations and cash flows for the period then ended in accordance with the United Nations Convention to Combat Desertification stated accounting policies set out in note 2 of the financial statements which were applied on a consistent basis with that of the preceding financial period.

Further, in our opinion, the transactions of the United Nations Convention to Combat Desertification which we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and legislative authority.

In accordance with article XII of the Financial Regulations, we have also issued a long-form report on our audit of the Convention's financial statements.



Shauket A. Fakie  
Auditor-General of the Republic of South Africa



Guillermo N. Carague  
Chairman, Philippine Commission on Audit



François Logerot  
First President of the Court of Accounts of France

27 June 2002

Appendix

**SIGNED AUDIT CERTIFICATE AND REPORT ON THE FINANCIAL STATEMENTS  
OF THE CORE BUDGET ADMINISTRATION ACCOUNTS OF THE  
GLOBAL MECHANISM FOR THE YEARS ENDED  
31 DECEMBER 2001 AND 31 DECEMBER 2000**

PricewaterhouseCoopers SpA

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

We have audited the financial statements of the Core Budget Administration Account of the Global Mechanism as at and for the years ended 31 December 2001 and 2000. These financial statements are the responsibility of the Global Mechanism's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Core Budget Administration Account of the Global Mechanism as at 31 December 2001 and 2000 and the results of its operations and its cash flows for the periods then ended in accordance with International Accounting Standards.

*PricewaterhouseCoopers*

Rome, 24 April 2002



Annex II

**AUDITED AND CERTIFIED FINANCIAL STATEMENTS OF THE UNITED NATIONS  
CONVENTION TO COMBAT DESERTIFICATION FOR THE BIENNIUM  
2000-2001 ENDED 31 DECEMBER 2001**

**Letter of transmittal**



SECRETARIAT OF THE CONVENTION TO COMBAT DESERTIFICATION  
SECRETARIAT DE LA CONVENTION SUR LA LUTTE CONTRE LA DESERTIFICATION



Date: 3 June 2002  
Ref: SKM/ams  
cc: HAD/MND

**LETTER OF TRANSMITTAL**

Sir,

Pursuant to financial regulations 11.4, I have the honour to submit the audited accounts of the United Nations Convention to Combat Desertification for the biennium 2000 - 2001 ended at 31 December 2001, which I hereby approve.

Accept, Sir the assurances of my highest consideration



  
f Hama Arba Diallo  
Executive Secretary  
Permanent Secretariat

United Nations Convention to Combat Desertification

The Chairman  
The Board of Auditors  
United Nations  
NEW YORK - U.S.A.

**CCD**

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Statement II Statement of assets, liabilities, reserves and fund balances as at 31 December 2001

Statement III Statement of cash flow for the biennium 2000-2001 ending 31 December 2001

Statement IV The Core Budget: Statement of appropriations for the biennium 2000-2001 ended 31 December 2001

Schedule 1.1 Status of assessed contributions to the core budget for the Biennium 2000-2001 ended 31 December 2001

Schedule 1.2 Status of voluntary contributions for the biennium 2000-2001 ended 31 December 2001

Schedule 1.3 Expenditure analysis by object of expenditure and fund type for for the biennium 2000-2001 ended 31 December 2001

### IV NOTES TO THE FINANCIAL STATEMENTS

## I. REPORT OF THE EXECUTIVE SECRETARY

Paragraph 20 of the United Nations Convention to Combat Desertification (UNCCD) Financial rules (ICCD/COP(1)/11/Add.1 states that the accounts and financial management of all funds governed by the present rules shall be subject to the internal and external audit process of the United Nations. In March 2002, the United Nations external auditors carried out a financial audit of the UNCCD. This report is based, therefore, on the audited financial statements of the UNCCD.

The permanent secretariat of the UNCCD started its operations in 1999, and therefore 2000-2001 was the first biennium of the secretariat's operations. Funds raised for operations during the period covered by the audited financial statements amounted to US\$ 24,960,501, which comprised US\$ 14,081,112 under the core budget, US\$ 7,092,292 under the voluntary supplementary fund, US\$ 1,429,328 under the special fund for participation, US\$ 923,594 being the supplementary contribution of the Government of Germany for the Convention related-events (Bonn Fund) and US\$ 1,434,175 under the Special Account for UNCCD Programme Support Costs.

In 2000-2001 actual expenditure under all the trust funds amounted to US\$ 22,820,399. Under the core budget, the actual expenditure was US\$ 12,692,784. US\$ 6,573,358 was utilized from the Supplementary Fund. US\$ 1,941,220 was spent under the Special Fund for Participation to facilitate the participation of delegates from the affected least developed and developing country Parties in the fourth and fifth sessions of the Conference of the Parties which were held in 2000 and 2001 in Bonn, Germany, and Geneva, Switzerland, respectively, and the Ad Hoc working group (AHWG) meeting held in April, 2001 in Bonn. It was also used to facilitate the participation of COP Bureau members in four inter-sessional meetings. Under the Bonn Fund, US\$ 978,535 was spent on events organized by the secretariat, while US\$ 634,502 was spent on programme support-related activities. Some of the major activities undertaken by the secretariat during the reporting period, and results thereof, are as follows:

1. Consultations were held with government authorities, intergovernmental bodies and other partners on cooperation within the framework of the implementation of the Convention at the national, subregional and regional levels. Awareness and advocacy for the desertification issues were intensified with the aim of widening the global support for the Convention. These efforts have resulted in a number of positive developments for UNCCD: 17 new Parties acceded to or ratified the Convention during the biennium, bringing the total number of the Parties to 177. Further, substantial ground work was undertaken to ensure that other remaining countries will be joining the UNCCD in the very near future.

2. The development of closer cooperation with activities of other relevant conventions, UN bodies, international, intergovernmental and non-governmental organizations (NGOs) was given priority during the biennium 2000-2001. The establishment of the Liaison Group between the secretariats of the three Rio Conventions (the UNCCD, the Convention on Biological Diversity (CBD) and the United Nations Framework Convention on Climate Change (UNFCCC)), implementation of the Joint Work Programme with the UNFCCC, the RAMSAR and the Convention on Migratory Species (CMS) and the launching of national level synergy workshops were among the outcomes of numerous consultations held by the secretariat of the Convention with government authorities, intergovernmental bodies and other partners.

