



**United Nations**

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

**for the year ended 31 December 2021**

*Note*

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

## Contents

<i>Chapter</i>	<i>Page</i>
I. Report of the Board of Auditors on the financial statements: audit opinion .....	3
II. Long-form report of the Board of Auditors.....	6
Summary .....	6
A. Mandate, scope and methodology .....	9
B. Follow-up of previous recommendations and findings.....	10
..	
1. Previous recommendations.....	10
2. Impact of COVID-19.....	10
3. Financial overview.....	11
4. Accounting for property, plant and equipment .....	16
5. Readiness for future IPSAS .....	18
6. Sustainable Development Goals .....	19
7. Consultants and individual contractors with multiple engagements.....	19
8. Overtime and compensatory time off.....	21
9. Statement on Internal Control.....	23
10. Implementation of the Board's prior years' recommendations.....	24
C. Disclosures by management.....	25
D. Acknowledgement .....	25
Annex	
Status of implementation of recommendations up to the financial year ended 31 December 2020 .....	27
III. Certification of the financial statements .....	33
IV. Financial report for the year ended 31 December 2021 .....	34
A. Introduction.....	34
B. Overview of financial statements for the year ended 31 December 2021 .....	35
C. Financial Report on the impact of the Covid-19 pandemic .....	42
V. Financial statements for the year ended 31 December 2021 .....	45
I. Statement of Financial Position as at 31 December 2021 .....	45
II. Statement of Financial Performance for the period 1 January to 31 December 2021 .....	46
III. Statement of Changes in Net Assets for the year ended 31 December 2021 .....	47
IV. Statement of Cash Flow for the period 1 January 2021 to 31 December 2021 .....	48
V. Statement of budget to actual comparison, core budget for the period 1 January 2020 to 31 December 2021 .....	49
Notes to the financial statements .....	50

## Chapter I

### **Report of the Board of Auditors on the Financial Statements: Audit Opinion**

#### ***Opinion***

We have audited the financial statements of the United Nations Convention to Combat Desertification (UNCCD) which comprise the statement of financial position (statement I) as at 31 December 2021 and the statement of financial performance (statement II), statement of changes in net assets (statement III), cash flow statement (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNCCD as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

#### ***Basis for Opinion***

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

#### ***Information other than the Financial Statements and Auditor’s Report thereon***

The UNCCD Executive Secretary is responsible for the other information. The other information comprises the financial report for the year ended 31 December 2021 included in chapter IV, but does not include the financial statements and our auditor’s report thereon.

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

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

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

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

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UNCCD's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- (d) Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on UNCCD's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNCCD to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### ***Report on Other Legal and Regulatory Requirements***

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

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



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



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



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

21 July 2022

## Chapter II

### Long-form report of the Board of Auditors

#### *Summary*

The United Nations Convention to Combat Desertification (UNCCD) was established in 1994 and is the binding international agreement linking environment and development to sustainable land management. The Board of Auditors (Board) audited the financial statements and reviewed the operations of UNCCD for the year ended 31 December 2021. The Board conducted the audit of the financial statements partly remotely due to the COVID-19 pandemic. The interim audit was carried out remotely from 24 to 28 January 2022 and the final audit was conducted on site from 4 to 29 April 2022.

#### *Audit opinion*

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

#### *Overall conclusion*

On 31 December 2021, UNCCD fund balances and reserves amounted to \$17.0 million (in 2020: \$5.2 million, in 2019: \$2.1 million). In 2021, UNCCD recognized a surplus of \$11.2 million (in 2020: \$3.6 million, in 2019: \$3.9 million).

For the biennium 2020-2021, UNCCD received 88 per cent of indicative contributions. The Board noted that UNCCD recovered from the low receipt of indicative contributions for the previous biennium 2018-2019 (75 per cent).

The 2021 financial statements were presented for audit on 31 March 2022. The Board noted that voluntary contributions receivable as at 31 December 2021 were overstated by \$0.7 million, of which \$0.5 million were related to errors in the calculation of the provision for doubtful receivables and \$0.2 million were related to the omission of discounting of non-current receivables. Furthermore, the Board found that \$0.1 million of non-current voluntary contributions were presented as current assets and \$0.4 million of direct grant expenses were erroneously posted to contractual services. Accounts payable and accrued expenses included receivables of \$12,240 against staff members.

UNCCD reviewed these differences and revised its financial statements for the year ended 31 December 2021. UNCCD presented the revised financial statements on 31 May 2022.

UNCCD decided to postpone Conference of Parties (COP) 15, originally planned for the second half of 2021. It took place from 9 to 20 May 2022 in Abidjan, Côte d'Ivoire. For the preparation of the COP, UNCCD assigned professional staff from administrative services, finance unit. Finance staff was, in addition to the day to day business, parallelly responsible to prepare the COP, to finalize the financial statements and to facilitate the audit of the financial statements. In the perception to the Board, this had adverse effects on the quality of the financial statements for the financial year ended 31 December 2021, presented for audit on 31 March 2022. The COP directly affected the availability of key personnel until late in May 2022 and consequently the preparation of revised financial statements issued only on 31 May 2022.

The Board further found certain areas for further improvement such as the accounting for plant, property, and equipment, the structure of UNCCD financial statements and notes, and the close monitoring of general staff overtime expenses.

**Key findings***Accounting of property, plant and equipment*

UNCCD capitalizes items of equipment with a cost of \$5,000 or more. The amount equals the threshold applied by the United Nations Secretariat, although the latter has a disproportionately larger budget, and significantly more property, plant, and equipment. IPSAS require entities to assess at each reporting date whether there is any indication that an asset may be impaired.

UNCCD conducted impairment assessments when events or changes in circumstances indicate that carrying amounts may not be recoverable.

*Overtime and compensatory time off*

UNCCD's practice to approve, report and pay for overtime is not in line with related regulations. A systematic recording and institutionalized control of overtime is not in place. Moreover, UNCCD does not use an intradepartmental or interdepartmental substitution scheme to relieve staff from critical overtime work.

*Statement on Internal Control*

A Statement on Internal Control (SIC) is a public accountability document. By June 2021, a SIC had been implemented in numerous United Nations organizations. The Secretary-General also signed the first SIC for all operations of the United Nations Secretariat for 2020. UNCCD decided not to prepare a SIC.

*Implementation of the Board's prior years' recommendations*

During the last years, UNCCD has not made enough progress in implementing the Board's prior years' recommendations (implementation rate according to last year's report: 43 per cent). UNCCD agrees that recommendations should be implemented in a timely manner but failed to meet its implementation targets mainly due to human resource constraints.

**Key recommendations**

The Board recommends that UNCCD:

*Accounting of property, plant and equipment*

- (a) Reassess the recognition threshold of \$5,000 based on an analysis of the potential impact of a change on PPE presented in its financial statements;**
- (b) Amend its annual closing procedures to include the required assessment as to whether there is an indication that an asset may be impaired;**
- (c) Amend the description of the accounting policy that governs the annual impairment review in the annual financial statements;**

*Overtime and compensatory time off*

- (d) Follow-up on proper authorization and approval of overtime as well as on completed and appropriate claim forms;**
- (e) Set up a systematic recording and institutionalized control of overtime as well as periodical reporting checks, in particular to detect the need of accumulated and/or recurring overtime;**
- (f) Define a "critical" limit of overtime;**
- (g) Assess whether an intradepartmental substitution scheme might contribute to relieving staff members from constant overtime work;**
- (h) Consider to seek for an interdepartmental solution where intradepartmental substitution or temporary assignment is not feasible;**

*Statement on Internal Control*

- (i) Reconsider introducing a SIC based on the SIC signed by the Secretary-General in 2021;**

*Implementation of the Board's prior years' recommendations*

- (j) Establish an implementation plan for the Board's recommendations that is underpinned with staff resources;**
- (k) Monitor progress against the implementation plan.**

*Previous recommendations*

The Board noted that out of the 23 outstanding recommendations up to the year ended 31 December 2020, 14 (61 per cent) had been implemented, one (4 per cent) was overtaken by events, seven (31 per cent) were under implementation, and one (4 per cent) was not implemented. Details of the status of implementation of these recommendations are presented in the annex to this report.

