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Programme and budget

Financial performance for the Convention trust funds

**Audited financial statements for the Convention
trust funds for the biennium ended 31 December
2009, including the report of the United Nations
Board of Auditors***

* Please note that this document is issued as received, after formatting by the secretariat and without formal editing.



United Nations

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

for the biennium ended 31 December 2009

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Chapter I

Report of the United Nations Board of Auditors to the Conference of Parties on the financial statements of the United Nations Convention to Combat Desertification for the biennium ended 31 December 2009

Report on the financial statements

We have audited the accompanying financial statements of United Nations Convention to Combat Desertification (UNCCD) which comprise the statement of assets, liabilities and reserves and fund balances (Statement II) as at 31 December 2009; the statement of income, expenditure and changes in reserve and fund balances (Statement I), the cash flow statement (Statement III), and the statement of appropriation (Statement IV) for the biennium then ended; and the schedules and explanatory notes thereto.

Management's responsibility for the Financial Statements

The Executive Secretary of UNCCD is responsible for the preparation and fair presentation of these financial statements in accordance with the United Nations system accounting standards and for such internal control as he deems is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards

require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Nations Convention to Combat Desertification as at 31 December 2009 and its financial performance and cash flows for the biennium then ended in accordance with the United Nations system accounting standards.

Report on Other Legal and Regulatory Requirements

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

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of the financial statements on United Nations Convention to Combat Desertification.

(Signed) Terence **Nombembe**
Auditor-General of the Republic of South Africa
Chairman of the United Nations Board of Auditors

(Signed) **LIU Jiayi**
Auditor-General of the People's Republic of China
(Lead Auditor)

(Signed) Didier **Migaud**
First President of the Court of Accounts of France

30 June 2010

Chapter II

Report of the Board of Auditors (Long-form report)

Summary

The Board of Auditors (the Board) has audited the financial statements and reviewed the operations of the United Nations Convention to Combat Desertification (UNCCD) for the biennium ended 31 December 2009. The audit was carried out at UNCCD's headquarters in Bonn, Germany.

Audit opinion

The Board issued an unmodified opinion on the financial statements for the period under review, as reflected in Chapter I.

Follow-up of previous recommendations

Of the six recommendations made for the biennium 2006-2007, one (17 per cent) was fully implemented; four (66 per cent) were under implementation; and one (17 per cent) was overtaken by events. Of the four recommendations under implementation, one (25 per cent) relates to the biennium 2000-2001 while the other three recommendations relate to the biennium 2006-2007. Details of the status of implementation of these recommendations are indicated in the annex to this report.

Financial overview

All the selected financial indicators reflected improvements except for

the ratio of the outstanding assessed contributions receivable to total assets which increased from 0.19 as at 31 December 2007 to 0.24 as at 31 December 2009. This was due to the increase in assessed contributions receivable from member Parties.

Progress toward the implementation of International Public Sector Accounting Standards (IPSAS)

UNCCD relies on the United Nations Office at Geneva (UNOG) for the instructions on closing of the biennium accounts and preparing the financial statements. UNCCD indicated that the implementation of IPSAS has been postponed to 2014 due to the timeline set by the United Nations Secretariat. However, UNCCD did not have its IPSAS adoption plan as a guide in monitoring the progress of IPSAS implementation.

Statement of income and expenditures and changes in reserves and fund balances

Total income for the period under review amounted to \$32.1 million while total expenditures were \$29 million, giving an excess of income over expenditure of \$3.1 million.

Voluntary contributions constituted the only financial resource of the Trust Fund for Participation of Representatives (UVA) and Trust Fund for Voluntary Financing of Activities (UWA). The actual voluntary contributions mobilized were only 46 per cent and 28 per cent of the resource requirements

noted by the Conference of the Parties.

The office space provided for free by the host country was not disclosed as donations in kind by UNCCD, which was not in line with the requirement of paragraph 35 of the United Nations system accounting standards.

Statement of assets, liabilities and reserve and fund balances

The total assets of UNCCD as at 31 December 2009 amounted to \$14.74 million while the total liabilities were \$8.02 million. However, outstanding assessed contributions receivable increased by 49 per cent from \$2.37 million to \$3.54 million, of which \$1.99 million or 56 per cent was outstanding for more than two years.

End-of-service liabilities including after-service health insurance (ASHI)

End-of-service liabilities as at 31 December 2009 amounted to \$5.11 million, compared with \$7.11 million as at the end of the previous biennium, a decrease of \$2 million. This decrease was mainly due to the revaluation of unused vacation days and repatriation benefits using actuarial calculations, as well as the inclusion of active staff in the determination of the UNCCD's ASHI liabilities.

Results-based management (RBM)

UNCCD did not have guidelines on how to apply the RBM approach which could facilitate the implementation of RBM in UNCCD.

Non-expendable property (NEP) management

The value of UNCCD's non-expendable property as at 31 December 2009 was \$729,618. However, UNCCD did not conduct periodic physical checks on its NEP since 2003. In addition, from a sample of 130 NEP items 52 items or 40 per cent reflected discrepancies between the information reflected in assets records and the actual physical count.

Human resources management

In three instances, UNCCD did not adhere to the requirement of six months prior to the position becoming vacant before issuing the vacancy announcement. The delay ranged from 23 to 293 days.

Consultants, experts and temporary assistance

In 2009, UNCCD signed 98 contracts with the consultants and individual contractors from 34 countries. However, 50 contracts or 51 per cent were awarded to six countries.

Internal audit function/findings

The Office of Internal Oversight Services (OIOS) conducted one audit in 2008 of UNCCD. However, no audit was conducted in 2009, as there was no resident auditor in place since September 2009. Of the 16 recommendations made by OIOS in 2008, one was implemented, while the remaining 15 were under implementation.

The key findings contained in the internal audit report were:

(a) UNCCD needs to improve tracking and reporting on the status of Conference of the Parties financial decisions; and

(b) The finance staff did not have up-to-date approved job descriptions reflecting the actual work they were doing.

Disclosures by management

Management has made certain disclosures at Section C of this report as regards write-off of losses of cash, receivable and property; ex gratia payments; and cases of fraud and presumptive fraud.

Recommendations

The Board has made a number of recommendations based on its audit. The main recommendations are that UNCCD:

- (a) Develop an adoption plan to facilitate its implementation of International Public Sector Accounting Standards;**
- (b) Develop voluntary contribution fund raising strategy and associated action plans to ensure the approved target could be achieved;**
- (c) Value and disclose the premises used free of charge as donations in kind in the notes to its financial statements for future periods;**
- (d) Intensify its efforts to collect the outstanding assessed contributions;**
- (e) Develop a funding strategy for end-of-service liabilities for the**

consideration and approval by the Conference of Parties;

(f) Develop guidelines for the application of the results-based management;

(g) Conduct a physical verification of its non-expendable property; update the inventory records in a timely manner; and establish a mechanism for periodic physical verifications of non-expendable property;

(h) Comply with the Secretary-General's Report on Human Resources Management (A/55/253, paragraph 8 of annex II) on the issuing of vacancy announcements;

(i) Make every effort to present its website in six official languages of the United Nations; and

(j) In coordination with the Office of Internal Oversight Services, take steps to fill the position of resident auditor, and to prepare an internal audit plan for the biennium 2010-2011.

The other recommendation appears in paragraph 59 of this report.

A. Mandate, scope and methodology

1. The Board of Auditors (the Board) has audited the financial statements of the United Nations Convention to Combat Desertification (UNCCD) and has reviewed its operations for the financial biennium from 1 January 2008 to 31 December 2009 in accordance with General Assembly (GA) resolution 74 (I) of 1946. The audit was conducted in conformity with Article VII of the Financial Regulations and Rules of the United Nations (UNFRR) and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNCCD as at 31 December 2009 and the results of its operations and cash flows for the financial biennium then ended, in accordance with the United Nations system accounting standards (UNSAS). This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the UNFRR. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UNCCD operations under financial regulation 7.5. This requires

the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNCCD operations. The Board also followed up on its previous recommendations and addressed these matters in the relevant sections of this report.

4. The Board reported the results of its audit to UNCCD in the form of a management letter containing detailed observations and recommendations.

5. The Board coordinates with Office of Internal Oversight Services (OIOS) in the planning of its audits to avoid duplication of efforts and to determine the extent of reliance that could be placed on latter's work. However, there was no internal audit coverage in 2009 and therefore the Board extended its audit coverage of UNCCD.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Conference of the Parties (COP). The Board's observations and conclusions were discussed with the UNCCD Secretariat, whose views have been appropriately reflected in the report.

7. The recommendations contained in this report do not address steps which UNCCD may wish to consider in respect of officials for instances of non-compliance with the Financial Regulations and Rules, administrative instructions and other related directives.

B. Findings and recommendations

1. Follow-up of previous recommendations

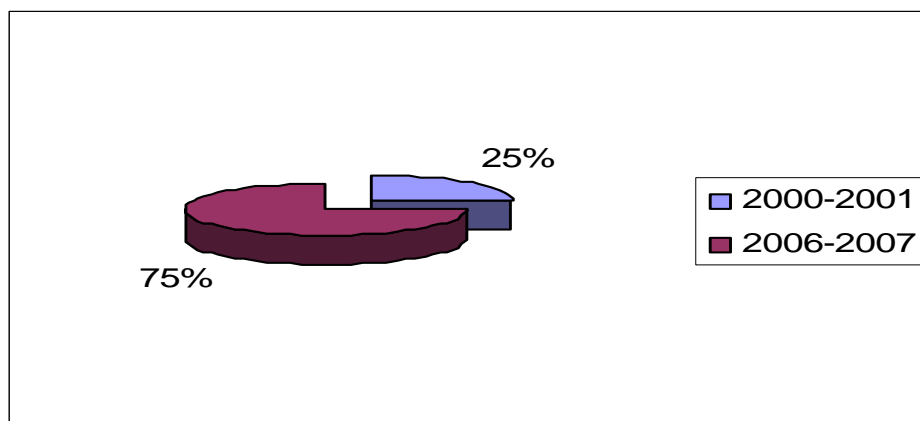
8. Of the six recommendations made for the biennium 2006-2007, one (17 per cent) was fully implemented; four (66 per cent) were under implementation; and one (17 per cent) was overtaken by events. Two of the four recommendations that were under implementation, relate to matters that require the co-operation of Conference of Parties. Details of the status of implementation of these recommendations are shown in the annex to this report.

9. For the biennium 2004-2005, 68 per cent of the recommendations were fully implemented while 26 per cent were under implementation. Therefore, there was a decrease in the rate of the implementation of recommendations. Recommendation overtake by events

10. The recommendation over-taken by events relates to write-off policy for long outstanding receivable on assessed contributions. UNCCD presented the recommendation to the COP for a decision, but the COP decided that this was a policy matter for Conference of Parties and all Parties had the obligation to pay their contributions. (Decision 9/COP.9)

11. The Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and has indicated at Figure II.1 the financial periods in which such recommendations were first made. Of the four recommendations under implementation, one (25 per cent) relates to the biennium 2000-2001 while the other three relate to the biennium 2006-2007.

Figure II.1
Ageing of recommendations under implementation/not implemented for the previous biennium



2. Financial overview

12. As shown in Table II.1, all the selected financial indicators reflected improvements except the ratio of assessed contributions outstanding to total assets which increased from 0.19 as at the end of biennium 2006-2007 to 0.24 as at the end of the biennium 2008-2009.

Table II.1
Ratios of key financial indicators

Ratio	Period/biennium ended 31 December			Component of 2009 ratio ^a
	20004/05	2006/07	2008/09	
	Assessed contributions outstanding/total assets ^b	0.23	0.19	
Cash/total assets ^c	0.61	0.64	0.71	10.43/14.74
Cash/total liabilities ^d	2.19	0.74	1.30	10.43/8.02
Unliquidated obligations/total liabilities ^e	0.61	0.14	0.09	0.75/8.02

Note: Based on the audited financial statements.