3. The secretariat gave special attention to strengthening the integration of UNCCD national action programmes into the development strategies of the affected developing countries. Extensive consultations were held on the possibilities for integrating activities to combat desertification into the Country and Regional Support Strategies prepared under the Cotonou Agreement between the European Community and its developing country partners from Africa, the Caribbean and the Pacific group of States, as well as in the Poverty Reduction Strategy Papers of the World Bank.
4. The fourth session of the Conference of the Parties (COP 4) was convened in Bonn, Germany, from 11 to 22 December 2000. The COP took action to further enhance the implementation of the obligations of the Convention, and adopted decisions on, among other issues, an additional regional implementation annex to the Convention for Central and Eastern Europe, as well as on the collaboration with the Global Environment Facility (GEF).
5. The AHWG met from 15 to 21 December 2000 to start the review of reports on the implementation of the Convention submitted to COP 3 and COP 4. The AHWG was reconvened from 19 March to 6 April 2001 to complete the review of reports on the implementation of the Convention. Delegations from 93 country Parties and international organizations participated in the session. The AHWG made a number of recommendations to the COP; these are contained in the final report of COP 5.
6. The fifth session of the Conference of the Parties (COP 5) was held in Geneva, Switzerland, from 1 to 12 October 2001. COP 5 adopted 25 decisions concerning, among other matters, the programme and budget for the biennium 2002-2003, the final report of the Ad Hoc Working Group, the institutional mechanism to review the implementation of the Convention, and improvements in the efficiency and the effectiveness of the Committee on Science and Technology (CST). An open-ended working group of experts convened to analyse procedures for the resolution of questions and conciliation and arbitration.
7. Approximately sixty pre-session and in-session documents were prepared for the fourth session of the COP and its subsidiary bodies. In the year 2001, 41 pre-session documents were submitted to COP 5.
8. In parallel with official sessions of the COP, two round table meetings of members of parliaments were held. The first was held on 12 and 13 December 2000, with an attendance of 31 members of parliaments from 19 countries. The second round table meeting took place on 4 and 5 October 2001 and was attended by 26 members of parliaments from 25 countries. The documents produced and adopted by the members of parliaments in the two meetings were included in the final reports of COP 4 and COP 5, respectively.
9. The ad hoc panels on traditional knowledge and early warning systems met in 2000. The former continued its work begun in 1999 to develop further appropriate criteria in line with future work on benchmarks and indicators to be used by national focal points, the latter for the first time to consider the matter of early warning systems on desertification in its broadest sense. In accordance with decision 14/COP.4, the ad hoc panel on early warning systems was reconvened in 2001. Phase I of the survey and evaluation of existing networks was completed. Terms of reference for phase II were approved by the COP on the recommendation of the CST Bureau, and the secretariat was asked to enter into contractual arrangements with the United Nations Environment Programme (UNEP) for implementation of this phase.

10. In the biennium 2000-2001, the secretariat facilitated the organisation of 15 subregional meetings, 32 regional meetings and workshops and 4 interregional meetings. Several other seminars, workshops and meetings at national, subregional and regional levels related to the Convention were facilitated in close cooperation with interested partners.

11. In addition, the secretariat provided assistance to the Government of Italy regarding their initiative to establish an international research centre on traditional knowledge in Matera, Italy, relating to decision 12/COP.4. The secretariat is also actively involved in the project funded by the Government of Italy entitled "Desertification Information System to support National Action Programmes in the Mediterranean (DISMED)". The secretariat continues to follow closely the activities of the Land Degradation Assessment in Drylands (LADA) project and the Millennium Ecosystem Assessment (MA).

12. In 2000, 76 affected countries from regions other than Africa submitted their national reports to COP 4. In addition to the African reports prepared in 1999, a total of 118 affected countries have prepared their national reports and submitted them for the consideration of the COP. Subregional reports from Africa and the Northern Mediterranean were also submitted. Together with the reports submitted by the developed countries, the intergovernmental and non-governmental organizations on their activities in Africa and other regions, the total number of reports submitted to the COP is 187.

13. 49 national action programmes had been finalized by the end of the year 2001, 25 of them since 1999. Seven subregional action programmes had been finalized. In the context of the regional action programme, six regional thematic programme networks (TPNs) had been prepared both in Africa and in Asia, of which three were launched in Africa and three in Asia during the biennium 2000-2001. Some TPNs had entered into the initial implementation phase, even though shortage of funds remains a problem. In accordance with the decisions of the relevant regional meetings, three regional coordination units started assisting countries in Africa, Asia and Latin America and the Caribbean regions. In Africa, the secretariat also facilitated the launching and implementation of ten pilot activities relating to (a) to trans-boundary management of natural resources by local communities, and (b) enhancing employment opportunities for the young people while promoting their involvement in the protection of degraded land.

14. Through the preparation and finalization of action programmes, the implementation of the Convention has been intensified in affected countries of all regions. The main emphasis in the biennium has been on supporting partnership arrangements for fostering implementation, as well as on integrating the national action programmes into sustainable development strategies, which have also begun through consultative coordination meetings.

15. During the biennium 2000-2001, external relations and public information activities focussed on three topics: inter-agency coordination, cooperation with NGOs organizations and public information. Inter-agency coordination activities included active participation in meetings and regular consultations with key partner agencies supporting the implementation of the Convention. In this regard, the secretariat signed a memorandum of understanding to strengthen cooperation with these partners.

16. Cooperation with the non-governmental community included support to NGO representatives for participating in the COP, the inter-session meeting of the AHWG and other UNCCD related meetings, and the strengthening of their outreach and awareness raising capacities as well as their institutional capacities. NGOs were also supported in coordinating their input to subregional, regional and global conferences relating to combating desertification.

17. Public information activities included publication of the UNCCD newsletter “Down to Earth” twice a year, reprints of UNCCD information kits, production of memorabilia for COP 4 and COP 5, and preparations for the celebration of World Day to Combat Desertification and Drought on 17 June, including in particular the June 17 Media Award. The participation of representatives of the media in COP 4 and COP 5 was facilitated. In addition, public information activities included collaboration with the United Nations Educational, Scientific and Cultural Organization (UNESCO) in the production of a teacher’s kit on desertification and the setting up of a media database and a database for UNCCD publications. The UNCCD Web page was upgraded and received very positive feedback from the users.

18. Achievements in the area of administration and finance during the biennium included improvements in the quality and timely submission of donor reports through the establishment and further development of a system to facilitate the process of funds monitoring and reporting. Preparation and presentation of the budget documents for the COP was improved. Internal financial and other controls were strengthened; and an internal automated financial monitoring system was developed, with a view to ensuring that all resources are properly recorded, controlled and utilized. With regard to personnel-related activities, the recruitment process, including the preparation of job descriptions, was developed and the performance appraisal system (PAS) was implemented. Documentation and assistance relating to the first external audit of the secretariat was provided. The first audit report of the secretariat, as submitted to the fifth session of the COP confirmed that the operations of the secretariat are properly carried out in accordance with the governing rules and regulations of the United Nations.

## II. CERTIFICATION OF THE FINANCIAL STATEMENTS

May 2002

I certify that the appended financial statements of the United Nations Convention to Combat Desertification numbered I to IV, are fairly stated.



Hama Arba Diallo  
Executive Secretary  
Permanent Secretariat



United Nations Convention to Combat Desertification

III. FINANCIAL STATEMENTS FOR THE BIENNIUM 2000-2001 ENDED 31 DECEMBER 2001

Statement I. Statement of income and expenditure and changes in reserves and fund balances  
 for the biennium 2000-2001 ending 31 December 2001  
 (Expressed in United States dollars)

	SCHEDULE / NOTE REFERENCE	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UX)	TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSIONS OF THE UNCCD CONFERENCE (UV)	TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UW)	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BM)	SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQ)	TOTAL
<b>INCOME:</b>							
Assessed contributions	Note 2 (i)	12,859,300	-	-	-	-	12,859,300
Voluntary contributions	Note 2 (ii)	976,465	1,354,117	6,773,464	900,577	-	10,004,623
Programme support cost income	Note 10	-	-	-	-	1,421,736	1,421,736
Other/miscellaneous income							
Interest income	Note 2 (iii)	192,932	70,775	283,072	23,017	12,439	582,235
Miscellaneous	Note 2 (iv)	52,415	4,436	35,756	-	-	92,607
<b>TOTAL INCOME</b>		<b>14,081,112</b>	<b>1,429,328</b>	<b>7,092,292</b>	<b>923,594</b>	<b>1,434,175</b>	<b>24,960,501</b>
<b>EXPENDITURE:</b>							
<b>TOTAL EXPENDITURE</b>	Note 3	<b>12,692,784</b>	<b>1,941,220</b>	<b>6,573,358</b>	<b>978,535</b>	<b>634,502</b>	<b>22,820,399</b>
Prior period adjustments	Note 4	19,011	30,548	77,875	5,609	-	133,043
<b>NET EXCESS (SHORTFALL) ON INCOME OVER EXPENDITURE</b>		<b>1,407,339</b>	<b>(481,344)</b>	<b>596,809</b>	<b>(49,332)</b>	<b>799,673</b>	<b>2,273,145</b>
Transfers (to) from other funds	Note 5	(131,690)	403,585	296,042	-	-	567,937
Savings on prior period' obligations	Note 2 (e)	146,237	234,984	260,728	43,146	-	685,095
<b>RESERVES AND FUND BALANCES: BEGINNING OF PERIOD</b>		561,641	405,455	2,544,458	7,190	-	3,518,744
<b>RESERVES AND FUND BALANCES: END OF PERIOD</b>		<b>1,983,527</b>	<b>562,680</b>	<b>3,698,037</b>	<b>1,004</b>	<b>799,673</b>	<b>7,044,921</b>