***Key facts***

<b>\$29.82 million</b>	Revenue
<b>\$18.59 million</b>	Expenses
<b>\$11.23 million</b>	Surplus for the year
<b>\$52.69 million</b>	Assets
<b>\$35.67 million</b>	Liabilities
<b>\$17.02 million</b>	Fund balance and reserves
<b>€8.22 million</b>	Core budget
<b>74</b>	Staff



## A. Mandate, scope and methodology

1. The United Nations Convention to Combat Desertification (UNCCD) was established in 1994 and is the binding international agreement linking environment and development to sustainable land management. Currently, the Convention has 197 parties. The work of UNCCD is facilitated by its secretariat located in Bonn, Germany. Established under the Convention as an operational arm, the Global Mechanism provides advisory services and works together with developing countries, the private sector, and donors to mobilize substantial resources for the implementation of UNCCD.
2. The Board of Auditors (Board) has audited the financial statements of UNCCD and reviewed its operations for the year ended 31 December 2021 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto and in accordance with the International Standards on Auditing (ISAs). These standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.
3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNCCD as at 31 December 2021 and the results of its operations and cash flows for the financial year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations and IPSAS. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.
4. In addition to auditing the accounts and financial transactions, the Board carried out reviews of the UNCCD operations under United Nations financial regulation 7.5. This enables the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of UNCCD operations. The Board also followed up on its previous recommendations.
5. Due to the COVID-19 pandemic, the interim audit was carried out remotely from 24 to 28 January 2022 and the final audit was conducted on site from 4 to 29 April 2022. The examination of UNCCD included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of our examination.
6. The findings and observations should not be regarded as representing a comprehensive statement of all the weaknesses which may exist in the financial and management systems at UNCCD, or as identifying all improvements which could be made to the systems and procedures.
7. The Board's observations and conclusions were discussed with the UNCCD secretariat whose views are appropriately reflected in the report.

## **B. Follow-up of previous recommendations and findings**

### **1. Previous recommendations**

8. The Board noted that out of the 23 outstanding recommendations up to the year ended 31 December 2020, 14 (61 per cent) had been implemented, one (4 per cent) was overtaken by events, seven (31 per cent) were under implementation, and one (4 per cent) was not implemented. Details of the status of implementation of these recommendations are presented in the annex to this report.

9. The Board is still concerned about the implementation rate: while the Board found that UNCCD implemented 70 per cent of the recommendations in 2017 and still half of the recommendations in 2018, the rate dropped to 43 per cent in 2019. In 2021, the implementation rate recovered, reaching 61 per cent. However, the Board is of the view that UNCCD should pay more attention to the implementation of the Board's recommendations (recommendation on the implementation of the Board's prior years' recommendations, ref. para. 117).

### **2. Impact of COVID-19**

10. On 11 March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic, that has not yet come to an end. This global public health crisis has required and continues to require significant adjustments to the operations of the United Nations common system organizations worldwide.

11. As a consequence of the new situation, UNCCD aligned its priorities to the situation, mainly as follows:

12. Administrative processes were streamlined. Nonetheless, internal controls as set up in UNCCD's enterprise resource planning system Umoja (Umoja) remained in place and unchanged. Prior to the outbreak of the virus, UNCCD had already moved to electronic approval of travel by unit heads with the head of administration serving as certifying officer. These approvals are permitted on the basis of the Executive Secretary's approval of the travel plan for the period.

13. Since 2010, UNCCD has been moving towards working remotely by replacing desktops with laptops and docking stations which put the organization in a good position to immediately work from outside the office. By taking these measures, the secretariat remained almost fully operational. Nevertheless, COVID-19 presented a challenge to staff and the operations of UNCCD, requiring all staff to work from home and think differently about how to meet the tasks in the work programme. With travel coming to a halt, virtual meetings became the norm. UNCCD managed to recruit new staff and consultants and moved to organizing and sharing files on web- or cloud-based platforms, on the intranet or by email to manage the secretariat's processes.

14. Overall, those activities which were well under way and for which the COVID-19 pandemic was no particular obstacle continued as planned even if they did not fall under the priorities identified. However, due to the ongoing travel restrictions and related difficulties for advance planning, all meetings, training courses and similar tasks planned for 2021, which would involve face-to-face gatherings, were either held as hybrid or virtual meetings (i.e. Meeting of the Bureau of the Conference of Parties (COP Bureau) in November 2021) or postponed (i.e. Conference of Parties (COP) 15 to May 2022). If an online meeting or postponement was not possible, the activity was either cancelled or significantly modified. In some instances, implementing partners had to delay the implementation of activities due to lockdowns.

15. On 27 August 2021, the Executive Secretary suspended the expanded working arrangements for the COVID-19 pandemic and decided that all UNCCD staff should return to the duty station by no later than 15 September 2021. As from 1 September 2021, UNCCD staff returned to the workplace at least twice a week. Since April 2022, staff has returned to the office for a minimum of 3 days a week.

16. In 2020, the operating and other direct costs totalled \$0.76 million and were thus significantly lower than expected. The drop by \$0.59 million compared to 2019 was mainly due to fewer joint activities. In 2021, operating and other direct costs amounted to \$1.22 million, and almost reached pre-pandemic level (in 2019: \$1.35 million, in 2018: \$1.25 million). Travel was understandably infrequent in 2020 and 2021, which resulted in a considerable decrease in travel expenses by more than \$3 million in 2020, the first year of the COVID-19 pandemic (from \$3.3 million to \$0.06 million). In 2021, travel was still of minor importance, thus expenses only slightly increased by \$0.16 million and totalled \$0.22 million.

17. With the outbreak of COVID-19, especially the overall payment of indicative contributions has been a concern. Nevertheless, out of the top 20 contributors to the UNCCD core budget, 18 parties paid their contributions for 2020 and for 2021. The secretariat received 88 per cent of indicative contributions for the biennium 2020-2021, which is a significant improvement compared to 75 per cent of indicative contributions for the biennium 2018-2019.

### 3. Financial overview

#### *Revenue and expenses*

18. The Board noted that revenue from indicative and voluntary contributions amounted to \$29.8 million in 2021 (in 2020: \$18.0 million) representing almost 100 per cent of total revenue. Only \$0.06 million related to other revenue such as interest revenue and gain on investments and was thus significantly lower than in the prior year (in 2020: \$1.2 million). The noticeable increase in voluntary contributions was mainly due to a single voluntary contribution payment of \$5 million received in December 2021, and one multi-year agreement also totalling \$5 million (per year), as well as some additional agreements concluded in 2021.

19. In addition to the increased revenue from voluntary contributions, UNCCD signed a \$70 million 10-year agreement on behalf of the G20 on 30 November 2021. UNCCD did not record any revenue from the agreement in 2021 as the agreement specifies conditions to enter into force which lay outside the control of UNCCD and were only met on 9 March 2022. As the project's implementation plan and a payment schedule are yet to be agreed, UNCCD has been unable to reliably estimate the fair value of the agreement. UNCCD discloses the agreement as a contingent asset.

20. UNCCD's total expenses for 2021 (\$18.6 million) increased by \$3.0 million compared to the expenses for 2020 (\$15.6 million). This increase is predominantly due to higher staff costs (increase of about \$1.8 million), loss on foreign exchange (\$0.5 million; in 2020: gain of foreign exchange of \$0.7 million) and change in provision for doubtful receivables (\$0.6 million; in 2020: other revenue from change in provision of doubtful receivables of 0.02 million). The change in provision for doubtful receivables primarily relates to an allowance on voluntary contributions receivable past due for more than 24 months.

21. In 2021, travel was still infrequent. Thus, travel expenses reached \$0.2 million only instead of an average amount of close to \$3 million in years with a COP session and almost \$2 million in years without a COP session. As COP 15 is scheduled for May 2022, an increase in travel expenses is expected in the financial statements for the year ending 31 December 2022.

22. Table 1 below presents an overview covering a three-year period from 2019 to 2021. The table shows changes and trends in revenue and expenses, and also in the balance sheet categories.

Table 1  
**Overview covering the years 2019-2021**  
(Millions of United States dollars)

	<i>Increase/(decrease) in %</i>			<i>Increase/(decrease) in %</i>	
	<i>2021</i>	<i>2020</i>	<i>2019</i>	<i>2020 to 2021</i>	<i>2019 to 2020</i>
Revenue	29.8	19.2	23.0	55.2	(16.4)
Expenses	18.6	15.6	19.1	19.2	(18.1)
Surplus	11.2	3.6	3.9	211.1	(7.9)
Assets	52.7	39.8	35.1	32.5	13.2
Liabilities	35.7	34.5	33.0	3.5	4.5
Fund balance and reserves	17.0	5.2	2.1	226.8	152.7
Personnel expenses	12.0	10.2	10.9	17.6	(6.5)

*Source:* Board of Auditors' calculations based on the UNCCD financial statements for 2021, 2020, and 2019.

23. During the last years, the number of staff has remained at a similar level (in 2021: 74, in 2020: 72, in 2019: 71). The number of UNCCD leavers and joiners was almost balanced. However, more staff of the professional category left UNCCD in 2021 compared to staff of the general service category. This caused higher staff costs than in previous years, particularly in the subcategories repatriation, relocation and other end-of-service allowances such as home leave paid out.

24. Following the Board's recommendation in the report on the financial statements for the year ended 31 December 2016, UNCCD started to significantly reduce the number of consultants and individual contractors. This trend initially led to a constant decrease of contracts by more than one third (38.4 per cent), from 154 in 2019 to 95 in 2020 (and has almost halved since 2018). Nevertheless, the Board noted that the number of contracted consultants and individual contractors reached 130 in 2021, representing an increase of about 37 per cent.