- a In millions of United States dollars
- b a low indicator depicts a healthy financial position
- c a high indicator depicts a healthy financial position.
- d a low indicator is a reflection that insufficient cash is available to settle debts.
- e a low indicator is a positive reflection that obligations are being liquidated.

3. Progress towards the implementation of International Public Sector Accounting Standards (IPSAS)

13. UNCCD relies on the United Nations Office at Geneva (UNOG) for the instructions on closing of biennium accounts and preparing the financial statements. UNCCD indicated that the implementation of IPSAS has been postponed to 2014 due to the timeline set by the United Nations Secretariat.

14. In its previous report (ICCD/COP (9)/6/Add.4), the Board had recommended that UNCCD prepare an IPSAS adoption plan served as a guide in monitoring the progress of IPSAS implementation. Such a plan had not yet been prepared.

15. The Board reiterates its previous recommendation that UNCCD develop an adoption plan to facilitate its implementation of International Public Sector Accounting Standards.

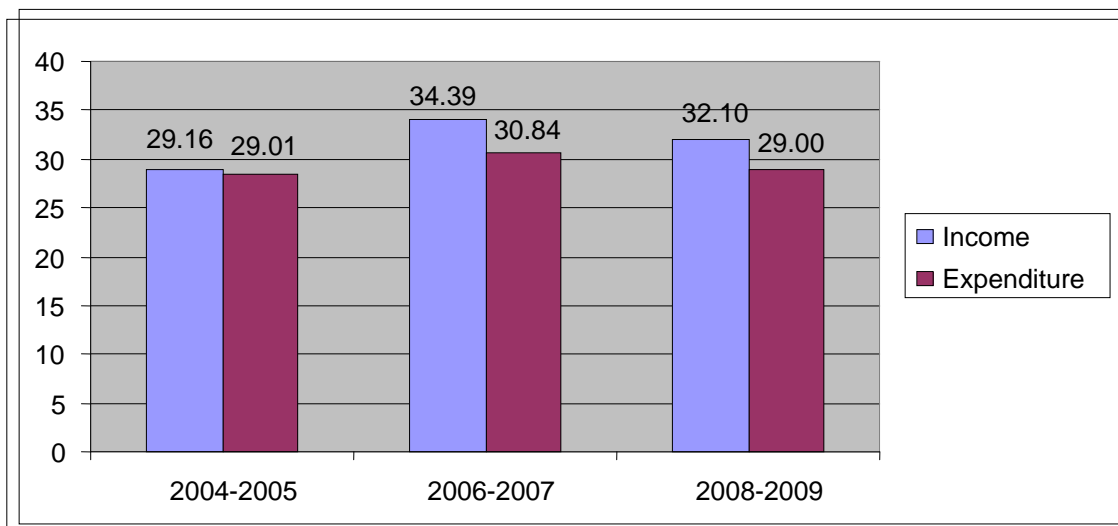
16. UNCCD Secretariat commented that in the implementation of IPSAS, UNCCD was following UN wide developments, including workshops and training given on the implementation of IPSAS, and was expected to have an IPSAS implementation plan finalized in the biennium 2010-2011.

4. Statement of income and expenditures and changes in reserves and fund balances

17. Total income for the period under review amounted to \$32.10 million while total expenditures amounted to \$29.00 million, giving an excess of income over

expenditure of \$3.1 million. Comparative income and expenditures for the financial periods 2004-2005, 2006-2007 and 2008-2009 are shown in Figure II.2.

Figure II.2
Comparative income and expenditure
(In millions of United States dollars)



Note: (1) Based on the audited financial statements.

(2) As disclosed in footnote (a) of Statement I, for the biennium 2008-2009, Programme Support Costs income under the totals column had been netted off with equivalent expenditure. This internal cross charge was not shown under the overall column in order to reflect only external income and expenditure. It totalled \$3,205,664 in 2008-2009 compared to \$3,270,511 in 2006-2007.

(3) The income and expenditure of previous biennium were adjusted in consistent with biennium 2008-2009 for the purpose of comparison.

Voluntary contributions

18. The voluntary contributions constituted the only source of funding for the Participation Fund (UVA) and the Supplementary Fund (UWA) of UNCCD. UVA was established pursuant to the Financial Rule of UNCCD to support the participation in the sessions of the COP and other related meetings/conferences of representatives of developing countries, in particular the least developed countries affected by

desertification and/or drought, especially those in Africa. UWA was established pursuant to the Financial Rule of UNCCD to support the participation of some representatives of non-governmental organizations from affected developing countries. UWA is also used to assist the substantive activities of the UNCCD.

19. As indicated in the tables II.2 and II.3, income for UWA decreased from \$9.87 million to \$5.71 million, which represented only 28 per cent of the noted target of voluntary contributions. Similarly, noted target of voluntary contributions of UVA were €2.43 million, while the actual amount collected was €1.13 million, or 46 per cent.

Table II.2

The analysis of voluntary contribution for UVA and UWA
(In United States Dollars)

Fund	UVA			UWA		
	2008-2009	2006-2007	Increase/decrease ratio	2008-2009	2006-2007	Increase/(decrease) ratio
Income	1,626,278	1,764,188	(7.8%)	5,713,650	9,866,485	(42%)
Expenditure	2,025,777	1,665,957	21.6%	5,560,932	8,373,657	(33.6%)
Excess/(shortfall) of income over expenditure	(399,499)	98,231		152,718	1,492,828	

Table II.3

Comparison of Actual income with noted resources for UVA and UWA in the biennium 2008-2009
(In Euro)

Name of fund	Noted resource requirement	Actual income of funds as of 31 Dec. 2009	Percentage to the target
UVA	2,427,000	1,127,010	46
UWA	14,383,000	3,959,559	28

Note: Average currency ratio for USD to Euro in UN system at 31 Dec 2009 -1:0.693

20. UNCCD did not have a voluntary contribution fund raising strategy and associated action plan considering the shortfall of income over expenditure for the

funds above. There is therefore, the risk that the under-achievement of voluntary contributions for UVA and UWA could weaken the accomplishment of the programme activities.

21. UNCCD agreed with the Board's recommendation to develop voluntary contribution fund raising strategy and associated action plans to ensure the approved target could be achieved.

Donations in kind

22. Paragraph 35 of the UNSAS states that significant voluntary contributions in kind, which can be used in the normal course of an organization's programme activity and provided that a fair value can be reasonably estimated, should be reported in the organization's financial statements.

23. During the biennium 2008-2009, amounts totalling \$311,720 relating to the costs for services of associate experts provided by the Governments of Italy, Spain and Germany were disclosed in the notes to financial statements as donations in kind. However, the office space in UN Common Premises provided to the UNCCD Secretariat by the host country for free was not disclosed as donations in kind in the financial statements.

24. UNCCD agreed with the Board's recommendation to value and disclose the premises used free of charge as donations in kind in the notes to its financial statements for future periods.

5. Statement of assets, liabilities and reserves and fund balances

25. The total assets of UNCCD as at the end of biennium 2008-2009 amounted to \$14.74 million, compared with \$12.36 million as at the end of the preceding biennium, an increase of \$2.38 million or 19 per cent. This was mainly due to the increase of cash and term deposits and assessed contributions receivable from member Parties. The total liabilities as at 31 December 2009 amounted to \$8.02 million, compared with \$10.69 million as at 31 December 2007, a decrease of \$2.67 million, or 25 per cent. This decrease was mainly due to the adjustment of end-of-service liabilities and the offset between account receivables and account payables.

Outstanding assessed contributions receivable

26. As of 31 December 2009, the total assessed contributions receivable from member Parties amounted to \$3.54 million, compared with \$2.37 million as at 31 December 2007, an increase of \$1.17 million, or 49 per cent. Included in figure is amount of \$1.99 million or 56 per cent which was outstanding for more than two years as shown in Table II.4.

Table II.4
Ageing of outstanding assessed contributions receivable
(In United States dollars)

Financial Year	Amount	Percentage
1999	990	0
2000-2001	153,389	4
2002-2003	133,119	4
2004-2005	549,598	15
2006-2007	1,151,552	33
2008-2009	1,546,551	44
Total	3,535,199	100

Note: Based on the figures disclosed on the Schedule 1.1 (a) and 1.1 (b)

27. In its previous report (ICCD/COP (9)/6/Add.4), the Board reiterated its previous recommendation that UNCCD define a write-off policy for long outstanding contributions which were unlikely to be collected. The Board was informed that UNCCD Secretariat had presented the recommendation to the COP. However, the COP decided that this was a policy matter and all Parties had the obligation to pay their contributions and that the write-off option did not apply.

28. The Board was also informed that UNCCD Secretariat had taken various efforts to collect the contributions from the Parties in a timely manner. The status of outstanding contributions has been updated and posted on UNCCD website on a monthly basis. This issue was discussed during the COP bureau meeting held in February 2010, and would be again brought to its attention during the next bureau meeting scheduled in June 2010. Based on the discussions at COP 9, the Parties authorized the Executive Secretary to enter into arrangements to collect agreed outstanding contributions which remain unpaid for two or more years, within six years depending on financial circumstances of the Parties concerned.

29. Since the assessed contributions from the member Parties constitute the major resources of the core budget of UNCCD, long term outstanding assessed contributions might affect the fulfilment of its mandate.

30. **The Board recommends that UNCCD intensify its efforts to collect the outstanding assessed contributions.**

6. End-of-service liabilities including After Service Health Insurance (ASHI)

31. In accordance with the request of the General Assembly resolution 64/241, the Board continued its validation on the accrued liabilities for ASHI of UNCCD. The financial statements for the period under review reflected end-of-service and post retirement liabilities amounting to \$5.11 million. Of this amount, \$4.15 million represented ASHI, \$0.36 million related to unused vacation leave credits, and \$0.6 million represented repatriation benefits. Effective with the biennium ended 31 December 2009, all three liabilities were determined on the basis of an external actuarial valuation, using the census data provided by UNCCD as well as the UN system-wide actuarial assumptions.

32. The amount of end-of-service liabilities as at 31 December 2009 decreased by \$2 million, compared with the amount of \$7.11 million as at 31 December 2007. This decrease was mainly attributable to the revaluation of unused annual leave credits and repatriation benefits using actuarial calculations, as well as inclusion of the contribution of active staff as offset in the determination of UNCCD's ASHI liabilities.

Funding plan of end-of-service liabilities including ASHI

33. In its previous report (ICCD/COP (9)/6/Add.4), the Board had recommended that the COP consider at its next session the issue of funding end-of-service liabilities. The Board reviewed the efforts undertaken by UNCCD to implement this recommendation and noted that UNCCD had brought this issue to its COP for

consideration and the COP had not made any decision on it. The Board further noted that UNCCD did not have a formally documented funding plan for end-of-service liabilities which had to be approved by the COP. Such a plan would include a comprehensive and effective funding strategy that considers the nature of the liabilities to be funded and nature of the investments to be maintained for such liabilities. The funding plan may also need to consider the appropriateness of the ring-fencing of the investments that are set-aside for such liabilities.

34. Where the end-of-service and post retirement liabilities were not supported by an approved funding plan, there is a risk that UNCCD might not be in a financial position to fully meet its obligations with regard to end-of-service liabilities and post-retirement benefits as and when those liabilities become due.

35. The Board recommends that UNCCD develop a funding strategy for end-of-service liabilities for the consideration and approval by the Conference of Parties.