Statement II. Statement of assets, liabilities, reserves and fund balances  
as at 31 December 2001  
(Expressed in United States dollars)

	SCHEDULE / NOTE REFERENCE	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UX)	TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSIONS OF THE UNCCD CONFERENCE (UV)	TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UW)	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BM)	SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQ)	TOTAL
<b>ASSETS:</b>							
Cash and term deposits	Note 2 (f),6	2,617,368	752,826	4,881,298	109,718	831,152	9,192,362
Account receivable:							
Pledged and assessed contributions receivable	Sched. 1.1	1,395,422	4,090	-	-	-	1,399,512
Inter-fund balances receivable		-	-	-	-	-	-
Other accounts receivable	Note 7	264,883	3,224	44,544	2,043	692	315,386
Operating funds provided to executing agencies		1,632	-	-	-	-	1,632
<b>TOTAL ASSETS</b>		<b>4,279,305</b>	<b>760,140</b>	<b>4,925,842</b>	<b>111,761</b>	<b>831,844</b>	<b>10,908,892</b>
<b>LIABILITIES:</b>							
Contributions/payments received in advance	Sched. 1.1	1,175,437	-	5,000	-	-	1,180,437
Unliquidated obligations		676,753	128,635	786,125	108,011	7,944	1,707,468
Accounts payable:							
Inter-fund balances payable		341,958	68,825	435,524	2,746	23,492	872,545
Other accounts payable	Note 8	101,630	-	1,156	-	735	103,521
<b>TOTAL LIABILITIES</b>		<b>2,295,778</b>	<b>197,460</b>	<b>1,227,805</b>	<b>110,757</b>	<b>32,171</b>	<b>3,863,971</b>
<b>RESERVES AND FUND BALANCES</b>							
Operating reserve	Note 9	-	140,366	441,370	-	280,547	862,283
Working capital reserve	Note 10	528,037	-	-	-	-	528,037
Cumulative surplus (deficit)		1,455,490	422,314	3,256,667	1,004	519,126	5,654,601
<b>TOTAL RESERVES AND FUND BALANCES</b>		<b>1,983,527</b>	<b>562,680</b>	<b>3,698,037</b>	<b>1,004</b>	<b>799,673</b>	<b>7,044,921</b>
<b>TOTAL LIABILITIES, RESERVES AND FUND BALANCES</b>		<b>4,279,305</b>	<b>760,140</b>	<b>4,925,842</b>	<b>111,761</b>	<b>831,844</b>	<b>10,908,892</b>

## Statement III. Statement of cash flows for the biennium 2000-2001 ending 31 December 2001

(Expressed in United States dollars)

	TRUST FUND FOR THE CORE BUDGET OF UNCCD (UX)	TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSIONS OF THE UNCCD (UV)	TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UW)	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BM)	SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQ)
	<b>2001</b>	<b>2001</b>	<b>2001</b>	<b>2001</b>	<b>2001</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net excess (shortfall) of income over expenditure (Statement I)	1,407,339	(481,344)	596,809	(49,332)	799,673
(Increase) decrease in contributions receivable	-998,686	(4,090)	-	-	-
(Increase) decrease in other accounts receivable	241,294	66,069	8,228	(156)	(692)
(Increase) decrease in other assets	-1,632	-	-	-	-
Increase (decrease) in contributions received in advance	773,312	-	5,000	-	-
Increase (decrease) in accounts payable	-70,237	-	(9,346)	(29,331)	735
Increase (decrease) in unliquidated obligations	199,698	(800,671)	236,696	(26,678)	7,944
Less: Interest income	-192,932	(70,775)	(283,072)	(23,017)	(12,439)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,358,156</b>	<b>(1,290,811)</b>	<b>554,315</b>	<b>(128,514)</b>	<b>795,221</b>
<b>CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:</b>					
(Increase) decrease in inter-fund balances receivable	131,913	-	217,223	-	-
Increase (decrease) in inter-fund balances payable	341,958	58,874	435,524	(35,597)	23,492
Plus: Interest income	192,932	70,775	283,072	23,017	12,439
<b>NET CASH FROM INVESTING AND FINANCING ACTIVITIES</b>	<b>666,803</b>	<b>129,649</b>	<b>935,819</b>	<b>(12,580)</b>	<b>35,931</b>
<b>CASH FLOWS FROM OTHER SOURCES:</b>					
Savings on prior periods' obligations	146,237	234,984	260,728	43,146	-
Other adjustments to fund balances	-131,690	403,585	296,042	-	-
<b>NET CASH FROM OTHER SOURCES</b>	<b>14,547</b>	<b>638,569</b>	<b>556,770</b>	<b>43,146</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS</b>	<b>2,039,506</b>	<b>(522,593)</b>	<b>2,046,904</b>	<b>(97,948)</b>	<b>831,152</b>
<b>CASH AND TERM DEPOSITS (01 January 2000)</b>	<b>577,862</b>	<b>1,275,419</b>	<b>2,834,394</b>	<b>207,666</b>	<b>-</b>
<b>CASH AND TERM DEPOSITS (31 December 2001)</b>	<b>2,617,368</b>	<b>752,826</b>	<b>4,881,298</b>	<b>109,718</b>	<b>831,152</b>

Statement IV. The core budget: Statement of appropriations for the biennium  
2002-2001 ended 31 December 2001  
(Expressed in United States dollars)

Budget classification	Appropriations			Expenditures			Balance
	Initial approved 2001 budget (COP1)	Adjustments	Revised approved 2001 budget (COP2)	Disbursements	Unliquidated obligations	Total	
Policy-making organs	110,000	5,000	115,000	76,485	34,135	110,620	4,380
Executive direction and management	1,488,800	-10,000	1,478,800	1,342,187	18,902	1,361,089	117,711
Substantive support to the COP and its subsidiary bodies	1,085,900	10,000	1,095,900	1,061,290	27,200	1,088,490	7,410
Facilitation of implementation and coordination	3,298,900	197,600	3,496,500	3,351,351	78,633	3,429,984	66,516
External relations and public information	966,200	-20,000	946,200	902,257	43,658	945,915	285
Administrative unit	2,369,200	89,700	2,458,900	1,392,429	254,025	1,646,454	812,446
Global Mechanism	2,650,000	-	2,650,000	2,429,800	220,200	2,650,000	-
Programme support costs	1,556,000	35,400	1,591,400	1,460,232	-	1,460,232	131,168
<b>Total</b>	<b>13,525,000</b>	<b>307,700</b>	<b>13,832,700</b>	<b>12,016,031</b>	<b>676,753</b>	<b>12,692,784</b>	<b>1,139,916</b>
Working capital reserve	135,400	27,800	163,200				
<b>Grand total</b>	<b>13,660,400</b>	<b>335,500</b>	<b>13,995,900</b>	<b>12,016,031</b>	<b>676,753</b>	<b>12,692,784</b>	<b>1,139,916</b>