#### *Assets and liabilities*

25. The Board noted that the constant increase in assets continued in 2021. In the report on the financial statements for the year ended 31 December 2020, the Board reported that assets rose from \$30.4 million to \$39.8 million during the 24-month period (from year-end 2018 to year-end 2020). In 2021, the amount for total assets further increased by \$12.9 million, thus reaching \$52.7 million at year-end. This represents a considerable increase of 32.5 per cent for one year. Major changes in the 2021 assets compared to the 2020 assets stemmed from an increase in current and non-current voluntary contributions receivable by \$7.3 million and in investments by \$4.5 million.

26. Liabilities amounted to \$35.7 million at year-end 2021. The Board noted a slight increase by 3.5 per cent compared to the previous year (in 2020: by 4.5 per cent). In particular, the 2021 non-current employee benefit liability was \$0.7 million higher compared to 2020, and advance receipts increased by \$0.5 million.

27. Table 2 presents key financial ratios. They indicate that UNCCD's current liquidity has further improved as at 31 December 2021 compared to previous years. In addition, its overall solvency (total assets: total liabilities) has also further improved.

Table 2  
Ratio analysis

Ratio	31 Dec 2021	31 Dec 2020	31 Dec 2019	31 Dec 2018 (restated)
<b>Assets-to-liabilities ratio<sup>a</sup></b>				
Total assets: total liabilities	1.48	1.15	1.06	1.29
<b>Current ratio<sup>b</sup></b>				
Current assets : current liabilities	12.20	10.59	9.38	7.97
<b>Quick ratio<sup>c</sup></b>				
(Cash + short-term investments + accounts receivable): current liabilities	12.09	10.48	9.25	7.85
<b>Cash ratio<sup>d</sup></b>				
(Cash + short-term investments): current liabilities	8.01	7.01	6.32	6.26

Source: Board of Auditors' calculations based on the UNCCD financial statements for 2021, 2020, 2019, and 2018 (restated)

<sup>a</sup>A high ratio is a good indicator of solvency.

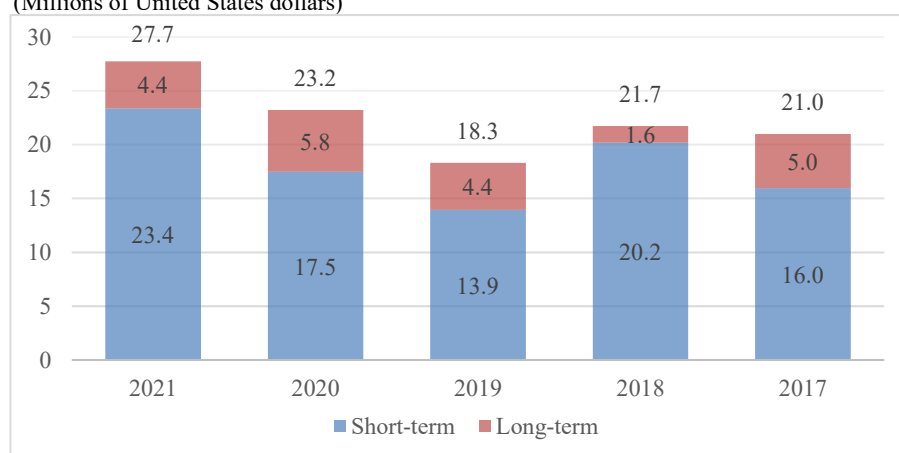
<sup>b</sup>A high ratio indicates an entity's ability to pay off its current liabilities.

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

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

28. The Board recognized that UNCCD's solvency at year-end 2021 had further increased to 1.48. According to the current ratio, the quick ratio and the cash ratio, UNCCD's liquidity further improved. The strengthened liquidity was mainly the result of voluntary contributions being recognized as assets in the first year of the respective multi-year agreement but also of shifts among investment categories (see table 3 below).

Table 3  
Development of investments during the years 2017-2021  
(Millions of United States dollars)



Source: UNCCD financial statements for 2021, 2020, 2019, 2018, and 2017

29. Total investments increased in 2021 from \$23.2 million to \$27.7 million (see table 3 above). Hereof, short-term investments increased by one third (33.7 per cent) but long-term investments decreased by almost one quarter (24.1 per cent) thus equalling the size reached in 2019. However, the trend to shift between investments and cash in favour of investments as in prior years did

not continue. Cash increased from \$2.9 million to \$3.4 million. As cash and investments are managed by United Nations Treasury, this is outside the control of UNCCD.

*Net assets by fund*

Table 4

**Net assets/(liabilities) by fund**

(Millions of United States dollars)

	<i>Net assets/ (liabilities) as at 31 Dec 2021</i>	<i>Employee benefit liabilities as at 31 Dec 2021</i>	<i>Revenue in 2021</i>	<i>thereof indicative contributions revenue</i>	<i>thereof voluntary contributions revenue</i>
Trust fund for Convention events organized by the UNCCD secretariat (BMA)	<b>1.03</b>	0.00	0.59	-	0.59
Trust fund for voluntary financing of the UNCCD Global Mechanism (GMZ)	<b>15.98</b>	0.01	5.92	-	5.91
Trust fund for the participation of representatives of state parties in the session of the UNCCD Conference (UVA)	<b>0.15</b>	-	0.00	-	-
Trust fund for voluntary financing of activities under the UNCCD (UWA)	<b>23.89</b>	0.01	13.46	-	13.36
Trust fund for the core budget of the UNCCD (UXA)	<b>(13.10)</b>	20.31	9.84	9.30	0.59
Special account for UNCCD programme support cost (ZQA)	<b>(12.49)</b>	12.85	1.99	-	-
UNCCD cost recovery under home country agreement (ZHC)	<b>1.57</b>	-	0.00	-	-
Eliminations	-	-	(1.99)	-	-
<b>Total</b>	<b>17.02</b>	33.18	29.82	9.30	20.46

*Source:* UNCCD financial statements for 2021; statement of financial position by fund and statement of financial performance by fund

30. The Board recognized an increase in net assets at year-end 2021 compared to 2020. The increase of \$11.8 million to \$17.0 million was primarily driven by the net result for 2021.

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

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

3 to the financial statements).

*Improvements during the audit*

33. The Board identified several transactions that were incorrectly reflected in the financial statements:

- The split of current and non-current voluntary contributions receivable presented by UNCCD did not reflect due dates of open items recorded in Umoja. Furthermore, UNCCD did not record an allowance for doubtful voluntary contributions receivable and did not discount voluntary contributions receivable with due dates more than 12 months after the reporting date.
- Using UNCCD's records, the Board estimated current and non-current voluntary contributions receivable, an allowance for doubtful receivables and the impact of discounting. According to the estimates, current voluntary contributions receivable were overstated by \$596,506. Non-current voluntary contributions receivable were overstated by \$95,600. The expenses from the net loss on foreign exchange and the net change in provision for doubtful receivables were understated by \$2,553 and \$488,895, respectively. Revenue from voluntary contributions was overstated by \$200,659.
- UNCCD erroneously recorded expenses from grants out as consultancy services. The expenses were therefore presented under the caption "contractual services" instead of "grants" in the statement of financial performance. The Board identified four grants with a total of approximately \$380,560.
- Accounts payable and accrued expenses include receivables, primarily against current and former staff members, amounting to \$12,240. Accrued payables and accrued expenses and other accounts receivable are understated by said amount.

34. Furthermore, the Board has issued various comments on UNCCD's annual financial reporting for the year ended 31 December 2021 and, in particular, on the notes to the financial statements. The Board's comments have indicated potential for improvement and addressed, in particular, inconsistencies in the annual reporting and other possible sources of misinterpretation.

35. UNCCD reviewed the differences and revised its financial statements for the year ended 31 December 2021. UNCCD presented the revised financial statements on 31 May 2022.

*Further potential to enhance the usefulness of UNCCD's financial statements*

36. In 2021, the Board engaged in discussions with UNCCD to further enhance the usefulness of the financial statements. The Board is of the opinion that UNCCD's stakeholders, including the parties to the Convention, will benefit from more accessible, understandable and thus more "user-friendly" financial statements.

37. The discussions identified five areas for further improvement of the financial statements:

- The financial statement captions presented on the face of the statement of financial performance should focus on material categories of transactions.
- The notes to the financial statements obviously need to reflect the changes to the statement of financial performance. Breakdowns presented in the notes should reconcile to the figures presented on the face of the statement of financial performance. Furthermore, UNCCD

may reduce redundancies within the notes. For example, information on significant accounting policies was repeated in notes explaining the composition of individual financial statement captions.