36. UNCCD commented that it would bring this issue to the COP during its 10th Session which would be held in 2011.

Discount rate

37. A discount rate is an interest rate used as a common financial practice to estimate the present value of an amount to be earned or lost at a future date. In other words, it represents the time value of money. As the ASHI liability is composed of benefits that will be paid out by UNCCD to its retired staff in the future, these benefits are generally discounted so that the reporting entity takes the present value of the

future benefits as an estimate for its liability. By construction, the higher (respectively the lower) the discount rate, the lower (respectively the higher) the present value of future amounts. Hence, all things being equal, the increase in the discount rate used by the UNCCD would result in a lower ASHI liability compared to the previous financial period.

38. In its previous valuation of the ASHI liability, UNCCD had used a discount rate of 5.5 per cent. The valuation of the ASHI liability as of 31 December 2009 relies on a discount rate of 6.0 per cent.

39. IPSAS 25, which serves as a reference for the actuarial methodology used for the valuation of the ASHI liability as per resolution 61/264 of the General Assembly, does not prescribe any particular discount rate. It however states that “The rate used to discount post-employment benefit obligations (both funded and unfunded) shall reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money shall be consistent with the currency and estimated term of the post-employment benefit obligations” (Para. 91). It further specifies that “an entity makes a judgment whether the discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds, high quality corporate bonds or by another financial instrument” (Para. 94).

40. Like most of the methodological elements used for the actuarial valuation of the ASHI liability, the discount rate was selected by the UN on behalf of all the entities that participate to the same health plans and for which the UN coordinated the valuation exercise.

41. According to the UN, the objective of selecting a discount rate when valuing ESL benefits is to measure the single amount that, if invested in a portfolio of high-quality debt instruments, would provide the necessary future cash flow to pay the accrued benefits when due. The UN has historically established the discount rate assumption by referring to rates of return on available high-quality, fixed-income investments with cash flow that match the timing and amount of expected benefit payments. The rates of return used as a reference by the UN have been those of high-quality, long-term corporate bonds.

42. The Board acknowledges that this methodology is compliant with IPSAS 25, yet makes the following comments for consideration in the discussion on funding these liabilities:

(a) The increase in the discount rate does not reflect the trend in interest rates which have generally tended to decrease over the recent period. This increase results in the UN having decided not to increase the discount rate for the previous valuation, although the application of the methodology described above would have resulted in an increase from 5.5 per cent to 6.5 per cent at that time. Considering the uncertainties on the prescriptions of IPSAS (IPSAS 25 had not been adopted yet), the UN had conservatively decided to maintain the 5.5 per cent rate. Had it chosen to raise the rate to 6.5 per cent at the time, the same rate would have then decreased instead of increased for the last valuation - which would have been consistent with the economic environment; and

(b) The discount rate is but one example of the high level of uncertainty inherent in the actuarial valuation of a liability. While compliant with the accounting standards, this valuation is only an estimate of the actual value of the liability. Consequently, UNCCD may wish not to regard this as the absolute reference. Valuations based on standards other than accounting ones may yield different results. In this regard, the Board wishes to underline that a financial valuation of the funding needs (or “funding valuation”) would result in a different value than the accounting valuation which, by construction, is generally more conservative.

7. Results-based management

43. In 2007, COP 8 decided to adopt the results-based management (RBM) methodology. UNCCD began to formulate its budget for the biennium 2010-2011 as well as the multi-year work plans for 2010-2013 under the framework of RBM. However, there were no formal guidelines for the application of RBM. Such guidelines based on the best practices from other organizations, as well as based on the lessons learned during the formulation of the UNCCD approach, could facilitate the implementation of RBM.

44. In addition, the 2010-2011 work programmes was not finalized at the time of audit. UNCCD Secretariat explained that the budget for biennium 2010-2011 would be the first one for full RBM application. As a result, the planning phase had taken longer.

45. **UNCCD agreed with the Board's recommendation to develop guidelines for the application of the results-based management.**

8. Non-expendable property management

46. Non-expendable property (NEP) consists of property and equipment valued at \$1,500 or more per unit at the time of purchase and with a serviceable life of five years or more. As disclosed in Note 11 to the financial statements, the value of NEP of UNCCD as at 31 December 2009 amounted to \$0.73 million, 7 per cent increase from the previous period's balance of \$0.68 million.

47. The Board noted that, no physical verifications of NEP had been conducted since 2003. In addition, based on sample tests carried out, of 130 NEP items of office equipment, 52 items or 40 per cent reflected discrepancies between the information shown in assets records and the actual physical count carried out.

48. **The Board recommends that UNCCD (a) conduct a physical verification of its non-expendable property; (b) update the inventory records in a timely manner; and (c) establish a mechanism of periodic physical verifications of non-expendable property.**

49. UNCCD Secretariat explained that the discrepancies were due to the movement of the items. At time of the audit, a physical verification of NEP was being carried out by a consultant. This exercise was expected to be completed during second quarter 2010.

9. Human resources management

50. The Secretary-General's Report on Human Resources Management (A/55/253, paragraph 8 of annex II) states that for foreseeable vacancies, vacancy announcements should be issued six months before the vacancy arises.

51. During the biennium 2008-2009, the Board noted delays in the issuance of vacancy announcements against three posts due to the retirement of staff members. These delays ranged from 23 to 293 days and could have negative impact on the fulfilment of the objectives of UNCCD. The details are shown in Table II.5.

Table II.5
The delay in vacancy announcement (2008 - 2009)

Functional Title	Resource Mobilization and Partnership Building	Coordinator of Administrative and Finance Service	Deputy Executive Secretary
Level	P-5	P-5	D-1
Retirement date	30 September 2008	30 June 2009	30 September 2009
First vacancy announcement date	24 September 2008	23 January 2009	18 January 2010
Required First vacancy announcement date	31 March 2008	31 December 2008	31 March 2009
Delay in announcement (in days)	177	23	293

52. **The Board recommends that UNCCD comply with the Secretary-General's Report on Human Resources Management (A/55/253, paragraph 8 of annex II) on the issuing of vacancy announcements.**

53. UNCCD Secretariat explained that the delay in the issuance of vacancy announcements was due to the updating of the job descriptions and reclassification requirement based on the Secretariat's new structure.

10. Consultants, experts and temporary assistance

54. Administrative Instruction on Consultants and Individual Contractors (ST/AI/1999/7, paragraph 4.3) requires that every effort be made to select consultants from the widest possible geographical base. During 2009, UNCCD signed 98 contracts with the consultants and individual contractors (CIC) from 34 countries, of which 50 contracts were awarded to CIC from six countries, accounting for 51 per cent of the total contracts. Details are shown as follows:

Table II.6
CIC geographical distribution in 2009

No	Nationality of CIC	Number of contracts	Percentage to total contracts
1	UK	14	14
2	Germany	12	12
3	USA	9	9
4	Italy	6	6
5	Senegal	5	5
6	Spain	5	5
7	Other 28 countries	48	49
	Total	98	100

55. UNCCD Secretariat explained that the CIC were recruited by individual units, and that geographical balance was not considered during the course of the recruitment.

56. **The Board recommends that UNCCD make every effort to ensure that consultants and individual contractors are selected from the widest possible geographical base.**

11. Information and communication technology

57. UNCCD has a multilingual website which plays an important role in fulfilling the function of knowledge dissemination, advocacy, education and awareness-raising in the desertification.

58. Of the six United Nations official languages, only English, Spanish, and French were used in UNCCD website. UNCCD could strengthen the outreach of its website by adding more languages.

59. The Board recommends that UNCCD make every effort to present its website in six official languages of the United Nations.

60. UNCCD Secretariat explained that it was currently finalizing the terms of reference for the redesign of its website and requirement of six UN official languages would be included therein.

12. Internal audit function

61. In accordance with the agreement between UNCCD and OIOS dated 16 July 2007, a resident auditor was assigned at UNCCD. During the biennium under review, the auditor concurrently served the United Nations Framework Convention for Climate Change (UNFCCC) where he spent 75 per cent of his official time. UNCCD and UNFCCC shared in the audit cost in the ratio of 25:75.

Internal Audit work plan

62. There was no internal audit plan for 2009 and no audit was conducted during this period. In addition, the internal audit plan for the biennium 2010-2011 had not yet

prepared at the time of audit. The Board was informed that the resident auditor assigned at UNCCD was transferred to another OIOS's location in August 2009.

63. The Board recommends that UNCCD, in coordination with the Office of Internal Oversight Services, take steps to fill the position of resident auditor, and to prepare an internal audit plan for the biennium 2010-2011.

64. UNCCD Secretariat explained that the agreement with OIOS would be updated to provide internal audit services out of OIOS's facilities in Nairobi and that the audit plan for 2010 – 2011 would be prepared upon finalizing an MOU with OIOS.

13. Internal audit findings

65. For 2008, one audit was conducted by OIOS, and the key findings were:

(1) At UNCCD, once the decision had been reported back to the COP, regardless of whether the decision remained in force, it was no longer reported or filed in a database for easy retrieval and reference. It was therefore not possible to easily access a list of all extant COP financial decisions or to track the evolution of the decisions. The absence of a database of resolutions still in force exposes UNCCD Secretariat to the risk of inability to demonstrate that all its activities are supported by COP decisions. UNCCD needs to improve tracking and reporting on the status of Conference of the Parties financial decisions.

(2) The finance staff did not have up-to-date approved job descriptions reflecting the actual work they were doing. The job descriptions had not also been updated since the inception of UNCCD Secretariat in 1998. In particular, they did not reflect changes in

responsibilities that occurred when Integrated Management Information System was introduced in 2003.

(3) Inter-office vouchers (IOVs) were mainly used for transactions with the UNDP. A new IOV procedure was introduced in 2005. This procedure had not been updated to ensure that IOVs are only produced in the presence of adequate supporting documentation. In some cases the IOVs were processed without an invoice. The staff explained that there were no internal guidelines on the processing of the IOVs based on the revised procedure.

66. The Board was informed that of 16 recommendations made in the OIOS internal audit report in 2008, one was implemented while the other 15 recommendations were under implementation at the time of audit.

C. Disclosures by management

1. Write-off of cash, receivables and property

67. UNCCD informed the Board that in accordance with United Nations financial regulation 6.4, \$63,069.81 (no write-off of losses of cash, receivable and other assets reported in 2006-2007) had been written-off in respect of accounts receivable during the biennium 2008-2009.

2. Ex gratia payments

68. As required by United Nations financial regulation 5.11, UNCCD reported no ex-gratia payments had been made for the biennium ended 31 December 2009.

3. Cases of fraud and presumptive fraud

69. UNCCD reported no cases of fraud and presumptive fraud during the biennium 2008-2009.

D. Acknowledgement

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

(Signed) Terence **Nombembe**
Auditor-General of the Republic of South Africa
Chairman of the United Nations Board of Auditors

(Signed) **LIU Jiayi**
Auditor-General of the People's Republic of China
(Lead Auditor)

(Signed) Didier **Migaud**
First President of the Court of Accounts of France

30 June 2010

Annex

Status of implementation of recommendations for the biennium ended 31 December 2007¹

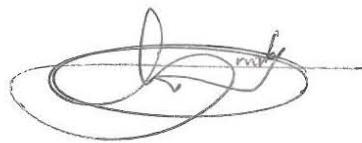
	Summary of recommendation	Paragraph Reference	Financial period first made	Implemented	Under implementation	Not implemented	Overtaken by events
1	Define a write-off policy for long outstanding contributions	26	2004-2005				X
2	The Conference of the Parties consider at its next session the issue of funding end-of-service liabilities	30	2000-2001		X		
3	Prepare an adoption plan	32	2006-2007		X		
4	(a) comply with ST/AI/2003/5 by designating a Property Records Custodian ;(b) ensure the preparation of a personal property receipt for every property issue;(c) updating the inventory control records.	36	2006-2007		X		
5	Follow up on the submission of substantive and financial reports for monitoring of grants.	42	2006-2007		X		
6	Request OIOS to include in the audit plan for 2008 the review of the high risk areas identified in the risk assessment report.	46	2006-2007	X			
Total				1	4	0	1
Percentage				17	66	0	17

¹ ICCD/COP(9)/6/Add.4

I CERTIFICATION OF THE FINANCIAL STATEMENTS

22 April 2010

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

A handwritten signature in black ink, consisting of several loops and a horizontal line extending to the right.