Schedule 1.1. Status of assessed contributions to the core budget for the biennium 2000-2001 ended 31 December 2001  
(Expressed in United States dollars)

Member States	Assessed contributions receivable as at 01.01.2000	Contributions received in advance as at 01.01.2000	Assessed contributions for 2000-2001 and adjustment of prior periods	Collections in 2000	Collections in 2001	Collections in 2000/2001	Contributions received in advance for 2002	Assessed contributions receivable as at 31.12.2001
<b>Trust Fund for the Core Budget of the UNCCD (UX)</b>								
Afganistan	200	-	770	-	-	-	-	970
Albania	-	-	330	-	365	365	35	-
Algeria	-	2.510	12.430	5.150	6.200	11.350	1.430	-
Angola	500	-	760	-	-	-	-	1.260
Antigua and Barbuda	-	50	320	140	-	140	-	130
Argentina	-	350	176.740	-	84.763	84.763	-	91.627
Armenia	790	-	640	-	-	-	-	1.430
Australia	-	-	-	-	26.180	26.180	26.180	-
Austria	-	300	148.520	83.380	81.890	165.270	17.050	-
Azerbaijan	1.590	-	1.270	-	-	-	-	2.860
Bahamas	-	-	720	-	-	-	-	720
Bahrain	-	443	2.760	1.077	1.570	2.647	330	-
Bangladesh	500	-	1.280	-	-	-	-	1.780
Barbados	-	810	1.350	650	-	650	110	-
Belarus	-	-	130	-	-	-	-	130
Belgium	78.660	-	175.430	177.160	95.950	273.110	19.020	-
Belize	50	-	130	-	180	180	-	-
Benin	150	-	320	2.151	-	2.151	1.681	-
Bolivia	500	-	1.150	1.070	1.790	2.860	1.210	-
Botswana	-	1.060	1.540	730	-	730	250	-
Brazil	104.890	-	282.790	130.650	-	130.650	-	257.030
Bulgaria	-	-	520	-	-	-	-	520

Member States	Assessed contributions receivable as at 01.01.2000	Contributions received in advance as at 01.01.2000	Assessed contributions for 2000-2001 and adjustment of prior periods	Collections in 2000	Collections in 2001	Collections in 2000/2001	Contributions received in advance for 2002	Assessed contributions receivable as at 31.12.2001
<b>Trust Fund for the Core Budget of the UNCCD (UX)</b>								
Cameroon	940	-	1.730	-	3.385	3.385	715	-
Canada	-	990	418.010	471.885	-	471.885	54.865	-
Cape Verde	150	-	260	325	85	410	-	-
Central African Republic	50	-	130	-	-	-	-	180
Chad	50	-	130	110	-	110	-	70
Chile	-	-	25.610	-	17.700	17.700	-	7.910
China	-	335	193.430	88.025	137.580	225.605	32.510	-
Colombia	860	-	22.350	10.534	19.500	30.034	6.824	-
Comoros	50	-	130	-	-	-	-	180
Congo	50	-	320	-	-	-	-	370
Cook Islands	50	-	130	-	110	110	-	70
Costa Rica	1.140	-	2.760	-	4.280	4.280	380	-
Cote d'Ivoire	640	-	1.410	-	-	-	-	2.050
Cuba	1.830	-	4.170	2.500	-	2.500	-	3.500
Cyprus	-	-	-	-	2.290	2.290	2.290	-
Czech Rep.	-	-	-	-	22.330	22.330	22.330	-
Democratic Republic of Congo	500	-	1.280	-	-	-	-	1.780
Denmark	-	18.680	112.790	42.780	67.190	109.970	15.860	-
Djibouti	50	-	130	-	-	-	-	180
Dominica	50	-	130	-	-	-	-	180
Dominican Republic	1.040	-	2.900	-	-	-	-	3.940
Ecuador	1.440	-	3.470	-	-	-	-	4.910
Egypt	-	50	11.240	5.710	7.190	12.900	1.710	-

Member States	Assessed contributions receivable as at 01.01.2000	Contributions received in advance as at 01.01.2000	Assessed contributions for 2000-2001 and adjustment of prior periods	Collections in 2000	Collections in 2001	Collections in 2000/2001	Contributions received in advance for 2002	Assessed contributions receivable as at 31.12.2001
<b>Trust Fund for the Core Budget of the UNCCD (UX)</b>								
Equatorial Guinea	50	-	130	95	-	95	-	85
Eritrea	50	-	130	110	50	160	-	20
Ethiopia	66	-	770	1.582	330	1.912	1.076	-
European Community	-	780	321.480	157.460	154.860	312.320	-	8.380
Fiji	-	310	580	1.130	(560)	570	300	-
Finland	-	150	84.020	48.080	46.945	95.025	11.155	-
France	-	176.670	1.024.370	404.710	580.420	985.130	137.430	-
Gabon	1.040	-	2.310	-	-	-	-	3.350
Gambia	50	-	130	110	70	180	-	-
Georgia	230	-	960	-	-	-	-	1.190
Germany	-	6.350	1.545.350	869.170	876.930	1.746.100	207.100	-
Ghana	500	-	960	-	-	-	-	1.460
Greece	30	-	68.160	31.240	92.260	123.500	55.310	-
Grenada	50	-	130	-	-	-	-	180
Guatemala	1.290	-	3.410	-	-	-	-	4.700
Guinea	200	-	450	-	-	-	-	650
Guinea-Bissau	50	-	130	-	-	-	-	180
Guyana	50	-	130	-	-	-	-	180
Haiti	150	-	320	-	-	-	-	470
Honduras	-	261	580	-	-	-	-	319
Hungary	2.140	-	18.860	12.840	10.470	23.310	2.310	-
Iceland	-	-	5.010	2.850	2.940	5.790	780	-
India	-	79	49.900	26.071	30.570	56.641	6.820	-
Indonesia	-	100	30.420	16.550	34.510	51.060	20.740	-

<b>Member States</b>	<b>Assessed contributions receivable as at 01.01.2000</b>	<b>Contributions received in advance as at 01.01.2000</b>	<b>Assessed contributions for 2000-2001 and adjustment of prior periods</b>	<b>Collections in 2000</b>	<b>Collections in 2001</b>	<b>Collections in 2000/2001</b>	<b>Contributions received in advance for 2002</b>	<b>Assessed contributions receivable as at 31.12.2001</b>
<b>Trust Fund for the Core Budget of the UNCCD (UX)</b>								
Iran, Islamic Republic of	13.780	-	31.610	-	27.782	27.782	-	17.608
Ireland	-	6.040	39.990	-	26.440	26.440	-	7.510
Israel	-	90	59.490	30.999	37.220	68.219	8.819	-
Italy	-	1.980	829.900	-	480.910	480.910	-	347.010
Jamaica	50	-	770	-	875	875	55	-
Japan	-	7.400	2.922.080	1.582.539	1.436.220	3.018.759	104.079	-
Jordan	450	-	1.030	960	-	960	-	520
Kazakhstan	4.710	-	6.260	-	4.975	4.975	-	5.995
Kenya	500	-	1.150	-	432	432	-	1.218
Kiribati	50	-	130	110	-	110	-	70
Kuwait	9.570	-	21.390	-	33.900	33.900	2.940	-
Kyrgyzstan	590	-	580	-	-	-	-	1.170
Lao People's Democratic Rep.	50	-	130	-	-	-	-	180
Lebanon	1.140	-	2.240	-	3.615	3.615	235	-
Lesotho	150	-	260	-	410	410	-	-
Liberia	150	-	260	-	-	-	-	410
Libyan Arab Jamahiriya	9.420	-	15.580	-	-	-	-	25.000
Luxembourg	-	50	11.430	-	-	-	-	11.380
Madagascar	-	66	450	191	275	466	82	-
Malawi	-	50	320	140	-	140	-	130
Malaysia	-	100	32.390	-	-	-	-	32.290
Mali	150	-	320	340	276	616	146	-
Malta	20	-	2.310	1.290	-	1.290	-	1.040
Marshall Islands	-	-	130	-	-	-	-	130
Mauritania	-	50	130	10	70	80	-	-