- UNCCD may discuss the differences presented in the statement of comparison of budget and actual amounts in further detail. While UNCCD presented a detailed reconciliation of net results on a budgetary and IPSAS basis, the deviation in individual budget lines remained largely unexplained.
- UNCCD may discuss changes in net assets other than the surplus/deficit for the period in more detail. While actuarial gains and losses were appropriately presented, their role as a main driver of changes in net assets could be discussed more prominently.
- UNCCD may improve the disclosure on financial instruments and risk management. In line with the United Nations IPSAS policy, UNCCD made extensive disclosures on the cash pool. Disclosures on other financial instruments and related risks were limited.

38. UNCCD has implemented some of the discussed enhancements in its financial statements for the year ended 31 December 2021. In particular, UNCCD further aligned the presentation with other United Nations organizations, most notably on the face of the statement of financial performance. Disclosures on financial instruments and risk management add informative value.

#### **4. Accounting for property, plant and equipment**

##### *Recognition of assets*

39. IPSAS 21.14 requires an entity to recognize the cost of an item of property, plant and equipment (PPE) if:

- a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- b) The cost or fair value of the item can be measured reliably.

40. The recognition of an asset enables the users of financial statements to assess operational and financial capacity. Subsequently, the asset is depreciated to reflect its use in the cost of services provided.

41. There are no explicit exceptions from the requirement to recognize an item of PPE if the aforementioned conditions are met. Nevertheless, entities regularly expense items of PPE when they are acquired if their value is below a certain threshold. This approach follows practicability and materiality considerations as entities avoid the need to track numerous assets with a value clearly insignificant in relation to the total asset. Furthermore, the effect on expenses is offset to the extent the total value of items of PPE below the threshold remains constant over time.

42. The Board noted that UNCCD recognizes items of equipment with a cost of \$5,000 or more. The amount equals the threshold applied by the United Nations Secretariat for vehicles; prefabricated buildings; satellite communication systems; generators; and network equipment. For other classes of PPE, the United Nations Secretariat uses a threshold of \$20,000.

43. The PPE of UNCCD had a net carrying amount of about \$23,000 as at 31 December 2021 (\$44,000 as at 31 December 2020). They comprised one vehicle and information and communications technology (ICT) equipment.



*Impairment reviews*

44. IPSAS 21 prescribes the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognized. This standard also specifies when an entity would reverse an impairment loss and prescribes disclosures. IPSAS 21.26 defines that an entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset.

45. Basically, entities are required to derecognize assets that no longer contribute to their operational and financial capacity. While the impairment loss is immediately recognized in the statement of financial performance (in surplus or deficit), in future periods, the cost of services provided is reduced as no depreciation is charged for the derecognized asset.

46. In its financial statements, UNCCD states that “Impairment assessments are conducted when events or changes in circumstances indicate that carrying amounts may not be recoverable and any impairment losses are recognized in the statement of financial performance. The useful lives of equipment are reviewed and adjusted, if applicable”.

*Assessment and recommendations*

47. The Board found no indication that PPE of UNCCD were significantly misstated. Nevertheless, if UNCCD does not recognize items of PPE upon acquisition or does not realize impairment losses, UNCCD is at risk of misstating assets and expenses. Such a misstatement may affect the assessment of cost of services provided in the period as well as the entity’s operational and financial capacity.

48. Therefore, any threshold below which items of PPE are not recognized needs to be carefully determined by the reporting entity. The threshold of \$5,000 currently used by UNCCD may not be appropriate. For comparison, total assets of the United Nations Secretariat (vol. I) that applies a threshold of \$5,000 or \$20,000 (depending on the asset category) are approximately 270 times the total assets of UNCCD. At the same time, PPE of the United Nations Secretariat primarily comprise land, buildings and infrastructure whereas UNCCD has an asset-light operating model. Its operational capacity is defined by staff and contracted expertise but also by the availability of items of ICT equipment with a value which is often below the recognition threshold.

**49. The Board recommends that UNCCD reassess the recognition threshold of \$5,000 based on an analysis of the potential impact of a change on PPE presented in its financial statements.**

50. Furthermore, UNCCD might fail to identify an impaired asset as it does not comply with the two-stage process required by IPSAS 21.26. UNCCD does not systematically assess at each reporting date whether there is any indication that an asset may be impaired. It only conducts impairment assessments when events or changes in circumstances indicate that carrying amounts may not be recoverable.

51. Given the limited number of non-cash-generating assets, the Board is of the opinion that the annual review required by IPSAS 21 is manageable. UNCCD Management may nevertheless decide to introduce a threshold below which it does not assess each asset individually every year.

**52. The Board recommends that UNCCD amend its annual closing procedures to include the required assessment as to whether there is an indication that an asset may be impaired.**

**53. The Board further recommends that UNCCD amend the description of the accounting policy that governs the annual impairment**

**review in the annual financial statements.**

54. UNCCD accepts the recommendations. For the revised financial statements issued on 31 May 2021, UNCCD assessed its assets for an indication of impairment. UNCCD will repeat the assessment annually and has already amended the description of the accounting policy in the notes to the financial statements.

**5. Readiness for future IPSAS**

55. In November 2020, the IPSAS Board deferred the effective dates of new standards and of amendments to existing standards to 1 January 2023. This affects IPSAS 41, Financial Instruments; IPSAS 42, Social Benefits; Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendments to IPSAS 41); Collective and Individual Services (Amendments to IPSAS 19); and Improvements to IPSAS 2019. Improvements to IPSAS 2021 will be effective from 1 January 2023 apart from amendments to IPSAS 29 which will be effective from 1 January 2022. The new IPSAS 43, Leases, is scheduled to be effective from 1 January 2025.

56. Furthermore, the IPSAS Board expects to issue new IPSAS on “Revenue and Transfer Expenses” and “Retirement Benefit Plans” in 2022 and early 2023.

57. During its meeting in December 2021, the Panel of External Auditors (Panel) received presentations on the developments in accounting standards and reporting. The Panel noted that several significant changes to existing standards would apply in the coming years, with substantial impacts on United Nations system entities. The Panel thinks that these changes will need early and close attention to enable proper adoption on a timely basis.

58. As a result of discussions with UNCCD Management, the Board has learned that UNCCD Management is aware of upcoming changes to accounting standards. Through its participation in an inter-organizational Task Force on Accounting Standards (task force), the budget and finance unit of UNCCD monitors the development of accounting standards. The task force serves as a forum for United Nations system entities to discuss related challenges and expected impacts.

*Assessment and recommendation*

59. UNCCD will be affected by upcoming changes to IPSAS. In particular, any changes to the accounting for non-exchange revenue may significantly alter the picture of its financial position and financial performance. Like the United Nations Secretariat, UNCCD needs to pay close attention to these changes to enable proper adoption in due time. Given the demands of day-to-day business, the Board welcomes the attention the budget and finance unit of UNCCD pays to current developments in accounting standards.

60. However, the COVID-19 pandemic has led to a situation in which numerous potentially far-reaching adjustments to established accounting practices could be required in a short period of time. Also, the pandemic continues to affect UNCCD operations. Together with existing resource constraints, this may make it difficult to implement adapted accounting processes.

61. Therefore, the Board holds that UNCCD shall proactively prepare for upcoming changes to accounting standards. This would enable the entity to identify any challenges well in advance and to discuss them with stakeholders, thus effectively avoiding misunderstandings and unnecessary work. Also, the entity would gain clarity on the resources required to implement any of the

changes and therefore could minimize impacts on day-to-day business.

62. **The Board recommends that UNCCD continue to closely monitor developments in financial accounting standards and briefly analyse which upcoming changes may affect the entity.**

63. **The Board further recommends that for the changes that have potentially far-reaching impacts UNCCD analyse these impacts in detail, develop implementation plans and discuss them with stakeholders.**

64. UNCCD accepts the recommendations.

## 6. Sustainable Development Goals

65. The Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals designed to be a “blueprint to achieve a better and more sustainable future for all”. The SDGs were set up in 2015 by the United Nations General Assembly and are intended to be achieved by 2030. They are included in a resolution called the 2030 Agenda. The SDGs include relevant targets under SDG 15 Life on Land: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

66. In particular, UNCCD and its member states have endorsed target 15.3, which is becoming an important tool for UNCCD implementation. The target calls for combating desertification, restoring degraded lands and soils, including those affected by desertification, drought and floods, and striving for a world free of land degradation by 2030.

67. UNCCD is the custodian agency for SDG indicator 15.3.1 which is used to monitor progress towards achieving SDG target 15.3. Countries are supported in setting and implementing national voluntary targets regarding target 15.3.1. In the UNCCD secretariat and Global Mechanism, actions on land degradation neutrality are integrated into the work programme at the level of four-year outcomes and outcome indicators, and into the two-year targets. The goals and targets of its strategy will be pursued in close collaboration with several partners.

68. UNCCD has a strategic framework for the period from 2018 to 2030 that is directly linked to the achievement of target 15.3.1. The actions taken to implement it are directly related to the same budget years.