Luc Gnacadja
Executive Secretary
United Nations Convention to Combat Desertification

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
Statement of income and expenditures and changes in reserves and fund balances
For the biennium 2008-2009 ending 31 December 2009
(Expressed in United States Dollars)

	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE (UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)	
	2008-2009	2006-2007	2008-2009	2006-2007	2008-2009	2006-2007
INCOME:						
Assessed Contributions	21,614,624	16,705,000	-	-	-	-
Voluntary Contributions	1,438,682	1,316,502	1,590,580	1,663,371	5,548,848	9,607,745
Programme Support Costs income						
Other/Miscellaneous Income:						
Interest income	116,215	314,407	33,542	82,766	162,334	126,574
Miscellaneous	519	564,036	2,156	18,051	2,468	132,166
TOTAL INCOME	23,170,040	18,899,945	1,626,278	1,764,188	5,713,650	9,866,485
EXPENDITURE:						
Staff and other personnel costs	10,056,521	9,407,156	-	7,346	2,823,940	2,974,466
Travel	986,531	988,843	1,762,036	1,446,920	694,268	1,468,177
Contractual services	291,172	218,621	-	32	174,716	372,780
Operating expenses	1,155,884	615,882	35,994	-	235,786	112,481
Acquisitions	54,174	43,664	-	-	-	1,124
Fellowships, grants and other	5,606,729	4,555,365	-	20,000	1,033,417	2,481,288
Total expenditure	18,151,011	15,829,531	1,798,030	1,474,298	4,962,127	7,410,316
Programme support costs	2,229,628	2,057,839	227,747	191,659	598,805	963,341
TOTAL EXPENDITURES	20,380,639	17,887,370	2,025,777	1,665,957	5,560,932	8,373,657
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	2,789,401	1,012,575	(399,499)	98,231	152,718	1,492,828
Non-budgeted accrued expenses for end-of-service and post-retirement benefits	962,833	(497,235)	-	-	88,920	98,627
Other prior period adjustments	-	(237,838)	(1,405)	(5,163)	-	(191,100)
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	3,752,234	277,502	(400,904)	93,068	241,638	1,400,355
Savings on or cancellation of prior periods' obligations	569,292	113,770	3,939	36,889	179,198	566,241
Transfers (to)/from other funds	-	-	139,030	-	(139,030)	-
Refund to donors	-	-	-	-	(120,631)	(512)
Other adjustments to reserves and fund balances -- Global Mechanism & other	(548,588)	(361,146)	-	-	(63,055)	-
Other adjustments to reserves and fund balances -- unfunded end-of-service and post-retirement benefits -- prior period adjustments	-	(5,088,381)	-	-	-	(270,010)
RESERVES AND FUND BALANCES: BEGINNING OF PERIOD	(2,506,873)	2,551,382	776,234	646,277	3,034,713	1,338,639
RESERVES AND FUND BALANCES: END OF PERIOD	1,266,065	(2,506,873)	518,299	776,234	3,132,833	3,034,713

Statement I (Concluded)

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
Statement of income and expenditures and changes in reserves and fund balances
For the biennium 2008-2009 ending 31 December 2009
 (Expressed in United States Dollars)

	SCHEDULE/ NOTE REFERENCE	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COSTS (ZQA)		SPECIAL ACCOUNT FOR UNCCD INCREMENTAL COSTS (ZHA)		TOTAL	
		2008-2009	2006-2007	2008-2009	2006-2007	2008-2007	2006-2007	2008-2009	2006-2007
INCOME:									
Assessed Contributions	Note 2 f(i)	-	-	-	-	-	-	-	16,705,000
Voluntary Contributions	Note 2 f(ii), Sch. 1.2	1,438,682	1,320,192	-	-	2,373,992	-	10,016,792	16,281,802
Programme Support Costs income	Note 10	-	-	3,205,664	3,270,511	-	-	a/	3,270,511
Other/Miscellaneous Income:									
Interest income	Note 2 f(iii)	24,897	43,893	68,477	86,545	8,024	405,465	662,209	740,827
Miscellaneous	Note 2 f(iv)	-	11,586	57,948	14,988	-	63,091	-	-
TOTAL INCOME	Note 2 f(v)	1,463,579	1,375,671	3,332,089	3,372,044	2,382,016	32,099,972	37,660,349	
EXPENDITURE:									
Staff and other personnel costs		670,225	628,554	2,060,268	2,341,105	29,360	15,610,954	15,387,987	5,983,844
Travel		412,965	444,779	-	-	1,635,125	3,855,800	541,907	653,538
Contractual services		76,019	4,105	-	-	58,000	120,660	1,562,668	887,861
Operating expenses		35,472	38,838	99,532	-	3,337	54,174	48,125	7,790,045
Acquisitions		-	-	-	-	-	-	-	-
Fellowships, grants and other	Note 11	3,164	68,947	732,449	664,445	-	-	-	-
Total direct expenditures		1,197,845	1,185,223	2,892,249	3,005,550	1,846,482	29,001,262	30,751,400	3,366,918
Programme support costs		149,484	154,079	-	-	-	-	-	-
TOTAL EXPENDITURE		1,347,329	1,339,302	2,892,249	3,005,550	1,846,482	29,001,262	34,118,318	3,542,031
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		116,250	36,369	439,840	366,494	535,534	3,098,710	(538,993)	(191,039)
Non-budgeted accrued expenses for end-of-service and post-retirement benefits -- current period adjustments	Note 12	(17,754)	-	959,894	(140,385)	-	1,993,893	-	-
Other prior period adjustments		(145)	(1,271)	-	244,333	-	(1,550)	-	-
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		98,351	35,098	1,399,734	470,442	535,534	5,091,053	2,811,999	761,238
Savings on or cancellation of prior periods' obligations		7,887	43,611	50	-	727	760,366	-	150,000
Transfers (to)/from other funds	Note 5	-	-	-	-	-	-	-	(512)
Refund to Donors		-	-	-	-	150,000	(120,631)	-	(361,146)
Other adjustments to reserves and fund balances -- Global Mechanism	Note 2 (h)	-	-	(66,576)	-	-	(678,219)	-	(6,565,900)
Other adjustments to reserves and fund balances -- unfunded end-of-service and post-retirement benefits -- prior period adjustments	Note 12	-	-	-	(1,207,509)	-	-	-	5,561,225
RESERVES AND FUND BALANCES: BEGINNING OF PERIOD		255,173	176,464	111,396	848,463	686,261	6,723,212	2,356,904	
RESERVES AND FUND BALANCES: END OF PERIOD		361,411	255,173	1,444,604	111,396	686,261	6,723,212	2,356,904	

a/ Programme Support Costs income under the total column have been netted off with equivalent expenditure. It totalled USD3,205,664 in 2008-2009 compared to USD3,270,511 in 2006-2007. These internal cross charges are not shown under the overall total column for 2008-2009 in order to reflect only external income and expenditure.

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
Statement of assets, liabilities, and reserves and fund balances
For the biennium 2008-2009 ending 31 December 2009
 (Expressed in United States Dollars)

	TRUST FUND FOR THE CORE BUDGET OF THE UNCCD(UXA)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE(UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD(UWA)	
	2008-2009	2006-2007	2008-2009	2006-2007	2008-2009	2006-2007
ASSETS						
Cash and term deposits:						
United States dollars		1,949,268		733,753	7,174	2,096,526
Euros	4,758,154	171,751	529,232	64,651	2,912,431	184,725
Total cash and term deposits:	4,758,154	2,121,019	529,232	798,404	2,919,605	2,281,251
Accounts receivable:						
Assessed contributions receivable from member Parties	3,535,199	2,366,315	-	-	-	-
Operating funds provided to executing agencies	-	-	-	-	-	-
Other accounts receivable	127,789	175,448	3,742	5,884	563,406	1,431,968
Interfund balances receivable	-	396,745	-	-	-	-
TOTAL ASSETS	8,421,142	5,059,527	532,974	804,288	3,483,011	3,713,219
LIABILITIES						
Contributions or payments received in advance:						
2007 and prior years	-	169,236	-	-	-	-
Payments received in advance for future year contributions	1,340,743	77,791	-	-	-	-
Unliquidated obligations	583,874	1,120,432	-	15,133	128,789	331,167
Accounts payable:						
Inter-fund balances payable	167,308	-	14,675	12,863	80,758	155,465
Other accounts payable	440,369	613,325	-	58	58,168	20,491
Other Liabilities		5,585,616	-	-	82,463	171,383
End-of-service and post-retirement liabilities	4,622,783	-	-	-	-	-
TOTAL LIABILITIES	7,155,077	7,566,400	14,675	28,054	350,178	678,506
RESERVES AND FUND BALANCES						
Operating reserve	-	-	145,394	145,394	410,164	410,164
Working capital reserve	1,179,009	762,210	-	-	-	-
Cumulative surplus (deficit)	4,709,839	2,316,533	372,905	630,840	2,805,132	2,795,932
Cumulative (deficit) -- Unfunded end-of-service and post-retirement benefits	(4,622,783)	(5,585,616)	-	-	(82,463)	(171,383)
TOTAL RESERVES AND FUND BALANCES	1,266,065	(2,506,873)	518,299	776,234	3,132,833	3,034,713
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	8,421,142	5,059,527	532,974	804,288	3,483,011	3,713,219

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
Statement of assets, liabilities, and reserves and fund balances
For the biennium 2008-2009 ending 31 December 2009
 (Expressed in United States Dollars)

	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST(ZQA)		SPECIAL ACCOUNT FOR UNCCD INCREMENTAL COSTS(ZHA)		TOTAL	
	2008-2009	2006-2007	2008-2009	2006-2007	2006-2007	2008-2009	2006-2007	2008-2009
ASSETS								
Cash and term deposits:								
United States dollars	-	441,613	-	1,363,627	734,361	7,174	7,319,148	
Euros	389,722	38,910	1,828,334	120,149	40,546	10,417,873	620,732	
Total cash and term deposits:	389,722	480,523	1,828,334	1,483,776	774,907	10,425,047	7,939,880	
Accounts receivable:	-	-	-	-	-	-	-	-
Assessed contributions receivable from member Parties	-	-	-	-	-	3,535,199	2,366,315	
Operating funds provided to executing agencies	-	-	-	-	-	-	-	
Other accounts receivable	391	3,286	88,677	42,995	84	784,005	1,659,665	
Interfund balances receivable	-	-	-	-	-	-	396,745	
TOTAL ASSETS	390,113	483,809	1,917,011	1,526,771	774,991	14,744,251	12,362,605	
LIABILITIES								
Contributions or payments received in advance:								
2007 and prior years	-	-	-	-	-	-	169,236	
Payments received in advance for 2009 contributions	-	-	-	-	-	1,340,743	77,791	
Unliquidated obligations	-	8,766	33,710	50	33,500	746,373	1,509,048	
Accounts payable:								
Inter-fund balances payable	10,806	173,112	50,697	13,154	46,687	324,244	401,281	
Other accounts payable	142	46,758	-	54,277	694,804	498,679	1,429,713	
Other Liabilities	-	-	-	1,347,894	-	-	7,104,893	
End-of-service and post-retirement liabilities	17,754	-	388,000	-	-	5,111,000	-	
TOTAL LIABILITIES	28,702	228,636	472,407	1,415,375	774,991	8,021,039	10,691,962	
RESERVES AND FUND BALANCES								
Operating reserve	-	-	338,045	338,045	-	893,603	893,603	
Working capital reserve	-	-	-	-	-	1,179,009	762,210	
Cumulative surplus (deficit)	379,165	255,173	1,494,559	1,121,245	-	9,761,600	7,119,723	
Cumulative (deficit) -- Unfunded end-of-service and post-retirement benef	(17,754)	-	(388,000)	(1,347,894)	-	(5,111,000)	(7,104,893)	
TOTAL RESERVES AND FUND BALANCES	361,411	255,173	1,444,604	111,396	-	6,723,212	1,670,643	
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	390,113	483,809	1,917,011	1,526,771	774,991	14,744,251	12,362,605	