Member States	Assessed contributions receivable as at 01.01.2000	Contributions received in advance as at 01.01.2000	Assessed contributions for 2000-2001 and adjustment of prior periods	Collections in 2000	Collections in 2001	Collections in 2000/2001	Contributions received in advance for 2002	Assessed contributions receivable as at 31.12.2001
<b>Trust Fund for the Core Budget of the UNCCD (UX)</b>								
Mexico	69.890	-	162.810	-	-	-	-	232.700
Micronesia	50	-	130	100	-	100	-	80
Monaco	140	-	580	440	-	440	-	280
Mongolia	150	-	260	-	410	410	-	-
Morocco	-	1.080	6.680	2.590	-	2.590	-	3.010
Mozambique	50	-	130	220	-	220	40	-
Myanmar	500	-	1.280	1.130	1.150	2.280	500	-
Namibia	-	50	1.090	1.097	650	1.747	707	-
Nauru	50	-	130	-	-	-	-	180
Nepal	-	50	580	-	600	600	70	-
Netherlands	-	540	264.060	144.490	155.990	300.480	36.960	-
New Zealand	-	-	-	-	18.382	18.382	18.382	-
Nicaragua	50	-	130	-	-	-	-	180
Niger	-	-	260	360	190	550	290	-
Nigeria	2.870	-	7.030	-	-	-	-	9.900
Niue	50	-	130	50	110	160	-	20
Norway	-	16.480	98.400	37.700	57.960	95.660	13.740	-
Oman	-	-	8.800	4.490	-	4.490	-	4.310
Pakistan	4.210	-	9.430	-	-	-	-	13.640
Palau	-	50	140	120	70	190	100	-
Panama	-	360	2.380	1.300	1.300	2.600	580	-
Papua New Guinea	-	-	330	-	-	-	-	330
Paraguay	990	-	2.380	-	-	-	-	3.370
Peru	-	2.660	16.900	-	-	-	-	14.240
Philippines	-	-	9.970	-	-	-	-	9.970



Member States	Assessed contributions receivable as at 01.01.2000	Contributions received in advance as at 01.01.2000	Assessed contributions for 2000-2001 and adjustment of prior periods	Collections in 2000	Collections in 2001	Collections in 2000/2001	Contributions received in advance for 2002	Assessed contributions receivable as at 31.12.2001
<b>Trust Fund for the Core Budget of the UNCCD (UX)</b>								
Qatar	1.390	-	5.260	-	7.370	7.370	720	-
Republic of Korea	5.910	-	207.170	95.290	154.290	249.580	36.500	-
Republic of Moldova	750	-	1.540	-	-	-	-	2.290
Romania	-	50	8.920	4.950	-	4.950	-	3.920
Rwanda	50	-	130	113	70	183	3	-
Saint Kitts and Nevis	50	-	130	-	-	-	-	180
Saint Lucia	50	-	190	-	-	-	-	240
Saint Vincent and the Grenadines	50	-	130	-	-	-	-	180
Samoa	50	-	130	110	-	110	-	70
San Marino	20	-	320	-	210	210	-	130
Sao Tome and Principe	50	-	130	-	164	164	-	16
Saudi Arabia	40.600	-	87.950	81.580	48.870	130.450	1.900	-
Senegal	450	-	840	301	867	1.168	-	122
Seychelles	150	-	320	-	-	-	-	470
Sierra Leone	50	-	130	-	-	-	-	180
Singapore	5.250	-	42.860	21.134	35.260	56.394	8.284	-
Slovenia	-	-	1.370	-	-	-	-	1.370
Solomon Islands	50	-	130	-	-	-	-	180
South Africa	-	9.880	60.360	22.150	59.255	81.405	30.925	-
Spain	-	69.960	402.800	160.190	226.190	386.380	53.540	-
Sri Lanka	700	-	2.190	-	-	-	-	2.890
Sudan	450	-	1.020	-	-	-	-	1.470
Suriname	-	-	260	-	-	-	-	260
Swaziland	-	50	320	-	-	-	-	270
Sweden	-	29.320	166.230	95.400	64.800	160.200	23.290	-

Member States	Assessed contributions receivable as at 01.01.2000	Contributions received in advance as at 01.01.2000	Assessed contributions for 2000-2001 and adjustment of prior periods	Collections in 2000	Collections in 2001	Collections in 2000/2001	Contributions received in advance for 2002	Assessed contributions receivable as at 31.12.2001
<b>Trust Fund for the Core Budget of the UNCCD (UX)</b>								
Syrian Arab Republic	-	1.740	11.180	9.189	7.250	16.439	6.999	-
Tajikistan	350	-	390	200	400	600	-	140
Thailand	-	-	8.160	-	-	-	-	8.160
Togo	50	-	130	110	70	180	-	-
Tonga	50	-	130	-	-	-	-	180
Tunisia	-	670	4.560	1.800	-	1.800	-	2.090
Turkey	-	190	69.220	38.930	39.570	78.500	9.470	-
Turkmenistan	590	-	710	-	-	-	-	1.300
Tuvalu	50	-	130	-	110	110	-	70
Uganda	250	-	650	372	-	372	-	528
United Arab Emirates	-	26	29.790	-	-	-	-	29.764
United Kingdom	-	1.890	831.710	450.370	496.970	947.340	117.520	-
United Republic of Tanzania	200	-	510	-	-	-	-	710
United States of America	-	-	1.250.920	-	1.080.000	1.080.000	-	170.920
Uruguay	2.000	-	9.390	-	-	-	-	11.390
Uzbekistan	-	7.855	2.940	-	-	-	4.915	-
Vanuatu	50	-	130	-	-	-	-	180
Venezuela	12.590	-	28.550	-	45.320	45.320	4.180	-
Viet Nam	500	-	1.670	1.070	1.310	2.380	210	-
Yemen	500	-	1.280	-	-	-	-	1.780
Zambia	150	-	320	-	-	-	-	470
Zimbabwe	-	-	1.340	-	-	-	-	1.340
<b>Total</b>	<b>396.736</b>	<b>402.125</b>	<b>12.859.300</b>	<b>5.504.310</b>	<b>7.129.616</b>	<b>12.633.926</b>	<b>1.175.437</b>	<b>1.395.422</b>

Schedule 1.2. Status of voluntary contributions for the biennium 2000-2001 ended 31 December  
2001  
(Expressed in United States dollars)