69. Every four years, countries report on their actions taken to implement the UNCCD strategic framework. The secretariat and the Global Mechanism conduct internal monitoring usually every six months, in which progress towards each target is assessed on the basis of related performance data. This internal monitoring is the basis for the results-based performance report submitted to the COP, in which the target-specific progress is summarized into broader statements of achievement against the outcomes.

## 7. Consultants and individual contractors with multiple engagements

70. Consultants and individual contractors (CiC) are hired to respond quickly, flexibly and effectively to organizational priorities. UNCCD applies the administrative instruction ST/AI/2013/4 on “Consultants and individual contractors” (CiC policy). In “Section 4 Selection process”, the CiC policy stipulates that in the final selection of a CiC “careful scrutiny [...] and any potential conflict of interest should be taken into account.” Also, certain restrictions apply to the duration of the contract: Consultants must not provide services for more than 24 months in any 36-month period. Only individual contractors engaged to perform language functions on a unit-cost basis are

excluded from this stipulation. The CiC policy does not limit the number of contracts that can be concluded with individual persons. It also does not mention in particular the case when a CiC is engaged in several contracts for different clients at the same time.

71. UNCCD has concluded 278 contracts with CiC from 1 January 2019 to January 2022, in which payments have been made. Table 5 shows the figures, which are based on the Umoja BI report prepared on 2 September 2021 and on 21 January 2022, respectively.

Table 5

**Purchase orders for consultants/individual contractors**

<i>Purchase order valid to date in</i>	<i>Number of purchase orders</i>	<i>Number of CiC (supplier)</i>	<i>Total "Net Invoiced Value in USD"</i>
2019	91	67	776,014.80
2020	80	66	937,432.53
2021	107	90	1,603,457.61

Source: UNCCD product categories 80111600 and 80111700

72. The Board found three purchase orders related to contracts with a consultant who worked for another United Nations entity in addition to UNCCD. The duration of the contracts totals 1,027 contract days (about 33 months). They overlap by 149 days and cover a time frame of 878 days (about 29 months).

73. UNCCD explained that it had contracted the consultant for only 14 months in the specified cycle. The consultant's work for UNCCD was based on the finalized deliverables and not on the monthly basis.

74. The Board acknowledges the special circumstances of the contracts and considers the explanations given to be conclusive.

75. The Board found eight purchase orders related to contracts for one consultant who worked for another United Nations entity in addition to UNCCD. The duration of the contracts totals 1,876 contract days (about 61 months). They overlap by 1,110 days and cover a time frame of 945 days (about 31 months).

76. UNCCD stated that it had engaged the consultant for language services. The secretariat believes that exceptions for operational needs are necessary, as it would be very difficult to find someone with knowledge of the UNCCD process and language every two years.

77. The Board acknowledges that different rules apply to consultants who perform language functions. The exception addressed here is contained in No. 5.9 of the CiC policy. However, the exception only applies when contracts for performing language functions are concluded on a unit-cost basis. UNCCD would need to conclude another contract with the consultant in order to apply the exception.

78. The CiC policy stipulates that the repeated use of the same consultant or individual contractor must be limited in time. This is irrespective of whether he or she performs different tasks within the workplan or a series of tasks within the same project. Internal controls must be in place to detect and prevent instances where time limits are expected to be exceeded.

79. The Board is of the opinion that 100 per cent employment is achieved when an average of 8 hours of work is performed 5 days per week. The Board considers it a matter of concern when individuals are apparently obligated to work more than 100 per cent of their time over long periods of time. It is questionable to get to an acceptable average work volume through periods of less occupation. Also, the CiC is taking health risks which can have a detrimental

effect on the quality of work.

80. The CiC policy does not address cases where contracts overlap. In section 4.5 (under the heading “Selection process”), the policy only stipulates that “any potential conflict of interest, should be taken into account” in the selection process. The Board is of the opinion that overlapping contracts pose a particular risk of conflict of interest. Therefore, the Board considers it indispensable that other contractual obligations should be known to UNCCD when the contract with a (potential) CiC is concluded. UNCCD should investigate how potential and actual overlaps could be transparently documented so that this information could be considered in the selection process. In addition, a consultant shall be required to inform his or her client in an existing contractual relationship if he or she enters into another contractual relationship with another organization, as this could constitute a conflict of interest.

81. UNCCD should consider requiring the CiC to self-disclose any potential conflict of interest. UNCCD should also consider requiring the CiC to state that the contractual obligations in total remains within the applicable working time limits permitted.

**82. The Board recommends that UNCCD attempt to become aware when consultants and individual contractors are intending to enter into overlapping contracts with both UNCCD and other contracting entities so that this information can be considered in the selection process.**

83. UNCCD accepts the recommendation.

## 8. Overtime and compensatory time off

84. In the United Nations system, overtime means the time worked in excess of the scheduled workday or scheduled workweek or during any of the United Nations official holidays. According to International Labour Organization (ILO) practices, supervisors are expected to arrange the work of their organizational units so that overtime is an exceptional occurrence.

85. During the past three years, UNCCD’s total staff expenses in the subcategory overtime increased significantly. For 2019, expenses for overtime amounted to \$19,928. For 2020, the amount more than doubled, thus reaching \$41,583. As at 31 December 2021, the expenses for overtime totalled \$73,862 in 2021. Overtime compensation for this three-year period was mainly paid to the same five staff members.

86. UNCCD’s regulations for overtime and compensatory time off are based on the United Nations Staff Regulations and Rules. Therefore, staff members in specific categories such as general or security services, who are required to work in excess of the working week shall be given compensatory time off or may receive additional payment, under conditions established by the Secretary-General.

87. For defining overtime in more detail, UNCCD applies the Executive Secretary’s directive (ES directive) of 10 July 2000 “Overtime and compensatory time off (CTO)”. The ES directive stipulates, inter alia, that all overtime must have the prior authorization and approval of the staff member’s supervisor. For this purpose, staff members should use the “Request to work overtime” (ROT) form which has to be signed by the supervisor.

88. The Board notes that UNCCD does not run a time-recording system for the regular working time such as a time-punch or a swipe-card system. Thus, regular working time is based on trust. This is partly true for recording overtime.

89. If approved/authorized overtime occurred, the extent of overtime worked has to be verified. Staff members should use the “Monthly Overtime Report” (MOR) claim

form. The MOR form contains information on the date and time, the amount of overtime worked and the purpose. The MOR should be fully and clearly completed and signed by the staff member and certified by the supervisor. All claims should be forwarded to the administration and must be supported by the duly completed and signed ROT and MOR forms.

90. The administration counterchecks the submitted MOR and enters the data into Umoja. When supervisors approve the overtime in Umoja, it is automatically processed and paid out with the next salary through the payroll.

91. UNCCD stated that although the policy set out forms for processing overtime, the intent to work overtime had regularly been communicated orally between staff member and supervisor. Due to the lack of documentation, the Board could not verify if overtime had actually been authorized in advance.

92. In the majority of cases, MOR forms reviewed were not fully completed and/or signed. 35 per cent of overtime recorded in the MOR forms did not state any purpose of the overtime worked. The remaining 65 per cent include overtime for which either no purpose was indicated or the purpose was described with “various processing”, i.e. no specific activity was indicated. In some cases, the signatures of the claimant or supervisor, or both signatures, and/or the dates of signature/s were lacking. In other cases, the amount of total overtime was not reported or wrongly calculated. Nonetheless, those MOR forms were signed by supervisors. Besides, one staff member did not use the required MOR form.

93. UNCCD’s practice to approve, report and pay for overtime is not in line with the ES directive. The required forms are often incomplete or not used at all. The Board notes that following UNCCD’s modus operandi, overtime is approved in writing only retrospectively. Furthermore, not only the authorization in general but also overtime hours worked by the individual staff member are questionable.

94. The Board is of the view that neither the ROT form nor the MOR form is used in a way that complies with related regulations. Since prior authorization of requests to work overtime was lacking, overtime worked was not authorized in a considerable number of cases. Moreover, the Board notes that almost all reviewed MOR forms were not appropriately completed.

95. As a result, the Board is concerned that UNCCD did not meet the prerequisites – as stipulated in the ES directive – for proper payments of overtime. The Board emphasises that payments for overtime could be reclaimed if there was no legal basis for overtime worked.

96. **The Board recommends that UNCCD should follow-up on proper authorization and approval of overtime as well as on completed and appropriate claim forms.**

97. UNCCD accepts the recommendation.

#### *Control mechanisms and duty of care*

98. UNCCD is aware of the increase in overtime for certain functions and has taken initial countermeasures (hiring CiC to cover the administrative/technical support work). UNCCD plans further revisions on the specific support functions and possible creation of jobs in the second half of 2022 (after COP 15) to be introduced for the next biennium. However, UNCCD has no framework for substitution and does not temporarily assign staff members from departments with fewer workloads.

99. In general, UNCCD does not provide for a systematic countercheck, a periodical reporting or any other institutionalized control procedure to avoid a “critical” limit of overtime. The only control authority rests with the managerial level that approves the MOR.