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
Statement of Cash Flows for the biennium 2008-2009 ending 31 December 2009
 (Expressed in United States Dollars)

	UUA		UVA		UWA		BMA		ZQA	
	2008-2009	2006-2007	2008-2009	2006-2007	2008-2009	2006-2007	2008-2009	2006-2007	2008-2009	2006-2007
CASH FLOWS FROM OPERATING ACTIVITIES:										
Net excess (shortfall) of income over expenditure (Statement I)	3,752,234	277,502	(400,904)	93,068	241,638	1,400,355	98,351	35,098	1,399,734	470,442
(Increase) decrease in contributions receivable	(1,168,884)	(559,050)	-	-	-	-	-	-	-	-
(Increase) decrease in other accounts receivable	47,659	69,418	2,142	10,648	868,562	(1,285,153)	2,895	25,468	(45,682)	(5,459)
(Increase) decrease in other assets	-	-	-	-	-	-	-	-	-	-
(Increase) decrease in inter-fund balances receivable	396,745	(396,745)	-	-	-	699,002	-	-	-	-
Increase (decrease) in contributions or payments received in advance	1,093,716	(446,620)	-	-	-	-	-	-	-	-
Increase (decrease) in unliquidated obligations	(536,558)	958,075	(15,133)	(27,951)	(202,378)	(747,403)	(8,766)	(30,750)	33,660	50
Increase (decrease) in accounts payable	(172,956)	492,268	(58)	-	37,677	(515)	(46,616)	46,758	(54,277)	54,277
Increase (decrease) in other liabilities	(5,585,616)	5,585,616	-	-	(171,383)	171,383	-	-	(1,347,894)	1,347,894
Increase (decrease) in end-of-service and post-retirement benefits	4,622,783	-	-	-	82,463	-	17,754	-	388,000	-
Increase (decrease) in inter-fund balances payable	167,308	-	1,812	11,914	(74,707)	153,531	(162,306)	172,708	37,543	12,101
Less: Interest income	(116,215)	(314,407)	(33,542)	(82,766)	(162,334)	(126,574)	(24,897)	(43,893)	(68,477)	(86,545)
NET CASH FROM OPERATING ACTIVITIES	2,500,216	5,666,057	(445,683)	4,913	619,538	264,626	(123,585)	205,389	342,607	1,792,760
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES:										
Plus: Interest income	116,215	314,407	33,542	82,766	162,334	126,574	24,897	43,893	68,477	86,545
NET CASH FROM INVESTING AND FINANCING ACTIVITIES	116,215	314,407	33,542	82,766	162,334	126,574	24,897	43,893	68,477	86,545
CASH FLOWS FROM OTHER SOURCES:										
Savings or cancellation of prior periods' obligations	569,292	113,770	3,939	36,889	179,198	566,241	7,887	43,611	50	-
Transfer (to)/from other funds	-	-	139,030	-	(139,030)	-	-	-	-	-
Refund to donors	-	-	-	-	(120,631)	(512)	-	-	-	-
Other adjustments to reserves and fund balances -- Global Mechanism	(548,588)	(361,146)	-	-	(63,055)	-	-	-	(66,576)	-
Other adjustments to reserves and fund balances -- unfunded end-of-service and post-retirement benefits -- prior period adjustments	-	(5,088,381)	-	-	-	(270,010)	-	-	-	(1,207,509)
NET CASH FROM OTHER SOURCES	20,704	(5,335,757)	142,969	36,889	(143,518)	295,719	7,887	43,611	(66,526)	(1,207,509)
NET INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	2,637,135	644,707	(269,172)	124,568	638,354	686,919	(90,801)	292,893	344,558	671,796
CASH AND TERM DEPOSITS, BEGINNING OF PERIOD	2,121,019	1,476,312	798,404	673,836	2,281,251	1,594,332	480,523	187,630	1,483,776	811,980
CASH AND TERM DEPOSITS, END OF PERIOD	4,758,154	2,121,019	529,232	798,404	2,919,605	2,281,251	389,722	480,523	1,828,334	1,483,776

Statement IV

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION
THE CORE BUDGET: STATEMENT OF APPROPRIATIONS
For the biennium 2008-2009 ending 31 December 2009
(Expressed in EUR or United States Dollars - in thousands)

Object of expenditure	Appropriations		Expenditures		Net Balance	
	Approved 2008 - 2009		Disbursements	Unliquidated Obligations		Total
	EUR	USD				
Staff-related costs	7,529	10,943	9,798	38	9,836	1,107
Consultants and experts	340	494	319	9	328	166
Official travel of staff	954	1,387	949	37	986	401
General operating expenses and related costs	1,552	2,256	1,373	133	1,506	750
Subtotal secretariat	10,375	15,080	12,439	217	12,656	2,424
Global Mechanism	3,456	4,953	4,586	367	4,953	--
Total for secretariat and Global Mechanism	13,831	20,033	17,025	584	17,609	2,424
Overhead	1,798	2,604	2,213	76	2,289	315
Working Capital Reserve	290	417	417	--	417	--
Total resource requirements	15,919	23,054	19,655	660	20,315	2,739
Less: contribution from host country Government	1,023	1,439	1,439	--	1,439	--
Net required as indicative contributions	14,896	21,615	18,216	660	18,876	2,739

Schedule 1.1 (a)

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Status of Contributions to the Core Budget for the years 1999 - 2007 in USD as of 31 December 2009

(amounts in USD)

	Parties to the Convention	BALANCE OUTSTANDING FOR									TOTAL BALANCE OUTSTANDING
		1999	2000	2001	2002	2003	2004	2005	2006	2007	31 Dec 2009
1	Afghanistan */	-	-	-	-	-	-	-	-	-	-
2	Albania	-	-	-	-	-	-	-	-	-	-
3	Algeria	-	-	-	-	-	-	-	-	-	-
4	Andorra	-	-	-	-	-	-	-	-	-	-
5	Angola */	-	-	-	-	-	-	-	-	-	-
6	Antigua & Barbuda	-	-	-	-	-	-	-	-	-	-
7	Argentina	-	-	-	-	-	-	-	-	-	-
8	Armenia	-	-	-	-	-	-	-	-	-	-
9	Australia	-	-	-	-	-	-	-	-	-	-
10	Austria	-	-	-	-	-	-	-	-	-	-
11	Azerbaijan Republic	-	-	-	-	-	-	-	-	-	-
12	Bahamas (the)	-	-	-	-	-	-	-	-	-	-
13	Bahrain	-	-	-	-	-	-	-	-	-	-
14	Bangladesh */	-	-	-	-	-	-	-	-	-	-
15	Barbados	-	-	-	-	-	-	-	-	-	-
16	Belarus	-	-	-	-	-	-	-	-	-	-
17	Belgium	-	-	-	-	-	-	-	-	-	-
18	Belize	-	-	-	-	-	-	-	-	-	-
19	Benin */	-	-	-	-	-	-	-	-	-	-
20	Bhutan */	-	-	-	-	-	-	-	-	-	-
21	Bolivia (Plurinational State of)	-	-	-	-	-	-	-	-	-	-
22	Bosnia and Herzegovina	-	-	-	-	-	-	-	-	-	-
23	Botswana	-	-	-	-	-	-	-	-	-	-
24	Brazil	-	-	-	-	-	-	-	-	-	-
25	Brunei Darussalam	-	-	-	-	-	-	-	-	-	-

	Parties to the Convention	BALANCE OUTSTANDING FOR									TOTAL BALANCE OUTSTANDING	
		1999	2000	2001	2002	2003	2004	2005	2006	2007	31 Dec 2009	
26	Bulgaria	-	-	-	-	-	-	-	-	-	-	-
27	Burkina Faso */	-	-	-	-	-	-	-	-	-	-	-
28	Burundi */	-	-	-	-	-	-	-	-	-	-	-
29	Cambodia */	-	-	-	-	-	-	-	-	-	-	-
30	Cameroon	-	-	-	-	-	-	-	-	-	-	-
31	Canada	-	-	-	-	-	-	-	-	-	-	-
32	Cape Verde	-	-	-	-	-	-	-	-	-	-	-
33	Central African Republic (the) */	-	-	-	-	-	-	-	-	-	-	-
34	Chad */	-	-	-	-	-	-	-	-	-	-	-
35	Chile	-	-	-	-	-	-	-	-	-	-	-
36	China	-	-	-	-	-	-	-	-	-	-	-
37	Colombia	-	-	-	-	-	-	-	-	-	-	-
38	Comoros (the) */	-	-	-	-	-	-	-	-	-	-	-
39	Congo (the)	-	-	-	-	-	-	-	-	2	2	2
40	Cook Islands (the)	-	-	-	-	-	-	-	-	67	67	67
41	Costa Rica	-	-	-	-	-	-	-	61	2 440	2 501	2 501
42	Côte d'Ivoire	-	-	-	-	-	-	32	829	842	1 703	1 703
43	Croatia	-	-	-	-	-	-	-	-	-	-	-
44	Cuba	-	-	-	-	-	-	41	3 482	3 534	7 057	7 057
45	Cyprus	-	-	-	-	-	-	-	-	-	-	-
46	Czech Republic (the)	-	-	-	-	-	-	-	-	-	-	-
47	Democratic People's Republic of Korea (the)	-	-	-	-	-	-	-	-	-	-	-
48	Democratic Republic of Congo (the) */	-	-	-	-	-	-	-	-	20	20	20
49	Denmark	-	-	-	-	-	-	-	-	-	-	-
50	Djibouti */	-	-	-	-	-	-	4	83	84	171	171
51	Dominica	-	-	-	80	80	80	80	83	84	487	487
52	Dominican Republic (the)	-	-	-	-	-	-	-	-	415	415	415

	Parties to the Convention	BALANCE OUTSTANDING FOR									TOTAL BALANCE OUTSTANDING
		1999	2000	2001	2002	2003	2004	2005	2006	2007	31 Dec 2009
53	Ecuador	-	-	-	-	-	-	-	-	-	-
54	Egypt	-	-	-	-	-	-	-	-	-	-
55	El Salvador	-	-	-	-	-	-	-	-	-	-
56	Equatorial Guinea */	-	-	-	-	-	-	-	-	61	61
57	Eritrea */	-	-	-	-	-	-	-	-	-	-
58	Ethiopia */	-	-	-	-	-	-	-	-	-	-
59	European Community	-	-	-	-	-	-	-	-	-	-
60	Fiji	-	-	-	-	-	-	-	-	-	-
61	Finland	-	-	-	-	-	-	-	-	-	-
62	France	-	-	-	-	-	-	-	-	-	-
63	Gabon	-	-	-	-	-	-	-	-	-	-
64	Gambia (the) */	-	-	-	-	5	80	80	83	84	332
65	Georgia	-	-	-	-	-	-	-	-	-	-
66	Germany	-	-	-	-	-	-	-	-	-	-
67	Ghana	-	-	-	-	-	-	390	329	337	1 056
68	Greece	-	-	-	-	-	-	-	-	-	-
69	Grenada	-	-	-	-	-	-	-	-	-	-
70	Guatemala	-	-	-	-	-	-	-	-	-	-
71	Guinea */	-	-	-	-	-	-	-	-	-	-
72	Guinea - Bissau */	-	-	-	-	-	-	-	-	-	-
73	Guyana	-	-	-	-	-	-	-	-	-	-
74	Haiti */	-	-	-	-	-	-	-	-	-	-
75	Honduras	-	-	-	-	-	-	-	-	421	421
76	Hungary	-	-	-	-	-	-	-	-	-	-
77	Iceland	-	-	-	-	-	-	-	-	-	-
78	India	-	-	-	-	-	-	-	-	-	-
79	Indonesia	-	-	-	-	-	-	-	-	-	-
80	Iran (Islamic Republic of)	-	-	-	-	-	-	-	-	-	-