<u>Countries/Trust Funds</u>	<b>Voluntary contributions for 2000 and 2001</b>
<b>I. Trust fund for the core budget of the UNCCD (UX)</b>	
Germany	976.465
<b>Total</b>	<b>976.465</b>
<b>II. Trust Fund for participation of representatives of States Parties in the session of the UNCCD conference (UV)</b>	
Australia	193.918
Canada	84.269
Croatia	1/ 2.610
Cuba	600
Cyprus	2.550
Czech Rep	12.600
Denmark	120.000
Finland	62.026
France	244.789
Italy	158.575
Liechtenstein	850
Namibia	520
Netherlands	150.000
New Zealand	17.710
Norway	132.524
Sweden	45.639
Switzerland	123.457
Trinidad and Tobago	1/ 1.480
<b>Total</b>	<b>1.354.117</b>
<b>III. Trust Fund for voluntary financing of activities under UNCCD (UW)</b>	
Canada	128.692
China	79.970
Cuba	2.028
Denmark	35.000
Finland	440.646
France	68.626
Germany	247.002
Italy	1.907.112
Liechtenstein	3.012
Monaco	49.166
Netherlands	513.730
Norway	377.025
Portugal	2.797
Spain	200.343
Switzerland	238.260
Sweden	9.281
Turkey	2.856
Venezuela	920.796
United States	322.399
<b>Subtotal</b>	<b>5.548.741</b>

<u>Countries/Trust Funds</u>	<b>Voluntary contributions for 2000 and 2001</b>
<b><u>Public donations</u></b>	
Others	38.252
European Community	36.000
<b>Subtotal</b>	<b>74.252</b>
<b><u>Subventions</u></b>	
IFAD	797.551
UNEP	42.500
WMO	310.420
<b>Subtotal</b>	<b>1.150.471</b>
<b>Total</b>	<b>6.773.464</b>
<b>IV. Trust Fund for Convention events organized by UNCCD secretariat (BM)</b>	
Germany	900.577
<b>Total</b>	<b>900.577</b>
<b>GRAND TOTAL</b>	<b>10.004.623</b>

Schedule 1.3. Expenditure analysis by object of expenditure and fund type for the  
biennium 200-2001 ended 31 December 2001  
(Expressed in United States dollars)

	SCHEDULE / NOTE REFERENCE	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UX)	TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSIONS OF THE UNCCD CONFERENCE (UV)	TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UW)	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BM)	SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQ)	TOTAL
<b>EXPENDITURES:</b>							
Staff and other personnel costs		6,164,219	-	1,105,386	111,798	634,502	8,015,905
Travel		1,381,364	1,689,774	2,087,627	368,735	-	5,527,500
Contractual services		183,564	19,826	162,377	30,605	-	396,372
Operating expenses		486,639	8,294	185,915	238,255	-	919,103
Acquisitions		80,446	-	-	-	-	80,446
Fellowships grants and other		2,936,320	-	2,275,835	116,567	-	5,328,722
<b>Total direct expenditure</b>		<b>11,232,552</b>	<b>1,717,894</b>	<b>5,817,140</b>	<b>865,960</b>	<b>634,502</b>	<b>20,268,048</b>
Programme support costs		1,460,232	223,326	756,218	112,575	-	2,552,351
<b>TOTAL EXPENDITURES</b>	Note 3	<b>12,692,784</b>	<b>1,941,220</b>	<b>6,573,358</b>	<b>978,535</b>	<b>634,502</b>	<b>22,820,399</b>

#### IV. NOTES TO THE FINANCIAL STATEMENTS

##### **Note 1 Statement of Purpose**

The permanent Secretariat of the United Nations Convention to Combat Desertification was established on 1 January 1999 with the following purposes:

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

##### **Note 2 Accounting Policies**

The following are the significant accounting policies of the United Nations Convention to Combat Desertification (UNCCD) :

- (a) Rules and procedures

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

Under the financial procedures adopted by the Conference of the Parties, the Executive Secretary prepares the administrative core budget for the following biennium and submits it to the COP for its consideration and approval. The approved budget constitutes authority to the Executive Secretary to issue allotments, incur obligations and make payments for the purposes for which the appropriations were approved. In the biennium 2000-2001, the COP approved a core budget of US\$ 14.0 million, out of which the equivalent of DM 2 million was paid by the host Government. The remaining amount is raised by all Parties, who are invited to make contributions based on an adjusted United Nations scale of assessment.

(b) Accounting convention

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

UNCCD's normal accounting period is a biennium consisting of two consecutive calendar years. The current period, 2000-2001, is the first biennium for UNCCD and therefore there are no comparative figures for the prior period.

The UNCCD's accounts are maintained on a "fund accounting" basis.

Separate funds for general or special purposes may be established by the Conference of the Parties or the Executive Secretary. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts.

(c) Contingent liabilities

The expenditures do not include possible costs to cover contingencies under Appendix D to the United Nations staff rules, for personnel financed under resources obtained from contributions. They are under contractual arrangements with Van Breda.

(d) Income tax refund policy

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

(e) Unliquidated obligations

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

All prior period unliquidated obligations as at 31 December are recorded as savings on prior period's obligation.

(f) Cash and term deposits

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

(g) Income

(i) Assessed contributions from Party members

Income from assessed contributions is recognized on an accrual basis based on the budget approved by the Conference of the Parties.

(ii) Voluntary contributions

Voluntary contributions to UNCCD trust funds are recorded as income when received, which include funds received under Inter-Organization arrangements. However, in 2000-2001 an outstanding amount of US\$ 4,090 transferred from the assessed contributions has been treated on an accrual basis.

(iii) Interest income

Interest income is based only on amounts received and accrued from cash and term deposits relating to the financial period. Interest due from cash and term deposits made in the financial period but not maturing until future periods is recorded as accounts receivable.

(iv) Miscellaneous income

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

(v) Contributions

All contributions to Secretariat's activities are deposited with United Nations Office in Geneva. UNCCD operates an imprest account in Deutsche Mark to cover its expenditure in Bonn. Reports on the utilization of the imprest account are submitted to UNOG on a regular basis.

(h) Translation of currencies

The financial statements of the UNCCD are presented in United States Dollars, which is the currency best suited to its operations. As per United Nations Accounting standards, transactions in other currencies are recorded in United States Dollars by applying the United Nations operational rate of exchange at the time of the transaction. Realised exchange losses are charged to the appropriate budgetary account. An amount of \$ 142 included in the operating expenses relates to exchange loss for the reported period.

**Note 3 Trust Funds expenditures**

The total expenditure of US\$ 22,820,399 in Statement I is broken-down as follows during the reported period.



(in United States dollars)

Description	
Staff and other personnel costs	8,015,906
Travel on official business	5,527,500
Contractual services	396,372
Operating expenses *	919,103
Acquisitions	80,446
Grants and contributions to joint activities	5,328,721
Programme support costs	<u>2,552,351</u>
<b>Total</b>	<b><u>22,820,399</u></b>

\* including exchange loss of \$142.

#### Note 4 Prior period adjustments

This represents \$ 89,063, an adjustment of programme support costs relating to saving of 1999 unliquidated obligations and \$15,000 and \$ 28,980 received in 1999 from the Government of Egypt, and Sweden respectively, but not identified for the trust fund UW.

