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## **PROGRAMME AND BUDGET**

Note by the secretariat

### **EXECUTIVE SUMMARY**

The United Nations Convention to Combat Desertification (UNCCD), in article 22, paragraph 2 (g), calls on the Conference of the Parties (COP) to approve a programme and budget for its activities, including those of its subsidiary bodies, and to undertake necessary arrangements for their financing.

The present document provides a general overview of the programme and budget documents, ICCD/COP(7)/2/Add.1 to Add.6, which are submitted to COP 7 for consideration in accordance with decision 23/COP.6 and the other relevant decisions of the COP.

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## I. BACKGROUND INFORMATION

### A. Mandate

1. Rule 10 (d) of the rules of procedure of the COP (ICCD/COP(1)/11/Add.1) provides that the provisional agenda for each ordinary session of the COP shall include, as appropriate, the proposed budget as well as all questions pertaining to the accounts and financial arrangements.

2. By its decision 23/COP.6, the COP requested the Executive Secretary to submit to the COP at its seventh session (COP 7) a programme and budget for the biennium 2006-2007. The COP invited the Executive Secretary to report at COP 7 on the performance of all the Convention's trust funds in 2004 and 2005.

3. By its decision 11/COP.6, the COP decided to include on the agenda of its seventh session an item on the rationale for, modalities for, costs involved in, feasibility of, possible terms of reference of, and institutional and collaborate arrangements for the regional coordination units; and requested the secretariat to prepare a background report to facilitate the decision-making process. This report is contained in document ICCD/COP(7)/7.

### B. Scope of the report

4. This document and its addenda address the requests of the sixth session of the COP as outlined above. The addenda are organized as follows:

- |                                       |   |
|---------------------------------------|---|
| 1. ICCD/COP(7)/2/Add.1<br>(A) and (B) | Programme and budget for the biennium 2006-2007   |
| 2. ICCD/COP(7)/2/Add.2                | Programme and budget for the biennium 2006-2007<br>(Supplementary Fund)   |
| 3. ICCD/COP(7)/2/Add.3<br>(A) and (B) | Report on the performance of the Convention's trust funds<br>in the biennium 2004-2005  |
| 4. ICCD/COP(7)/2/Add.4                | Report on the performance of the Trust Fund for<br>Supplementary Activities in the biennium 2004-2005   |
| 5. ICCD/COP(7)/2/Add.5<br>(A) and (B) | Audited financial statements for the Convention trust funds<br>for the biennium 2002-2003 ended 31 December 2003;<br>Report of the United Nations Board of Auditors |
| 6. ICCD/COP(7)/2/Add.6                | Report on the status of contributions to the Convention's<br>trust funds in the biennium 2004-2005  |

## II. PROGRAMME AND BUDGET FOR THE BIENNIUM 2006-2007

### A. Core budget

5. The proposed programme and budget for the biennium 2006-2007 reflects the provisions of the Convention and the decisions of the COP. In addition, the programme and budget proposals are consistent with the recent activities of the secretariat as described in document ICCD/CRIC(4)/2, after considering the specific and time-bound challenges set by conclusions

and recommendations of the first and third sessions of the Committee for the Review of the Implementation of the Convention (CRIC), and by the Declaration on the commitments to enhance the implementation of the obligations of the Convention adopted by the fourth session of the COP (decision 8/COP.4).

6. Total resources requirements for the biennium 2006-2007, including programme support costs and working capital reserve, but excluding possible conference-servicing costs, are estimated at US\$ 23,624,000 (EUR 18,185,000) (US\$ 11,740,000 for 2004 and US\$ 11,884,000 for 2005). The proposed 2006-2007 programme and budget of the secretariat represents an increase of 20.25 per cent in United States dollars and 16.80 per cent in Euros as compared to the 2004-2005 budget re-stated to estimated 2004-2005 costs (at the actual rates currently being incurred), taking into account the impacts of fluctuations in currency exchange rates, inflation and salary adjustments. Resource requirements for the Global Mechanism represent an increase of 18.03 per cent in United States dollars and 14.63 per cent in Euros as compared to the re-stated 2004-2005 budget. In comparison to the approved budget for 2002-2003, the proposed Convention budget represents a nominal increase of 54.16 per cent in United States dollars and 1.46 per cent in Euros.

7. Several important factors account for most of the proposed increase, as follows:

- (a) The appreciation of the Euro vs. the United States dollar, combined with the United Nations-wide adjustments of salary standards;
- (b) This proposal maintains the approved levels of staffing and staff grades and provides some support for required core activities. No new posts or post upgrades are proposed.

8. The secretariat, notably under its joint work programme with the Global Mechanism (GM), will emphasize efforts to strengthen its support to many affected developing country Parties, which are soliciting more assistance at this stage of their process at the national, subregional and regional levels.

9. The main challenges of the biennium 2006-2007 include the sessions of the COP and its subsidiary bodies; support to the preparation of reports on the implementation of the Convention in regions other than Africa and other arrangements for the next review meetings; strengthening the scientific, thematic and synergistic aspects in the UNCCD implementation process; and activities relating to the 2006 International Year of Deserts and Desertification.