	Parties to the Convention	BALANCE OUTSTANDING FOR									TOTAL BALANCE OUTSTANDING
		1999	2000	2001	2002	2003	2004	2005	2006	2007	31 Dec 2009
81	Ireland	-	-	-	-	-	-	-	-	-	-
82	Israel	-	-	-	-	-	-	-	-	-	-
83	Italy	-	-	-	-	-	-	-	-	-	-
84	Jamaica	-	-	-	-	-	-	-	-	-	-
85	Japan	-	-	-	-	-	-	-	-	-	-
86	Jordan	-	-	-	-	-	-	-	-	-	-
87	Kazakhstan	-	-	-	-	-	-	-	-	-	-
88	Kenya	-	-	-	-	-	-	-	-	-	-
89	Kiribati */	-	-	-	-	-	-	-	-	-	-
90	Kuwait	-	-	-	-	-	-	-	-	-	-
91	Kyrgyz Republic	-	-	-	-	-	-	-	-	-	-
92	Lao People's Dem. Republic (the) */	-	-	-	-	-	-	-	-	-	-
93	Latvia	-	-	-	-	-	-	-	-	-	-
94	Lebanon	-	-	-	-	-	-	-	-	-	-
95	Lesotho */	-	-	-	-	-	-	-	-	-	-
96	Liberia */	-	-	-	-	-	-	-	83	84	167
97	Libyan Arab Jamahiriya (the)	-	-	-	-	-	-	-	7 974	10 771	18 745
98	Liechtenstein	-	-	-	-	-	-	-	-	-	-
99	Lithuania	-	-	-	-	-	-	-	-	-	-
100	Luxembourg	-	-	-	-	-	-	-	-	-	-
101	Madagascar */	-	-	-	-	-	-	-	-	-	-
102	Malawi */	-	-	-	-	-	-	-	-	-	-
103	Malaysia	-	-	-	-	-	-	-	-	-	-
104	Maldives */	-	-	-	-	-	-	-	-	-	-
105	Mali */	-	-	-	-	-	-	-	-	-	-
106	Malta	-	-	-	-	-	-	-	-	-	-
107	Marshall Islands (the)	-	-	-	-	-	-	80	83	84	247
108	Mauritania */	-	-	-	-	-	-	-	0	84	84

	Parties to the Convention	BALANCE OUTSTANDING FOR									TOTAL BALANCE OUTSTANDING
		1999	2000	2001	2002	2003	2004	2005	2006	2007	31 Dec 2009
109	Mauritius	-	-	-	-	-	-	-	-	-	-
110	Mexico	-	-	-	-	-	-	-	-	-	-
111	Micronesia (Federated States of)	-	-	-	-	-	-	-	43	84	127
112	Republic of Moldova (the)	-	-	-	-	-	-	-	-	-	-
113	Monaco	-	-	-	-	-	-	-	-	-	-
114	Mongolia	-	-	-	-	-	-	-	-	-	-
115	Montenegro	-	-	-	-	-	-	-	-	-	-
116	Morocco	-	-	-	-	-	-	-	-	-	-
117	Mozambique */	-	-	-	-	-	-	-	-	-	-
118	Myanmar */	-	-	-	-	-	-	-	-	-	-
119	Namibia	-	-	-	-	-	-	-	-	-	-
120	Nauru	-	-	-	-	-	-	-	-	84	84
121	Nepal */	-	-	-	-	-	-	-	-	-	-
122	Netherlands (the)	-	-	-	-	-	-	-	-	-	-
123	New Zealand	-	-	-	-	-	-	-	-	-	-
124	Nicaragua	-	-	-	80	80	80	80	83	84	487
125	Niger (the) */	-	-	-	-	-	-	-	-	-	-
126	Nigeria	-	-	-	-	-	-	-	-	3 450	3 450
127	Niue	-	-	-	-	-	-	-	-	-	-
128	Norway	-	-	-	-	-	-	-	-	-	-
129	Oman	-	-	-	-	-	-	-	-	-	-
130	Pakistan	-	-	-	-	-	-	-	-	-	-
131	Palau	-	-	-	-	-	30	80	83	84	277
132	Panama	-	-	-	-	-	-	-	-	-	-
133	Papua New Guinea	-	-	-	-	-	-	-	-	12	12
134	Paraguay	990	1 270	1 110	1 240	1 210	1 210	1 180	995	1 010	10 215
135	Peru	-	-	-	-	8 620	9 090	8 920	7 378	7 489	41 497
136	Philippines (the)	-	-	-	-	-	-	-	-	-	-

	Parties to the Convention	BALANCE OUTSTANDING FOR									TOTAL BALANCE OUTSTANDING
		1999	2000	2001	2002	2003	2004	2005	2006	2007	31 Dec 2009
		-	-	-	-	-	-	-	-	-	-
137	Poland	-	-	-	-	-	-	-	-	-	-
138	Portugal	-	-	-	-	-	-	-	-	-	-
139	Qatar	-	-	-	-	-	-	-	-	-	-
140	Republic of Korea (the)	-	-	-	-	-	-	-	-	-	-
141	Romania	-	-	-	-	-	-	-	-	-	-
142	Russian Federation	-	-	-	-	-	-	-	-	-	-
143	Rwanda */	-	-	-	-	-	-	-	-	-	-
144	Saint Kitts and Nevis	-	-	-	-	-	-	-	-	-	-
145	Saint Lucia	-	-	-	-	-	-	-	-	19	19
146	Saint Vincent & Grenadines	-	-	-	-	-	-	-	-	84	84
147	Samoa */	-	-	-	-	-	-	-	-	-	-
148	San Marino	-	-	-	-	-	-	-	-	-	-
149	Sao Tome and Príncipe */	-	-	-	-	14	80	80	83	84	341
150	Saudi Arabia	-	-	-	-	-	-	-	-	-	-
151	Senegal */	-	-	-	-	-	-	-	-	-	-
152	Seychelles	-	-	-	-	-	-	-	-	-	-
153	Sierra Leone */	-	-	-	-	-	-	-	-	-	-
154	Singapore	-	-	-	-	-	-	-	-	-	-
155	Slovakia	-	-	-	-	-	-	-	-	-	-
156	Slovenia	-	-	-	-	-	-	-	-	-	-
157	Solomon Islands */	-	-	89	80	80	80	80	83	84	576
158	Somalia */	-	-	-	-	-	80	80	83	84	327
159	South Africa	-	-	-	-	-	-	-	-	-	-
160	Spain	-	-	-	-	-	-	-	-	-	-
161	Sri Lanka	-	-	-	-	-	-	-	-	-	-
162	Sudan (the) */	-	-	-	-	-	-	-	-	292	292
163	Suriname	-	-	-	-	-	-	-	-	-	-

	Parties to the Convention	BALANCE OUTSTANDING FOR									TOTAL BALANCE OUTSTANDING
		1999	2000	2001	2002	2003	2004	2005	2006	2007	31 Dec 2009
164	Swaziland	-	-	-	-	-	-	-	-	-	-
165	Sweden	-	-	-	-	-	-	-	-	-	-
166	Switzerland	-	-	-	-	-	-	-	-	-	-
167	Syrian Arab Republic	-	-	-	-	-	-	-	-	-	-
168	Tajikistan	-	-	-	-	-	-	-	-	-	-
169	Thailand	-	-	-	-	-	-	-	-	-	-
170	The former Yugoslav Republic of Macedonia	-	-	-	-	-	-	-	-	-	-
171	Timor-Leste */	-	-	-	-	-	-	-	-	-	-
172	Togo */	-	-	-	-	-	-	-	-	-	-
173	Tonga	-	-	-	-	-	-	-	-	-	-
174	Trinidad & Tobago	-	-	-	-	-	-	-	-	-	-
175	Tunisia	-	-	-	-	-	-	-	-	-	-
176	Turkey	-	-	-	-	-	-	-	-	-	-
177	Turkmenistan	-	-	-	-	-	-	-	-	44	44
178	Tuvalu */	-	-	-	-	-	-	-	-	-	-
179	Uganda */	-	-	-	-	-	-	-	-	-	-
180	Ukraine	-	-	-	-	-	-	-	-	-	-
181	United Arab Emirates (the)	-	-	-	-	-	-	-	-	-	-
182	United Kingdom of Great Britain and Northern Ireland (the)	-	-	-	-	-	-	-	-	-	-
183	United Republic of Tanzania (the) */	-	-	-	-	-	-	-	-	25	25
184	United States of America (the) **/	-	-	150 920	8 280	113 270	220 560	307 020	509 800	587 300	1 897 150
185	Uruguay	-	-	-	-	-	-	-	-	-	-
186	Uzbekistan	-	-	-	-	-	-	-	-	-	-
187	Vanuatu */	-	-	-	-	-	-	-	20	84	104
188	Venezuela (Bolivarian Republic of)	-	-	-	-	-	-	-	-	-	-
189	Vietnam	-	-	-	-	-	-	-	-	-	-
190	Yemen */	-	-	-	-	-	-	-	-	-	-

	Parties to the Convention	BALANCE OUTSTANDING FOR									TOTAL BALANCE OUTSTANDING
		1999	2000	2001	2002	2003	2004	2005	2006	2007	31 Dec 2009
191	Zambia */	-	-	-	-	-	-	-	-	-	-
192	Zimbabwe	-	-	-	-	-	-	-	-	-	-
	TOTAL	990	1 270	152 119	9 760	123 359	231 370	318 228	531 742	619 811	1 988 648

*/ Least Developed Countries

**/ The United States of America views its funding to the core budget of the Convention as a voluntary contribution.

Schedule 1.1 (b)

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Status of Contributions to the Core Budget for the biennium 2008 - 2009 in EUR and USD as of 31 December 2009

	(A) Parties to the UNCCD	TOTAL BALANCE OUTSTANDING 31 DECEMBER 2009	
		EUR	USD
1	Afghanistan */	12	17
2	Albania	-	-
3	Algeria	-	-
4	Andorra	600	866
5	Angola */	-	-
6	Antigua and Barbuda	-	-
7	Argentina	-	-
8	Armenia	182	263
9	Australia	-	-
10	Austria	-	-
11	Azerbaijan	-	-
12	Bahamas (the)	-	-
13	Bahrain	4 069	5 871
14	Bangladesh */	-	-
15	Barbados	991	1 431
16	Belarus	58	84
17	Belgium	-	-
18	Belize	89	129
19	Benin */	-	-
20	Bhutan */	122	176
21	Bolivia (Plurinational State of)	-	-
22	Bosnia and Herzegovina	-	-
23	Botswana	-	-
24	Brazil	-	-
25	Brunei Darussalam	-	-
26	Bulgaria	-	-
27	Burkina Faso */	150	216
28	Burundi */	73	105
29	Cambodia */	-	-
30	Cameroon	323	466
31	Canada	3 297	4 757
32	Cape Verde */	140	202
33	Central African Republic (the) */	-	-
34	Chad */	140	202
35	Chile	-	-
36	China	-	-
37	Colombia	7 738	11 166
38	Comoros (the) */	140	202
39	Cook Islands (the)	140	202
40	Congo (the)	140	202
41	Costa Rica	4 560	6 580
42	Cote d'Ivoire	1 320	1 905
43	Croatia	-	-
44	Cuba	7 650	11 039
45	Cyprus	-	-
46	Czech Republic (the)	-	-
47	Democratic People's Republic of Korea (the)	19	27