100. Two staff members account for 68 per cent of total overtime worked in the three-year period from 2019 to 2021, hereinafter referred to as X and Y. Each of the

two staff members often worked a total monthly overtime of 40 hours minimum although only 40 hours per month were reimbursable.

101. X recorded 41 per cent of paid overtime. X worked overtime from home or in the UNCCD office exclusively on weekends at mostly identical times. Consequently, X received an additional remuneration of \$50,361.

102. In only 16 months, i.e. from September 2020 to December 2021, Y worked 27 per cent of the entire overtime in the three-year period. Y worked overtime in addition to normal working hours during the workweek and at weekends. Y received an additional remuneration of \$35,347.

103. The Board is of the opinion that excessive overtime might identify a structural problem, that in some functions the workload is permanently too high and that UNCCD faces a possible failure of the control mechanisms. As ILO practices expect supervisors to arrange the work of their organizational units so that overtime is an exceptional occurrence, UNCCD Management may not fulfil its duty of care to staff members X and Y.

104. Instruments to minimize the workload should also have been considered such as temporary assignments. For X, an intradepartmental solution would have been feasible since one administrative function (travel) was almost on halt and the responsible staff member could have been a backup.

105. In general, the lack of institutionalized control and reporting entails the risk that permanent work overload of staff members remains unrecognized and appropriate countermeasures are not initiated. From the Board's point of view, it is insufficient that the sole responsibility to control overtime rests with the direct supervisor who requests and approves overtime. Here, the Board sees room for improvement, also with regard to corruption prevention. In such a sensitive area, duty of care also requires Management to protect employees from suspected misuse of overtime by complying with all regulations and providing proper documentation.

**106. The Board recommends that UNCCD set up a systematic recording and institutionalized control of overtime as well as periodical reporting checks, in particular to detect the need of accumulated and/or constantly recurring overtime.**

**107. The Board also recommends that UNCCD should define a "critical" limit of overtime in advance.**

**108. The Board further recommends that UNCCD assess whether an intradepartmental substitution scheme might contribute to relieving staff members from constant overtime work.**

**109. The Board recommends that UNCCD should consider to seek for an interdepartmental solution where intradepartmental substitution or temporary assignment is not feasible.**

110. UNCCD accepts the recommendations.

## **9. Statement on Internal Control**

111. A Statement on Internal Control (SIC) is a public accountability document that provides assurance that an organization operates under an effective system of internal control. It is a systematic approach to managing control and risk as well as to increasing the effectiveness of an organization. The United Nations Department of Management Strategy, Policy and Compliance (DMSPC) briefed the Audit Operations Committee on 2 June 2021 on the introduction of a SIC in the United Nations Secretariat. United Nations Management had pursued the implementation of a SIC since 2015 and chose to use the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as the conceptual basis. By June 2021, a SIC had been implemented in numerous other organizations. The Secretary-

General also signed the first SIC for all operations of the United Nations Secretariat for 2020, marking an important milestone towards achieving greater accountability for results.<sup>1</sup>

112. The Board understands from previous discussions with UNCCD Management that it had decided not to prepare a SIC. Management held that, given the relative scope of UNCCD operations, the less complex control environment compared to the United Nations Secretariat and the limited resources, the potential benefits would not justify the considerable effort required.

113. Even though the preparation of a SIC is not required, the Board is of the view that it is a critical accountability document which contributes to the transparency of the control environment and of risks faced by the organization. Its preparation directs Management's attention to risks and controls.

114. The Board holds that also UNCCD would benefit from the implementation of a SIC as a systematic approach to manage risks and controls. Furthermore, a SIC aligned with those prepared by other organizations of the United Nations system increases comparability which would lead to more overall transparency.

**115. The Board recommends that UNCCD reconsider introducing a SIC based on the SIC signed by the Secretary-General in 2021.**

116. UNCCD accepts the recommendation and plans to consider how best to introduce a SIC in 2022.

## 10. Implementation of the Board's prior years' recommendations

117. According to the Board's report on the financial statements of the year ended 31 December 2018, UNCCD implemented 70 per cent of the recommendations up to the year 2017. In the following report, the Board noted that the implementation rate still reached 50 per cent. In last year's report on the financial statements of the year ended 31 December 2020, the implementation rate dropped to 43 per cent when only nine out of 21 prior years' recommendations had been implemented. Thus, the Board expressed its concerns about the further decrease in the implementation rate of the Board's prior years' recommendations.

118. In addition to the prior years' recommendations to follow up on, the Board released 11 new recommendations in its report on the financial statements of the year ended 31 December 2020. Hence, the entire list of open recommendations comprises 23 recommendations.

119. In the case of 10 recommendations, UNCCD had responded that it would "take action in (early) 2021". In November 2021, UNCCD postponed the announced implementation in most of the cases to "take action in (early) 2022".

120. The Board understands from discussions with UNCCD that diverse reasons have led to the further delays. In particular, available resources were limited as staff members worked on other tasks such as the organization of COP 15 that took place in Abidjan, Côte d'Ivoire, in May 2022.

121. Until 31 May 2022, UNCCD has implemented 14 of the Board's 23 open recommendations up to the financial year ended 31 December 2020. The implementation rate recovered to 61 per cent.

122. Furthermore, the Board acknowledges that some recommendations require responses from United Nations Headquarters. Delays in implementing these recommendations were beyond UNCCD's responsibility.

<sup>1</sup> <https://reform.un.org/news/secretary-general-signs-first-statement-internal-controls>;  
[https://reform.un.org/sites/reform.un.org/files/2107156e\\_sic\\_en.pdf](https://reform.un.org/sites/reform.un.org/files/2107156e_sic_en.pdf)



123. The Board and UNCCD agree that recommendations should be implemented in a timely manner. However, UNCCD repeatedly failed to meet its implementation targets due to the aforementioned human resource constraints.

124. **The Board recommends that UNCCD establish an implementation plan for the Board's recommendations that is underpinned with staff resources.**

125. **Furthermore, the Board recommends that UNCCD continuously monitor progress against the implementation plan.**

126. UNCCD accepts the recommendations.

## **C. Disclosures by Management**

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

127. UNCCD reported that there were no write-offs of cash, receivables and assets during 2021. UNCCD also did not make any ex gratia payments.

### **Cases of fraud and presumptive fraud**

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

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

130. UNCCD further reported that there was no case of fraud and presumptive fraud for the financial year ended 31 December 2021.

## **D. Acknowledgement**

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



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



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



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

21 July 2022

**Annex**

**Status of implementation of recommendations up to the financial year ended 31 December 2020**

<i>Audit Report</i>	<i>No. Year</i>	<i>Report Reference</i>	<i>Board's Recommendation</i>	<i>Management/Administration's Response</i>	<i>Board's Assessment</i>	<i>Status after Verification</i>				
						<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>	
	1	2017	ICCD/COP(14)/10 chap. II, para. 86	The Board recommends that UNCCD establish a systematic fraud risk assessment in line with the enterprise risk management.	UNCCD will discuss the topic at the next meeting of the risk management task force. UNCCD is working to finalize the assessment in the course of 2022.  Terms of Reference have been developed to hire an expert to integrate and update the risk assessment process in UNCCD.	This recommendation remains under implementation.	X			
	2	2018	ICCD/COP(14)/9 chap. II, para. 40	The Board recommends that, in consultation with United Nations Treasury, UNCCD assess the possibilities of investment approaches within the cash pool for the reserves set aside for the after-service health insurance liabilities.	UNFCCC together with UNCCD sent email messages to United Nations treasury regarding the possibilities to invest reserves set aside for the after-service health insurance liabilities. The organizations are waiting for the feedback from United Nations Treasury.  In October 2021, the actuary has requested additional information to be provided in due course pending receipt of the confirmation that the contract for the actuary has been renewed.	The contract of the actuary has been renewed for 2022. Discussions to develop an investment proposal have not been finalized.  The recommendation remains under implementation.		X		
	3	2018	ICCD/COP(14)/9 chap. II, para. 51	The Board recommends that UNCCD consult with the actuary and United Nations Headquarters on the data basis for the actuarial valuation of employee benefit liabilities to enhance the accuracy of the actuarial valuation.	UNCCD secretariat reviewed the data submitted by United Nations Headquarters and used by the actuary. The secretariat was given the opportunity to make corrections. Therefore, the recommendation is implemented.	This recommendation is considered to be implemented.	X			
	4	2018	ICCD/COP(14)/9	The Board recommends that UNCCD assess, in consultation with United Nations	UNCCD is in ongoing discussions on this matter with	This recommendation remains		X		