#### B. Supplementary Fund and Special Fund

10. In accordance with relevant decisions of the COP, the cost plans for the Supplementary Fund and the Special Fund for the biennium 2006-2007 are submitted for consideration by the Parties at COP 7.

11. Activities to be undertaken under the Supplementary Fund would include those that may be decided upon by the Parties at COP 7 but for which sufficient funding may not be available under the core budget. Funds are sought for assistance to Parties, upon request, to facilitate the

preparation of their national, subregional and regional reports and to support the formulation and/or launching of national, subregional, regional and interregional activities.

12. The supplementary programme also includes facilitation of the consultative and partnership processes, integration of the national action programmes (NAPs) into other development strategies and programmes of the affected developing country Parties, assistance in promoting public awareness of the Convention as set out in the relevant regional implementation annexes and in the context of the 2006 International Year of Deserts and Desertification.

13. Funds are sought in close cooperation and coordination with the GM and the Global Environment Facility (GEF).

### **III. PERFORMANCE REPORTS**

14. Document ICCD/COP(7)/2/Add.3 summarizes the financial performance of all Convention trust funds for 2004-2005, providing information on the performance level, as well as on programme implementation and results achieved. Additional information is provided in document ICCD/COP(7)/2/Add.4 on the activities supported by the Supplementary Fund. It gives a brief description of the activities facilitated by the secretariat, the results achieved and the statement of expenditures.

15. These reports present the expenditures as at 30 June 2005 and the estimated income and expenditures up to 31 December 2005. The activities to be undertaken during the last six months of 2005 are briefly described and presented, with estimated expenditures and expected results.

### **IV. AUDITED FINANCIAL STATEMENTS FOR THE CONVENTION'S TRUST FUNDS FOR THE BIENNIUM 2002-2003 ENDING 31 DECEMBER 2003**

16. 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".

17. In June 2004, the United Nations Board of Auditors completed its audit of the Convention's operations for the biennium 2002-2003 ending 31 December 2003 and conducted a management review of the administrative arrangements established by the secretariat.

18. 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 biennium 2002-2003 had been incurred for the purposes approved by the COP, to ascertain that income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules, to verify that the Convention's financial statements presented fairly the financial position as at 31 December 2003, to evaluate the adequacy of the financial systems and internal controls, and to examine the accounting records and other supporting evidence and determine the efficiency of the financial procedures, the internal financial controls and, in general, the administration and management of the UNCCD.

19. The report by the auditors, dated 30 November 2004, which is being submitted to the COP in its entirety, indicates that the secretariat 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 the financial and the administrative management of the secretariat.

#### **V. COMPREHENSIVE REVIEW OF THE ACTIVITIES OF THE SECRETARIAT BY THE JOINT INSPECTION UNIT OF THE UNITED NATIONS**

20. According to decision 23/COP.6, the Joint Inspection Unit of the United Nations, taking into account the guidance by the COP 6 Bureau, submitted its report entitled "Review of the Management, Administration and Activities of the Secretariat of the United Nations Convention to Combat Desertification (UNCCD)" on 9 August 2005. The secretariat accepted the report contained in document ICCD/COP(7)/4.

#### **VI. CONCLUSIONS AND RECOMMENDATIONS**

21. As a result of its deliberations, the COP at its seventh session may wish:

(a) To approve a total programme and budget of US\$ 23,624,000 (EUR 18,185,000) for the biennium 2006-2007, for the purposes listed in table 3 of document ICCD/COP(7)/2/Add.1 (A) (not including the contingency items);

(b) To authorize the Executive Secretary to draw upon surplus funds from prior bienniums to fund the shortfall that have arisen as a result of the appreciation of the Euro vs. the United States dollar during the current biennium up to an amount of US\$ 1,500,000;

(c) To consider options presented by the secretariat on measures to be taken to protect the funds of the Convention against the adverse effects of exchange rate fluctuation;

(d) To authorize the secretariat to apply the scale of assessment to be adopted at the sixtieth session of the United Nations General Assembly;

(e) To review cases of old outstanding balances of contributions and advise the secretariat on how to deal with this issue;

(f) To guide the secretariat on how to proceed in the event that the United Nations General Assembly does not approve the funding of the conference-servicing costs recommended in the budget for the biennium 2006-2007;

(g) To approve the proposed move of the secretariat headquarters to the United Nations campus facilities in Bonn, Germany, provided it does not result in additional costs to the core budget of the secretariat;

(h) To take a decision on the budgetary arrangements relating to the regional coordination units as contained in ICCD/COP(7)/7;

(i) To take note of the activities to be carried under the Supplementary Fund during the biennium 2006-2007 and the related estimates for funding requirements;

(j) To invite Parties, as well as governments of States not Parties, intergovernmental and non-governmental organizations, to make contributions to the Supplementary Fund;

(k) To consider the audited financial statements for the Convention's trust funds in 2002-2003, as contained in document ICCD/COP(7)/2/Add.5;

(l) To take note of the reports on the performance of the Convention's trust funds as contained in documents ICCD/COP(7)/2/Add.3 and ICCD/COP(7)/2/Add.4.

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