	(A) Parties to the UNCCD	TOTAL BALANCE OUTSTANDING 31 DECEMBER 2009	
		EUR	USD
48	Democratic Republic of Congo (the) */	440	635
49	Denmark	-	-
50	Djibouti */	140	202
51	Dominica	140	202
52	Dominican Republic (the)	3 380	4 877
53	Ecuador	-	-
54	Egypt	-	-
55	El Salvador	25	36
56	Equatorial Guinea */	290	418
57	Eritrea */	-	-
58	Ethiopia */	-	-
59	European Community	-	-
60	Fiji	-	-
61	Finland	-	-
62	France	-	-
63	Gabon	-	-
64	Gambia (the) */	140	202
65	Georgia	-	-
66	Germany	-	-
67	Ghana	590	851
68	Greece	-	-
69	Grenada	-	-
70	Guatemala	-	-
71	Guinea */	140	202
72	Guinea-Bissau */	-	-
73	Guyana	52	76
74	Haiti */	-	-
75	Honduras	640	924
76	Hungary	-	-
77	Iceland	-	-
78	India	49	71
79	Indonesia	-	-
80	Iran (Islamic Republic of)	13 118	18 930
81	Ireland	-	-
82	Israel	-	-
83	Italy	-	-
84	Jamaica	1 233	1 780
85	Japan	-	-
86	Jordan	-	-
87	Kazakhstan	30	43
88	Kenya	618	892
89	Kiribati */	-	-
90	Kuwait	18 605	26 848
91	Kyrgyzstan	4	6
93	Lao People's Democratic Republic (the) */	-	-
92	Latvia	-	-
94	Lebanon	2 229	3 216
95	Lesotho */	-	-
96	Liberia */	140	202
97	Libyan Arab Jamahiriya (the)	8 820	12 727
98	Liechtenstein	8	11
99	Lithuania	-	-
100	Luxembourg	-	-
101	Madagascar */	-	-
102	Malawi */	70	101

	(A) Parties to the UNCCD	TOTAL BALANCE OUTSTANDING 31 DECEMBER 2009	
		EUR	USD
103	Malaysia	-	-
104	Maldives */	70	101
105	Mali */	-	-
106	Malta	-	-
107	Marshall Islands (the)	140	202
108	Mauritania */	140	202
109	Mauritius	-	-
110	Mexico	-	-
111	Micronesia (Federated States of)	140	202
113	Monaco	-	-
114	Mongolia	-	-
115	Montenegro	5	7
116	Morocco	2 986	4 309
117	Mozambique */	-	-
118	Myanmar */	595	858
119	Namibia	9	13
120	Nauru	140	202
121	Nepal */	220	317
122	Netherlands (the)	-	-
123	New Zealand	-	-
124	Nicaragua	290	418
125	Niger (the) */	70	101
126	Nigeria	6 760	9 755
127	Niue	92	133
128	Norway	-	-
129	Oman	-	-
130	Pakistan	3 678	5 307
131	Palau	140	202
132	Panama	170	245
133	Papua New Guinea	290	418
134	Paraguay	730	1 053
135	Peru	11 180	16 133
136	Philippines (the)	-	-
137	Poland	36 379	52 495
138	Portugal	-	-
139	Qatar	-	-
140	Republic of Korea (the)	166 700	240 548
112	Republic of Moldova (the)	-	-
141	Romania	-	-
142	Russian Federation (the)	-	-
143	Rwanda */	-	-
144	Saint Kitts and Nevis	128	184
145	Saint Lucia	140	202
146	Saint Vincent and the Grenadines	140	202
147	Samoa */	10	14
148	San Marino	-	-
149	Sao Tome and Principe */	140	202
150	Saudi Arabia	-	-
151	Senegal	-	-
152	Serbia /2	2 445	3 528
153	Seychelles	-	-
154	Sierra Leone */	70	101
155	Singapore	-	-
156	Slovakia	-	-
157	Slovenia	-	-

	(A) Parties to the UNCCD	TOTAL BALANCE OUTSTANDING 31 DECEMBER 2009	
		EUR	USD
158	Solomon Islands */	140	202
159	Somalia */	140	202
160	South Africa	-	-
161	Spain	-	-
162	Sri Lanka	-	-
163	Sudan (the) */	1 470	2 121
164	Suriname	-	-
165	Swaziland	183	265
166	Sweden	-	-
167	Switzerland	-	-
168	Syrian Arab Republic	1 171	1 690
169	Tajikistan	-	-
170	Thailand	-	-
171	The FYR of Macedonia	-	-
172	Timor-Leste */	99	143
173	Togo */	83	120
174	Tonga	45	65
175	Trinidad and Tobago	-	-
176	Tunisia	-	-
177	Turkey	-	-
178	Turkmenistan	880	1 270
179	Tuvalu */	-	-
180	Uganda */	250	360
181	Ukraine	-	-
182	United Arab Emirates (the)	37	54
183	United Kingdom of Great Britain and Northern Ireland (the)	-	-
184	United Republic of Tanzania (the) */	880	1 270
185	United States of America (the) 1/	732 300	1 056 710
186	Uruguay	1 771	2 556
187	Uzbekistan	-	-
188	Vanuatu */	140	202
189	Venezuela (Bolivarian Republic of)	13 850	19 985
190	Viet Nam	-	-
191	Yemen */	864	1 246
192	Zambia */	-	-
193	Zimbabwe */	602	869
	Total from Parties	1 071 760	1 546 551

Footnotes:

^{1/} The United States of America views its funding to the core budget of the Convention as a voluntary contribution

*/ Least Developed Countries.

Schedule 1.2**Status of voluntary contributions for the biennium 2008-2009 as at 31 December 2009**

(in United States Dollars)

Countries/Trust Funds	Voluntary contributions for 2008-2009
I. Trust Fund for the Core Budget of the UNCCD (UXA)	
Germany	1 438 682
Total	1 438 682
II. Trust Fund for Participation of Representatives of Parties in the UNCCD Sessions (UVA)	
Canada -CIDA	15 445
Czech Republic	19 113
Denmark	134 334
Finland	304 015
France	10 174
Ireland	30 257
Japan	20 000
Rep of Korea	49 556
Norway	188 398
Spain	590 058
Sweden	26 775
Switzerland	202 453
Total	1 590 580
III. Trust Fund for Voluntary Financing of Activities under the UNCCD (UWA)	
Brazil	4 443
Czech Republic	116 580
Denmark	19 159
European Union	264 296
Finland	83 907
Italy	1 972 916
Korea, Republic of	485 300
Liechtenstein	8 887
Monaco	124 084
Norway	26 478
Spain	902 920
Sweden	254 970
Switzerland	916 714
Sub-total	5 180 655

Countries/Trust Funds	Voluntary contributions for 2008-2009
Other organizations	
American Geophysical Union	6 348
Bayern GmBH, Germany	78 864
IFAD	46 858
UNEP-CBD	236 123
Sub-total	368 193
Total	5 548 848
IV. Trust Fund for Convention Events Organized by the UNCCD Secretariat (BMA)	
Germany	1 438 682
Total	1 438 682
V. Special Account for UNCCD conference and other recoverable costs (ZHA)	
Argentina	2 029 992
Turkey	719 206
Sub-total	2 749 198
GRAND TOTAL	12 765 990

Schedule 1.3**Contributions paid in advance in the biennium ended 31 December 2009**

(Expressed in United States dollars)

Parties to the Convention	Amount
Albania	693
Angola	319
Antigua & Barbuda	33
Argentina	5 887
Azerbaijan	297
Bangladesh	45
Belgium	514
Benin	876
Bolivia	370
Botswana	345
Brazil	23 461
Cambodia	183
Central African Republic	660
Chile	3 901
Czech Republic	30 888
Denmark	83 135
Ecuador	230
Ethiopia	448
Fiji	19
Gabon	2 993
Georgia	527
Guatemala	2 323
Guinea-Bissau	12
Indonesia	26 682
Israel	40 127
Kiribati	147
Lao People's Dem	151
Latvia	1 958
Madagascar	919
Malaysia	5 163
Mali	456
Mozambique	11
Netherlands	199 774
New Zealand	28 645

Parties to the Convention	Amount
Norway	87 410
Oman	8 047
Philippines	87
Qatar	9 525
Rwanda	65
Senegal	8 519
Seychelles	23
Singapore	41 090
Slovakia	7 048
Sri Lanka	66
Suriname	2 347
Tajikistan	1 694
The FYR of Macedonia	44
Tuvalu	95
United Kingdom of Great Britain and Northern Ireland	711 544
Uzbekistan	118
Zambia	832
TOTAL	1 340 743

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.

The UNCCD Ten year strategy adopted at COP8 in 2008 has also decided on specific role of the secretariat in order to support Parties in the overall implementation processes of the Strategy (Decision 3/COP.8).

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 thereto.

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 2008 – 2009, the COP approved a core budget of EUR 14.896 million, of which, the host Government will pay EUR 1.023 million. The remaining amount is to be contributed by all Parties, who are invited to contribute based on the United Nations scale of assessment.

- (b) Accounting conventions

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. 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 set of accounts. At COP 8 and the First Extraordinary Session of the Parties in November 2007, the COP approved the budget for 2008 – 2009 in EUR. Previous bienniums' budgets were approved in USD. Additionally, the COP approved the change of the currency used in the accounting system from USD to EUR. This change to EUR will be made in conjunction with UN wide changes in its accounting software.

- (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. Such costs are covered under contractual arrangements with Van Breda & Co. International.

(d) 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.

(e) Cash and term deposits

Funds on deposit in interest, non-interest imprest bank accounts, petty cash, time deposits and call accounts are shown in the statements of assets and liabilities as cash. All term deposits are made in line with the United Nations investment policies and guidelines.

(f) 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. Contributions for 2008 were notified to the Parties in December 2007 and recorded as receivables, and recognized in income in January 2008. Contributions for 2009 were notified to the Parties in September 2008.

(ii) Voluntary contributions

Voluntary contributions to UNCCD trust funds are recorded as income when received, which include funds received under Inter-Organization arrangements.

(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 and adjustments 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) Total Income

Secretariat's total income of USD 32,099,972 excludes programme support cost income of USD3,205,664 generated from administering of various trust funds, which has been netted off with equivalent expenditures.

(vi) Contributions

All contributions to Secretariat's activities are deposited with United Nations Office in Geneva. Imprest accounts in Euro are established for UNCCD to cover expenditures for events organised in Bonn. The utilization of such imprest accounts is reflected in the financial statements.

(g) Translation of currencies

The financial statements of the UNCCD are presented in United States Dollars (“USD”). As per United Nations Accounting standards, transactions in other currencies are recorded in United States Dollars by applying the United Nations operational rates of exchange at the time of the transactions. Realized exchange gains are charged to miscellaneous income and losses are charged to operating expense accounts, respectively. Please see note 2 (b) above regarding the change in accounting currency to EUR.