					<i>Status after Verification</i>				
<i>Audit Report</i>									
<i>No.</i>	<i>Year</i>	<i>Report Reference</i>	<i>Board's Recommendation</i>	<i>Management/Administration's Response</i>	<i>Board's Assessment</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
		chap. II, para. 55	Headquarters, whether it is beneficial to conclude agreements with the organizations of incoming and leaving UNCCD staff to gain legal assurance on the employee benefit liabilities incurred for those staff members.	the United Nations Secretariat. No conclusion has been reached.	under implementation.				
5	2018	ICCD/COP(14)/9 chap. II, para. 116	The Board recommends that UNCCD review the administrative services provided by other United Nations entities, price lists of service providers and its own structure with the aim to propose the revision of the administrative arrangement and the institutional linkage.	UNCCD agreed with the recommendation and will continue to consult with United Nations Headquarters on the matter.  The secretariat paid the Umoja usage fees for 2020 and 2021, and has made a proposal to the COP at its 15th session to continue making payment.  UNCCD considers the relationship with UNOG and UNDP to be well documented. Furthermore, UNCCD expects the COP at its 15th session to decide on the continuance of the institutional linkage, and to review the current institutional linkage and related arrangements before the end of 2023.	The Board shares the view that the relationship with UNOG and UNDP is relatively well documented. The COP at its 15th session decided to continue the institutional linkage and to review related arrangements. This recommendation is considered to be implemented.	X			
6	2019	ICCD/COP(15)/8 chap. II, para. 39	The Board recommends that UNCCD, in line with IPSAS 1.66, correct the titling and the summary wording when announcing the annual financial statements in future Conference of Parties' agendas.	The Board presented its 2019 and 2020 reports at the COP Bureau meeting of November 2021. UNCCD corrected the titling and summary wording in the COP Bureau meeting agenda.	This recommendation is considered to be implemented.	X			
7	2019	ICCD/COP(15)/8 chap. II, para. 45	The Board recommends that UNCCD visibly announce the audited financial statements including the Board's report in the Conference of Parties' or committees' agendas.	The Board presented its 2019 and 2020 reports at the COP Bureau meeting of November 2021. UNCCD visibly announced the presentation in the COP Bureau meeting agenda.	This recommendation is considered to be implemented.	X			

				<i>Status after Verification</i>					
<i>Audit Report</i>		<i>Board's Recommendation</i>	<i>Management/Administration's Response</i>	<i>Board's Assessment</i>					
<i>No.</i>	<i>Year</i>				<i>Report Reference</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
			UNCCD considers the recommendation to be implemented.						
8	2019	ICCD/COP(15)/8 chap. II, para. 56	The Board recommends that UNCCD ensure that Umoja roles provisioned match the specific authority delegated and, preferably, that specific authorities delegated entail the provisioning of Umoja roles.	UNCCD responded that the first step has been done with the issuance of the delegation of authority of the UNCCD as of 1 April 2021. Further sub-delegations to staff have been done.	UNCCD has done everything in its power to make its Umoja roles compliant. The rules are made in such a way that they are in some cases not achievable for smaller organizations. The United Nations Secretariat would need to create more generous exceptions for small entities. Therefore, the Board considers the recommendation to be implemented.	X			
9	2019	ICCD/COP(15)/8 chap. II, para. 61	The Board recommends that UNCCD, in coordination with the United Nations Secretariat, review how UNCCD could ensure segregation of duties with regard to procurement activities up to \$50,000.	The UNCCD secretariat, led by the Executive Secretary, met with the Under-Secretary-General for Management Strategy, Policy and Compliance to discuss aligning the Delegation of Authority of 1998 with Umoja.  The UNCCD secretariat shared data on purchase orders with the Monitoring of Delegation of Authority Section, Business Transformation and Accountability Division, which is currently considering on the next steps forward.	The recommendation remains under implementation.		X		
10	2019	ICCD/COP(15)/8 chap. II, para. 70	The Board recommends that UNCCD liaise with United Nations Treasury to specify the responsibilities between UNCCD and United Nations Treasury and explore options to formalize this arrangement.	UNCCD initiated discussions with United Nations Treasury regarding the recommendation in the course of 2021.	The recommendation remains under implementation.  The Board proposed to UNCCD to write down UNCCD's understanding of UNCCD's and United Nations Treasury's respective responsibilities from the			X	

					<i>Status after Verification</i>			
<i>Audit Report</i>		<i>Board's Recommendation</i>	<i>Management/Administration's Response</i>	<i>Board's Assessment</i>	<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
<i>No.</i>	<i>Year</i>							
				existing arrangement.				
11	2019	ICCD/COP(15)/8 chap. II, para. 86	The Board recommends that UNCCD manage its risks through an up-to-date enterprise risk management framework.	UNCCD intends to take action in 2022.	The recommendation has not been implemented.  UNCCD did not release an up-to-date enterprise risk management framework in 2021, and postponed the release to 2022.			X
12	2019	ICCD/COP(15)/8 chap. II, para. 93	The Board recommends that UNCCD enhance its internal calculation of budget requirements to facilitate monitoring and reporting on budget performance.	UNCCD enhanced the internal calculation of budget requirements for the budget proposal submitted to COP15.	This recommendation is considered to be implemented.	X		
13	2020	ICCD/COP(15)/9 chap. II, para. 42	The Board recommends that UNCCD review its financial statement discussion and analysis to improve adherence to IPSAS Board's Recommended Practice Guideline.	UNCCD has already included the financial statement discussion and analysis in the financial statements 2020 and 2021. UNCCD will take appropriate action accordingly if the Board sees further options to improve adherence.	UNCCD has started to adapt the financial statement discussion and analysis. Hence, UNCCD improved adherence to the respective guideline.  This recommendation is considered to be implemented.	X		
14	2020	ICCD/COP(15)/9 chap. II, para. 50 / para. 51	The Board recommends that UNCCD analyse open items of indicative contributions receivable to match EUR receivables and payments in other currencies.  Furthermore, the Board recommends that UNCCD liaise with the Umoja finance team to improve the automated matching of incoming payments to related receivables denominated in other currencies.	UNCCD has generated the reports and reconciled the transactions in currencies other than Euros. Further the differences were analysed and posted in Umoja.  The Umoja team has informed UNCCD that no such reports are available. UNCCD has further to reconcile these postings manually.	UNCCD has liaised with the Umoja finance team as recommended.  This recommendation is considered to be implemented.	X		
15	2020	ICCD/COP(15)/9 chap. II, para. 57 / para. 58	The Board recommends that UNCCD continue to closely monitor programme support revenue and analyse the development of cash, cash equivalents and investments in fund 6ZZQA "Special account for UNCCD programme support costs", i. e. that programme support revenue remains sufficient to cover personnel	UNCCD is closely monitoring the cash situation under programme support costs, noting the increase of expenditure in the last months of 2021 due to the easing of restrictions attributed to the pandemic. As at 31 December	This recommendation is considered to be implemented.	X		

				<i>Status after Verification</i>			
<i>Audit Report</i>		<i>Board's Recommendation</i>	<i>Management/Administration's Response</i>	<i>Board's Assessment</i>	<i>Under</i>		<i>Not Overtaken by events</i>
<i>No.</i>	<i>Year</i>				<i>Report Reference</i>	<i>Implemented</i>	
		expenses in the fund. The Board further recommends that UNCCD identify potential measures to ensure financial sustainability of fund 62ZQA "Special account for UNCCD programme support costs", i.e. that programme support revenue remains sufficient to cover personnel expenses in the fund.	2021, there was enough revenue available to cover the expenses during the reporting period.				
16	2020	ICCD/COP(15)/9 chap. II, para. 69	The Board recommends that UNCCD integrate the risk of conflict of interest of their staff members into the risk register.	UNCCD notes that, although it has provided training to all staff regarding the subject, it will incorporate the risk and its mitigation into the risk register as part of an overhaul of the risk register in 2022.	The recommendation remains under implementation.		X
17	2020	ICCD/COP(15)/9 chap. II, para. 76	The Board recommends that UNCCD strengthen the orientation training for new staff members to raise awareness among staff on the obligation to disclose any situation of possible conflict of interest, to mitigate such actual or perceived conflicts and to request prior authorization before engaging in outside activities.	UNCCD now requires new staff member to watch the conflict of interest seminar conducted during the time of the Leadership Dialogue series in 2020.	The recommendation is considered to be implemented.	X	
18	2020	ICCD/COP(15)/9 chap. II, para. 85	The Board recommends that UNCCD define key performance indicators to monitor that delegated authorities are exercised in an efficient and competent manner and with integrity.	UNCCD has developed key performance indicators based on those used by United Nations Headquarters to monitor its Delegations of Authority.	The recommendation is considered to be implemented.	X	
19	2020	ICCD/COP(15)/9 chap. II, para. 93	The Board recommends that UNCCD evaluate if the videoconferencing software is considered indispensable and either take measures to increase information security to the point where the remaining risk becomes tolerable or terminate the use immediately.	UNCCD has started using only video conferencing software that has end to end encryption and other mandatory security features such as waiting room, meeting room passcode etc. UNCCD IT section is also providing necessary basic security training	The Board acknowledges UNCCD's efforts to increase information security. As for this particular videoconferencing software, the OICT has added it to the list of United Nations standards. In this respect, the Board sees no longer any reason not to use it. The Board considers this		X