#### Note 5 Transfer to/from other trust funds

(in United States dollars)

Description	
From UX to UV (New members' contribution in connection with the decision of COP-5)	131,690
From UW to UV (Japanese contribution)	150,000
From NP to UW (Unspent balance of the trust fund prior to UNCCD establishment)	446,042
From NQ to UV (Unspent balance of the trust fund prior to UNCCD establishment)	121,895

#### Note 6 Cash and term deposits

(in United States dollars)

	As at 31 December 2001
Imprest – Bonn	103,837
Imprest – UNDP.F.O.	8,484
Interest-bearing bank deposits maturing within twelve months	<u>9,080,041</u>
<b>Total</b>	<b><u>9,192,362</u></b>

**Note 7 Other accounts receivable**

(in United States dollars)

	As at 31 December 2001
Education grant advances	165,104
Travel advances	49,156
Salary advances	13,242
Value Added Tax	23,196
Accrued interest receivable	35,179
Others	1,039
<b>Total</b>	<b><u>286,916</u></b>

**Note 8 Other accounts payable**

(in United States Dollars)

	As at 31 December 2001
Staff salaries- Field	-
Staff salaries-Bonn	-
Others	75,051
<b>Total</b>	<b><u>75,051</u></b>

**Note 9 Operating and Working Capital Reserve**

Operating reserves are established at 15% (UV and UW) of the total annual expenditure under the voluntary general trust funds while an operating reserve for programme support account (ZQ) is maintained at 20% of annual programme support income earned. Working capital reserve is maintained at 8.3 % of the total annual expenditure under the core budget (UX). They are to cover unforeseen shortfall, uneven cash flows, unplanned costs and other final contingencies. For the reported period there was no need to draw on the operating reserves and therefore the level of reserve was reported as being US\$ 862,283 (operating reserve) and US\$ 528,037 (working capital reserve) (Statement II).

**Note 10 Programme support**

The programme support at 13 % of the actual expenditures of all established UNCCD trust funds is maintained in a separate account, subject to specific exceptions made by the Controller. When a project is shared between UNCCD and another United Nations agency, programme support charges are also shared accordingly between both organizations with the combined amount not exceeding 13%. For the reporting period, the total amount of US\$ 2,552,351 has been reported as programme support cost (Note 3). Effective January 2001 onward, the programme support cost income of US\$ 1,421,736 has been reported under Special Account for Programme Support Costs (ZQ).

**Note 11 Non-expendable inventory**

Valuation of non- expendable property is limited to items with a value of US\$500 and above. During the biennium, furniture and equipment valued at US\$ 444,972 was donated by the Government of the Federal Republic of Germany while acquisitions amounted to US\$ 79,680.

**Note 12 Disclosure as to participation in the United Nations Joint Staff Pension Fund**

UNCCD is a member organization participating in the United Nations Joint Staff Pension Fund which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The financial obligation of the organization to the United Nations Joint Pension Fund consists of its mandated contribution at the rate established by the United Nations General Assembly together with its share of any actuarial deficiency payments that might become payable pursuant to article 36 of the regulations of the United Nations Joint Staff Pension Fund.

**Note 13 Other donations in kind**

Services of a senior scientific officer were donated by the World Meteorological Organization (WMO). In addition the German and Italian governments provide the services of two and one junior professionals respectively. Finland also provided services of one junior professional officer. The cost of these services was US\$675,000 as indicated in the table below:

(in United States Dollars)

	As at 31 December 2001
World Meteorological Organization ( 1 P-5)	210,000
Federal Republic of German (2 Junior professionals)	225,000
Government of Finland	120,000
Government of Italy	<u>120,000</u>
<b>Total</b>	<b><u>675,500</u></b>

**Note 14 Comparative prior period figures**

The first period of operation of UNCCD covered only the second year the biennium to 31 December 1999. 2000-2001 is therefore the first full biennium in which CCD will be under operation and such no comparative prior period figures are presented in these financial statements.

**Note 15 Special Account for Programme Support Cost (ZQ)**

This account was established in March 2001, with retroactive from 1 January 2001, in accordance with the Controller's fax of 19 December 2000. Financial transactions related to the year 2000 have been reported to the Special Account for programme support costs which is centrally administered by the UN.

Appendix

**FINANCIAL STATEMENTS OF THE CORE BUDGET ADMINISTRATION ACCOUNTS  
OF THE GLOBAL MECHANISM FOR THE YEARS ENDED  
31 DECEMBER 2001 AND 31 DECEMBER 2000**

CONTENTS

Statement of revenue and expenses

Statement of changes in accumulated surplus

Balance sheet

Statement of cash flows

Statement of resources available for commitment

Notes to the financial statements

Appendix A - Statement of the core budget administration account

The notes and appendix to the accompanying statements form an integral part of the financial statements.

Statement of revenue and expenses for the years ended 31 December 2001 and 31 December 2000  
(US dollars)

	<b>2001</b>	<b>2000</b>
<b>Revenue</b>		
Income from contributions (Note 3)	1,499,141	1,418,621
<b>Total revenue</b>	<b>1,499,141</b>	<b>1,418,621</b>
<b>Administrative expenses</b>		
Staff salaries and benefits (Note 4)	756,064	711,727
External auditor's fees	5,000	4,076
Office equipment and maintenance	51,191	26,140
Hospitality	844	2,314
Service charge	108,000	104,000
<b>Total administrative expenses</b>	<b>921,099</b>	<b>848,257</b>
<b>Operating expenses</b>		
Consultants	248,824	119,818
Media communications and networking	14,958	93,784
Publications	23,058	16,737
Duty travel	204,330	194,020
Seminars and workshops		113,920
Temporary support	86,872	32,085
<b>Total operating expenses</b>	<b>578,042</b>	<b>570,364</b>
<b>Total expenditures</b>	<b>1,499,141</b>	<b>1,418,621</b>
<b>Net revenue less administrative and operating expenses</b>	<b>0</b>	<b>0</b>
<b>Net exchange rate movements</b>	<b>- 2,301</b>	<b>729</b>
<b>Transfer to accumulated surplus</b>	<b>- 2,301</b>	<b>729</b>

Statement of changes in accumulated surplus for the years ended  
31 December 2001 and 31 December 2000  
(US dollars)

<b>Opening balance at 1 January 2000</b>	<b>0</b>
<b>Net revenue less administrative and operating expenses</b>	<b>0</b>
<b>Net exchange rate movements</b>	<b>729</b>
<b>Accumulated surplus at 31 December 2000</b>	<b>729</b>
<b>Net revenue less administrative and operating expenses</b>	<b>0</b>
<b>Net exchange rate movements</b>	<b>- 2,301</b>
<b>Accumulated surplus at 31 December 2001</b>	<b>- 1,572</b>

Balance sheet as at 31 December 2001 and 31 December 2000  
(US dollars)

	<b>2001</b>	<b>2000</b>
<b>Assets</b>		
Cash	71,299	678,117
Contributions receivable (Note 3)	432,200	310,600
Interfund receivables	98,322	
<b>Total assets</b>	<b>601,821</b>	<b>988,717</b>
<b>Liabilities, deferred revenue and accumulated surplus</b>		
Accrued liabilities (Note 5)	397,868	304,198
Interfund payables		437,124
Deferred contributions revenue (Note 3)	205,525	246,666
Accumulated surplus	- 1,572	729
<b>Total liabilities, deferred revenue and accumulated surplus</b>	<b>601,821</b>	<b>988,717</b>

Statement of cash flows for the years ended 31 December 2001 and 31 December 2000  
(US dollars)