(h) Utilization of reserves

Through December 2009, an amount totalling USD 678,219 had been transferred from the reserve to fund the GM’s share of contributions received in 2009 for approved budgets for the years 1999 – 2007, which had been approved by the Conference of the Parties for the years 1999 – 2007, including eight per cent programme support costs (programme support cost rate approved by the UN Controller). Further, similar transfers will continue to be made to the GM based upon its proportionate share of contributions received for 1999 – 2007.

(i) Reserves and fund balances

As is indicated in note 12, After Service Liabilities, the secretariat accrued the liability for end-of-service and post-retirement benefits as of 31 December 2009 based upon the closing instruction from UNOG as well as the actuarial valuation report received from UNHQ New York. In its balance sheet the secretariat has shown under “Reserves and fund balances” two separate sections, one the “Cumulative surplus (deficit),” which is the balance prior to the accrual of the liability for end-of-service and post-retirement benefits, and a separate section, “Cumulative (deficit) -- End-of-service and post-retirement benefits,” which reflects the current period and cumulative effect of the accrual of the liability for end-of-service and post-retirement benefits as of each balance sheet date.

Note 3 Refunds to Donors

There was a refund to the IFAD for an unspent amount of USD 120,631.

Note 4 Cost Reimbursable Accounts

Temporary cost reimbursable accounts shall be established to Income and Expenditures for irregular occurrences. At the end of the financial period such accounts are closed and any resulting payables/receivables are incorporated in the assets and liabilities statements of the core budget (UXA). In the biennium 2008 – 2009 a cost reimbursable account (ZHA) was established to record funds received from the Government of Turkey, amounting to USD 719,206, and Government of Argentina, amounting to USD 2,029,992 to cover incremental costs of CRIC-7 and COP-9 respectively.

Note 5 Transfer to/from other trust funds

There was a transfer of USD 139,030 from fund UWA to UVA.

Note 6 Cash and term deposits

(in USD)

	As at 31 December 2009
Imprest bank account/petty cash – Euro account	6,558
Imprest account with UNDP – in USD account	7,174
Interest-bearing bank deposits maturing within twelve months – in EUR account	<u>10,411,315</u>
Total	<u>10,425,047</u>

Note 7 Other accounts receivable

(in USD)

As at 31 December 2009

Education grant advances	79,806
Deferred expenditures	39,914
Travel advances	1,029
Salary advances	6,000
Value added tax	31,675
Project clearing (*)	4,069,955
Others	90,686
Total	<u>4,319,065</u>

Note 8 Other accounts payable

(in USD)

As at 31 December 2009

Staff costs – Repatriation grants	172,057
Reserve for Appendix D	237,796
Project clearing – UNDP charges (*)	3,535,060
Others	<u>88,826</u>
Total	<u>4,033,739</u>

(*) Actual amount as per IMIS trial balance under project clearing – direct cash remittance (General Ledger 2411) was USD4,069,955 and under project clearing – UNDP charges (General Ledger 2412) amounted to USD3,535,060 as shown in note 7 and note 8 respectively. These amounts were netted off and remaining amount of USD534,895 (USD4,069,955 – USD3,535,060) shown in the Financial Statements together with other accounts receivables since direct offsetting for the remittance and project clearing charges through IMIS was not possible. In other words, the total amount of USD784,005 reported as receivables in the Financial Statements includes the above netted amount of USD534,895.

Details of the net receivables of USD534,895, reported in the Financial Statements as per table below:

(in USD)

Trust funds	Receivables (remittance - GL 2411)	Payables (Project clearing account - GL 2412)	Balance Receivables/ payables
Trust fund for the Core Budget of the UNCCD - Fund UXA	26,144	(26,144)	0
Trust fund for the participation of Representatives of eligible State Parties in the Sessions of UNCCD Conference - Fund UVA	20,794	(20,794)	0
Trust fund for voluntary financial activities under the UNCCD - Fund UWA	3,891,808	(3,356,913)	534,895
Trust fund for convention events organized by the UNCCD secretariat - Fund BMA	131,209	(131,209)	0
Special account for UNCCD Programme Support Costs - Fund ZQA	0	0	0
TOTAL	4,069,955	(3,535,060)	534,895

Note 9 Operating and Working Capital Reserve

Operating reserves are established at 15 % (UV and UW) of the total annual expenditures 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. A working capital reserve is maintained at 8.3 % of the total approved, annual amount of the core budget (UXA). The reserves are to cover unforeseen shortfalls, uneven cash flows, unplanned costs and other contingencies. At 31 December 2009 the operating reserve had a balance of USD 893,603 and the working capital reserve had a balance of USD 1,179,009 (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 (ZQA), subject to specific exceptions made by the Controller. When a project is shared between UNCCD and another United Nations organization, programme support charges are also shared, accordingly, between both organizations with the combined amount not exceeding 13 %.

Note 11 Non-expendable Inventory

Most of the non-expendable property is attractive in nature and therefore valuation of all non-expendable property is limited to items with a value of USD 1,500 and above. During the biennium acquisitions amounted to USD 54,174, bringing the total value of non-expendable items to USD 729,618.

Note 12 End-of-service and post retirement benefits

(a) End-of-service and post-retirement benefits comprise after-service health insurance (ASHI) coverage, repatriation benefits and commutation of unused vacation days. Effective with biennium ended 31 December 2009, all three liabilities are determined on the basis of an actuarial valuation, which was undertaken by an independent, qualified actuarial firm.

(b) After-service health insurance (ASHI)

- (i) Upon end-of-service, staff members and their dependants may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including ten years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and five years for those who were recruited prior to this date. This benefit is referred to as ASHI.
- (ii) The major assumptions used by the actuary to determine the liabilities for ASHI as at 31 December 2009 were a discount rate of 6.0 per cent; health care escalation of 8.4 per cent in 2010, grading down to 4.5 per cent in 2007 and later years for United States medical plans, and 6.0 per cent in 2010 grading down to 4.5 per cent in 2027 and later years for medical plans outside of the United States; and retirement, withdrawal and mortality assumptions consistent with those used by the United Nations Joint Staff Pension Fund (UNJSPF) in making its own actuarial valuation of pension benefits. By comparison, the assumptions used to determine the liabilities for ASHI as at 31 December 2007 were a discount rate of 5.5 per cent; health care escalation rates of 9.5 per cent in 2008, grading down to 5.0 per cent in 2015 and later years for United States medical plans, and 5.7 per cent in 2008 grading down to 4.5 per cent in 2012 and later years for medical plans outside of the United States. There were no changes in the UNJSPF retirement, withdrawal and mortality assumptions since the 2007 valuation.
- (iii) Another factor in the ASHI valuation is to consider contributions by all plan participants in determining the Organization's residual liability. Thus, contributions from retirees are deducted from the gross liability and commencing with the 31 December 2009 valuation, a portion of the contributions from active staff is also deducted to arrive at the Organization's residual liability in accordance with cost sharing ratios authorized by the General Assembly. These ratios require that the organization's share shall not exceed

one-half for non-US health plans, two-thirds for US health plans, and three-quarters for the Medical Insurance Plan. This refinement in determination of plan participant contributions is reflective of the fact that both active and retired staff participates in the same health insurance plans and that their collective contributions serve to meet the approved cost sharing ratios.

- (iv) On the basis outlined in (ii) and (iii) above, the present value of the accrued liability as of 31 December 2009, net of contributions from plan participants for UNCCD, was estimated at USD 4,153,000, as per table below.

After-service health insurance liabilities	Amount (USD)
Gross obligation	8,306,000
Offset from contributions from plan participants	(4,153,000)
Net obligation	<u>4,153,000</u>

- (v) Further to the assumptions in (ii) above, it is estimated that the present value of the liability would increase by 18 per cent and decrease by 14 per cent if medical cost trend is increased and decreased by 1 per cent respectively, all other assumptions held constant. Similarly, it is estimated that the accrued liability would increase by 19 per cent and decrease by 15 per cent if the discount rate is decreased and increased by 1 per cent respectively, all other assumptions held constant.

(c) Repatriation benefits

- (i) Upon end-of-service, staff members who meet certain eligibility requirements are entitled to a repatriation grant which is based upon length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits.
- (ii) As referred in the above paragraphs, a consulting actuary was engaged to carry out an actuarial valuation of repatriation benefits as of 31 December 2009. Previously, the liabilities for repatriation benefits were calculated based on current costs as of the reporting date, without discounting or other adjustments.
- (iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent; annual salary increases ranging from 10.6 per cent to 5.5 per cent based on age and category of staff members, and travel cost increases of 4.0 per cent per annum.
- (iv) On the basis of these assumptions, the present value of the accrued liability for repatriation benefits as of 31 December 2009 was estimated at USD 600,000.
- (v) The change in accounting policy to an actuarial basis for measuring the liability for repatriation benefits has not been applied retroactively. Had the former methodology been continued, the repatriation benefits including repatriation and relocation would have been USD 1,543,564 as of 31 December 2009. Hence, the effect of adopting this Projected Unit Credit Method in the current period is a decrease of USD 943,564.
- (vi) Previously, UNCCD calculated repatriation benefits under two separate headings, i.e. relocation costs and repatriation costs. Relocation costs were the estimated travel and shipment expenses and repatriation costs were calculated based on the length of the service of the staff members. As of 31 December 2009, these liabilities were directly taken from the actuarial valuations and shown in the financial statement accordingly.

(d) Unused vacation days

- (i) Staff members who separate from the organization are entitled to be paid for any unused annual leave that they may have accumulated up to a maximum of sixty working days.

- (ii) As referred to note above, actuarial consultant also provided for the first time actuarial valuation of the unused vacation days as of 31 December 2009. Previously, the liabilities for unused leave days were calculated based on the direct calculation without discounting or other adjustments.
- (iii) The major assumptions used by the actuary were a discount rate of 6.0 per cent; and an annual of increase in accumulated annual leave balances of 15 days in the first year, 6.5 days per year in the second to sixth year, and 0.1 days annually thereafter, capping at an accumulation of 60 days. Salary is assumed to increase annually at rates ranging from 10.6 per cent to 5.5 per cent based on age and category of the staff members.
- (iv) On the basis of these assumptions, the present value of the accrued liability for unused vacation days as of 31 December 2009 was estimated at USD 358,000.
- (v) The change in accounting policy to an actuarial basis for measuring the liability for unused vacation days has not been applied retroactively, due to the impracticality of undertaking actuarial valuation as of 31 December 2007. Had the former, current costs methodology been continued, the liability would have been USD 768,585. Hence the effect of adopting this new policy in the current period is a decrease of USD 410,585.
- (e) The total liabilities for end-of-service and post retirement are as follows:

(in USD)		
Description	31 December 2009	31 December 2007
After-service health insurance (ASHI)	4,153,000	5,117,000
Repatriation benefits	600,000	750,572
Accrued annual leave	358,000	614,640
Relocation grants	-----	622,681
TOTAL	5,111,000	7,104,893

(f) The change with respect to the repatriation benefits and unused vacation days is considered to be a change in accounting policy. The change, which is in accordance with the paragraph 18 of United Nations System Accounting Standards, is made in order for more reasonable estimates of these liabilities.

(g) The aggregate effect of the accrual of the liability for end-of-service and post-retirement benefits is shown on the balance sheet under reserves and fund balances. The cumulative surplus (deficit) line on the balance sheet reflects the surplus (deficit) before the accrual of the liability for end-of-service and post-retirement benefits.

Note 13 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 14 Disclosure of donations in kind

Services of associate experts were provided by the Governments of Italy, Spain and Germany. The approximate cost of these services was USD 311,720, as is summarized below:

(in USD)

	As at 31 December 2009
Government of Italy (for 15 months)	117,000
Government of Germany (for 12 months)	90,000
Government of Spain (for 14 months)	<u>104,720</u>
Total	<u>311,720</u>