	<b>2001</b>	<b>2000</b>
<b>Cash flows from operating activities</b>		
Contributions to core budget administration account	1,336,400	1,093,400
Operating and administrative expenses paid	- 1,936,718	- 1,328,107
<b>Net cash from/(used) by financing and operating activities</b>	<b>- 600,318</b>	<b>- 234,707</b>
<b>Net increase/(decrease) in cash</b>	<b>- 600,318</b>	<b>- 234,707</b>
<b>Cash at beginning of the year</b>	<b>678,117</b>	<b>91,824</b>
<b>Cash at the end of the year</b>	<b>77,799</b>	<b>678,117</b>
<b>Reconciliation of net revenue less operating expenses to net cash provided by operating activities</b>		
Net revenue less operating expenses	0	0
Increase in accrued liabilities	93,670	144,294
Increase/(decrease) in interfund payables	- 437,124	- 54,509
Increase/(decrease) in deferred revenue	- 34,641	- 14,621
Increase in contributions receivable	- 121,600	- 310,600
Decrease/(increase) in interfund receivables	- 98,322	0
Net exchange rate movements	- 2,301	729
	<b>- 600,318</b>	<b>- 234,707</b>

Statement of resources available for commitment as at 31 December 2001 and 31 December 2000  
(US dollars)

	<b>2001</b>	<b>2000</b>
Cash	71,299	678,117
Contributions receivable	432,200	310,600
Interfund receivables	98,322	
	<b>601,821</b>	<b>988,717</b>
Less:		
Accrued liabilities	-397,868	- 304,198
Interfund payables	0	- 437,124
	<b>- 397,868</b>	<b>- 741,322</b>
<b>Resources available (Note 2(g))</b>	<b>203,953</b>	<b>24,395</b>
Less:		
1999 Funds committed not accrued		- 22,868
2000 Funds committed not accrued		- 20,000
2001 Funds committed not accrued	- 67,602	
<b>Uncommitted resources available (Note 2(g))</b>	<b>136,351</b>	<b>204,527</b>

## NOTES TO THE FINANCIAL STATEMENTS

### **Note 1: Brief description of the Global Mechanism**

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

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

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

### **Note 2: Summary of significant accounting policies**

#### **(a) Basis of accounting**

The Financial Statements of the Global Mechanism are prepared in accordance with International Accounting Standards (IAS) and under the historical cost convention. Revenue and expenses are recognised as they occur (and not as cash is received or paid) and reported in the period to which they relate. The excess of expenses over revenue is transferred to the accumulated surplus, including interest except that which is restricted by donor agreements.

The use of funds is restricted in accordance with the individual agreements with Donors.



**(b) Administration and operating expenses, including service charge**

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

In 2001 operating expenses have been financed from the contributions received from UNCCD, as permitted by the terms of the related agreement.

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

**(c) Donor contributions**

Contributions are recorded in receivables and as resources available on the date of receipt of formal communication from the Donor or actual receipt of funds, whichever occurs earlier. Contributions received for which no expenditures have yet been incurred are deferred until future periods to be matched against the related costs. Contributions are subsequently recorded as revenues in the period in which the related expenditures occur.

**(d) Translation and conversion of currencies**

- (i) IFAD, on behalf of the Global Mechanism, conducts its operations in several currencies, and at the present time maintains its accounting records in United States dollars. The financial statements are expressed in United States dollars solely for the purpose of summarising the financial position.
- (ii) The Global Mechanism has translated all items in its balance sheet at market rates of exchange at year-end.
- (iii) Revenue and expense items in currencies other than the United States dollar have been recorded at the rates of exchange ruling when the transaction occurred.
- (iv) The exchange adjustments arising from the translation of assets and liabilities in currencies other than the United States dollar are credited or charged to the statement of revenue and expenses in line with the requirements of International Accounting Standard (IAS) No.21 (revised).

The movements in the foreign exchange rate account is explained as follows:

	<u>2001</u>	<u>2000</u>
Opening balance at 1 January	729	0
Exchange movements for the year on payables and accrued liabilities	<u>(2,301)</u>	<u>729</u>
Closing balance at 31 December	<u>(1,572)</u>	<u>729</u>

**(e) Provisions**

Provisions are established when the Global Mechanism has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service separation entitlements as a result of services rendered by employees up to the balance sheet date.

**(f) Statement of cash flows**

The statement of cash flows has been prepared in accordance with International Accounting Standard (IAS) No. 7 (revised). For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

**(g) Resources available for commitment**

Resources available for commitment are those resources that have been contributed by UNCCD. Uncommitted resources available are the aforementioned resources less any commitments made for budgetary purposes that do not constitute expenses or accruals for accounting purposes; such as earmarked workshops.

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

**Note 3: Statement of contributions and deferred revenue**

<b>Donor</b>	<b>US\$</b>	<b>Received</b>	<b>Receivable</b>	<b>Recognised revenue</b>	<b>Deferred revenue</b>
UNCCD 1999	986,974	986,974	0	725,687	261,287
UNCCD 2000	1,404,000	1,404,000	0	1,418,621	(14,621)
UNCCD 2001	1,458,000	1,025,800	432,200	1,499,141	(41,141)
<b>Balance at 31 December 2001</b>	<b>3,848,974</b>	<b>3,416,774</b>	<b>432,200</b>	<b>3,643,449</b>	<b>205,525</b>
Balance at 31 December 2000	2,390,974	2,080,374	310,600	2,144,308	246,666

**Note 4: Staff Salaries and Benefits**

The Global Mechanism had 10 employees as at 31 December 2001 (31 December 2000: 10 employees). These employees are on IFAD's payroll and are therefore part of the benefit system offered by IFAD. These benefits include the participation in the United Nations Joint Staff Pension Fund and in the After Service Medical Coverage administered by FAO. For further information regarding these benefits, refer to the Financial Statements of IFAD.

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

**Note 5: Accrued Liabilities**

This comprises the following balances:

	<b>2001</b>	<b>2000</b>
Staff salaries and benefits	281,953	157,447
Short-term staff accruals	15,430	1,856
Consultants	38,746	54,185
Audit fee	5,932	5,000
Media, communications and networking	3,302	5,620
Publications	2,391	7,602
Communications		3,985
Staff travel	46,369	60,708
Office equipment rental	1,657	207
Sundry	2,088	7,588
<b>Total</b>	<b>397,868</b>	<b>304,198</b>

**Note 6: Taxation**

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

Statement of the core budget administration account as at  
31 December 2001 and 31 December 2000  
(US dollars)

	<b>2001</b>	<b>2000</b>
<b>Total amount of contribution</b>	<b>1,458,000</b>	<b>1,404,000</b>
<b>Amount available to commit brought forward from prior year</b>	<b>204,527</b>	<b>178,419</b>
<b>Expenditures</b>		
<b>Administrative expenses</b>		
Staff costs	- 756,064	- 711,727
External auditor's fees	- 5,000	- 4,076
Office equipment and maintenance	- 51,191	- 26,140
Hospitality	- 844	- 2,314
Service charge	- 108,000	- 104,000
	<b>- 921,099</b>	<b>- 848,257</b>
<b>Operational expenses</b>		
Consultants fees	- 248,824	- 119,818
Media, communications and networking	- 14,958	- 33,784
Publications	- 23,058	- 16,737
Duty travel	- 204,330	- 194,020
Seminars and workshops	- 86,872	- 113,920
Temporary support	- 86,872	- 32,085
	<b>- 578,042</b>	<b>- 510,364</b>
<b>Total amount expended in the period</b>	<b>- 1,499,141</b>	<b>- 1,358,621</b>
	<b>163,386</b>	<b>223,798</b>
Less: Funds committed not accrued <sup>1</sup>	- 24,734	- 20,000
Add: Net foreign exchange rate movements	- 2,301	729
<b>Total amount available for commitment</b>	<b>136,351</b>	<b>204,527</b>

<sup>1</sup>Funds committed not accrued are budget commitments that do not represent expenses for accounting purposes.

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