				<i>Status after Verification</i>					
<i>Audit Report</i>		<i>Board's Recommendation</i>	<i>Management/Administration's Response</i>	<i>Board's Assessment</i>	<i>Under</i>		<i>Not</i>		
<i>No.</i>	<i>Year</i>				<i>Report Reference</i>	<i>Implemented</i>	<i>implementation</i>	<i>implemented</i>	<i>Overtaken by events</i>
			for all staff.	recommendation to be overtaken by events.					
20	2020	ICCD/COP(15)/9 chap. II, para. 108	The Board recommends that UNCCD review its processes for low value acquisition to make improvements in using as few processing steps as possible, eliminating media disruptions to the greatest extent possible and improving the availability of supporting documentation.	UNCCD has reviewed its process for low value acquisition and has reduced the steps to the minimum required. UNCCD makes every effort to upload all documents in Umoja.	The Board considers this recommendation to be implemented.	X			
21	2020	ICCD/COP(15)/9 chap. II, para. 116	The Board recommends that UNCCD implement comprehensive guidelines for the CiC documentation and file management. The guidelines should determine what kind of essential information shall be documented to the extent required.	UNCCD is working on the preparation of a comprehensive guideline and intends have a first draft by mid-2022. The on-going process has led to several training sessions in late 2021.	The recommendation remains under implementation.		X		
22	2020	ICCD/COP(15)/9 chap. II, para. 121	The Board recommends that UNCCD improve the terms of reference describing the work to be performed by the consultants and individual contractors in order to meet the requirements specified in Administrative Instruction ST/AI/2013/4.	Since May 2021 UNCCD uses a new template for terms of reference in accordance with the requirements of ST/AI/2013/4.	UNCCD has adapted its template for the terms of reference accordingly.  The Board considers the recommendation to be implemented.	X			
23	2020	ICCD/COP(15)/9 chap. II, para. 125	The Board recommends that UNCCD monitor regularly the extended cycle for the consultancy plan. Furthermore, UNCCD should review whether the new cycle of approval for the consultancy plan corresponds to the requirements of an appropriate and effective continuous monitoring and control of budget and CiC performance.	UNCCD is currently reviewing the second half of 2022 consultancy requests after the implementation of the 1 <sup>st</sup> half of 2022 consultancy review.	The Board considers the recommendation to be implemented.	X			
<b>Total</b>			<b>23</b>			<b>14</b>	<b>7</b>	<b>1</b>	<b>1</b>
<b>Percentage</b>			<b>100</b>			<b>61</b>	<b>31</b>	<b>4</b>	<b>4</b>



## Chapter III

### Certification of the financial statements

The financial statements of the United Nations Convention to Combat Desertification (UNCCD) for the financial year ended 31 December 2021 have been prepared in accordance with financial rule 106.1 of the Financial Regulations and Rules of the United Nations. This is the eighth time that the financial statements have been prepared under the International Public Sector Accounting Standards (IPSAS).

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

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

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

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

31 May 2022

## Chapter IV

### Financial report for the year ended 31 December 2021

#### A. Introduction

1. The permanent secretariat of the United Nations Convention to Combat Desertification (UNCCD) was established in December 1996. The Strategy is to forge global partnerships to reverse and prevent desertification and land degradation. These partnerships are also meant to mitigate the effects of drought in affected areas. Coupled with the vision is a strategy mission: To provide a global framework to support the development and implementation of national and regional policies that contribute to the reduction of poverty.
2. Note 1 to the financial statements provides information on the governance of the UNCCD.
3. UNCCD receives services from United Nations Headquarters (UNHQ), New York; United Nations Office at Geneva (UNOG); United Nations Framework Convention on Climate Change (UNFCCC); United Nations Development Programme (UNDP); and United Nations Common Services in Bonn.
4. UNHQ provides treasury services including the report of cash and its equivalent, investment, posting interest income, gain and losses, revaluation and forward the notes on financial risk and instruments.
5. UNOG provides Human Resources Services such as Medical Services, Legal and Policy Advisory Services, and contract, entitlements, benefits and time administration. Financial Services include applied deposits/cash applications, vendor payments, medical/life insurance, payroll processing, banking/vendor investigations, and disbursements. It also provides limited Information and Communication Technology services including Umoja user access provisioning, Umoja role mapping and Remote Access Services.
6. UNCCD has an agreement with UNFCCC on procurement services.
7. UNCCD has an arrangement with the UNDP on a Service Clearing Account, whereby UNDP disburses funds to implementing partners, vendors, and consultants. Furthermore, UNDP provides administrative, procurement and financial services for the Regional Liaison Office in Africa.
8. UN Common Services is responsible for the operation and maintenance of UN premises including security in Bonn, Germany. It is also responsible for mail and franking, telephone reception services, meeting rooms and equipment for conference servicing. UNCCD receives these services and reimburses the costs based on the actual services provided.
9. The financial statements of the UNCCD are prepared and submitted to the Conference of Parties (COP) in accordance with the UN financial regulations and rules. The financial statements include all the operations under the direct authority of the Executive Secretary including the core budget, the Global Mechanism and the extra-budgetary financed activities. The 2021 financial statements are prepared based upon International Public Sector Accounting Standards (IPSAS) in accordance with the decision of the United Nations General Assembly, provide increased information

on actual assets and liabilities enabling in improved internal control and enhanced management of UNCCD's total resources. The statements include additional information on revenue and expenses to senior management to support decision-making and enhance strategic planning. The financial statements are prepared under IPSAS using full accrual-based accounting. UNCCD's budget is prepared on a modified cash basis of accounting in accordance with its financial regulations. Note that under IPSAS:

- Revenue from voluntary contributions to technical cooperation is recognized when the contract with the donor becomes binding (i.e. at the time of signature of both parties, rather than when cash is received).
- In the case of contributions that impose conditions requiring return of funds not utilized in accordance with the terms of the agreement, revenue is not recognized until UNCCD delivers the services specified in the agreement with the donor.
- Expenses are recognized when services or goods are received or delivered rather than when a commitment is recognized.
- The annual changes in employee defined benefit obligations (other than those caused by adjustments in actuarial assumptions) are now recognized as expenses rather than in fund balance.
- The value of fixed assets such as vehicles and communications information technology equipment acquired has been capitalized rather than expensed. Included in expenses for 2021 is the depreciation on a vehicle and communications information technology equipment.

## **B. Overview of financial statements for the year ended 31 December 2021**

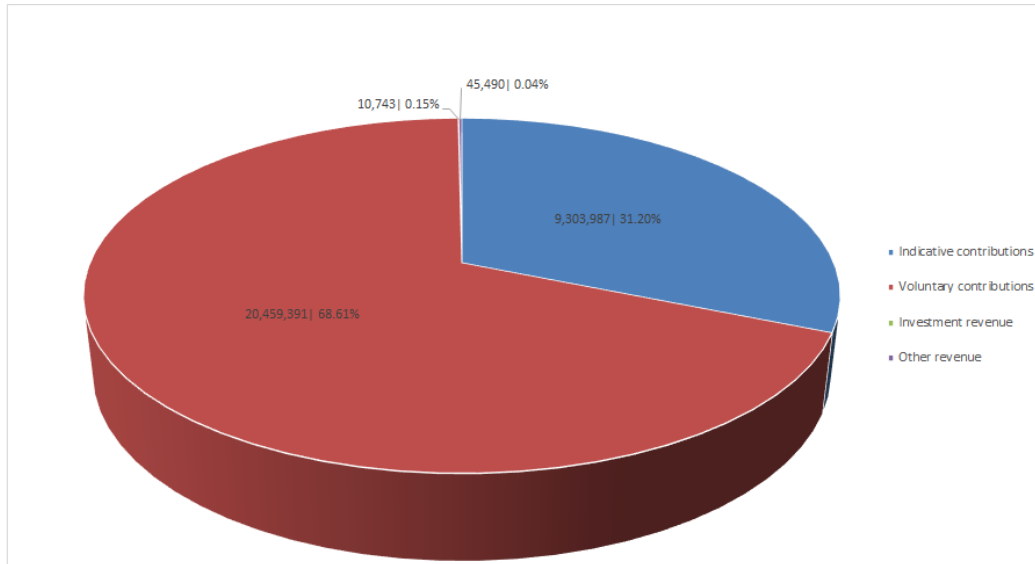
10. Financial statements I, II, III, IV and V show the financial results of the activities of UNCCD and its financial position as at 31 December 2021. The notes to the financial statements explain UNCCD's accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

### **Financial performance**

#### ***Revenue***

11. Revenue in 2021 totalled USD 29.82 million (see Note 17: Revenue), as presented below in figure I.

**Figure I. Total Revenue as at 31 December 2021  
(In United States dollars)**



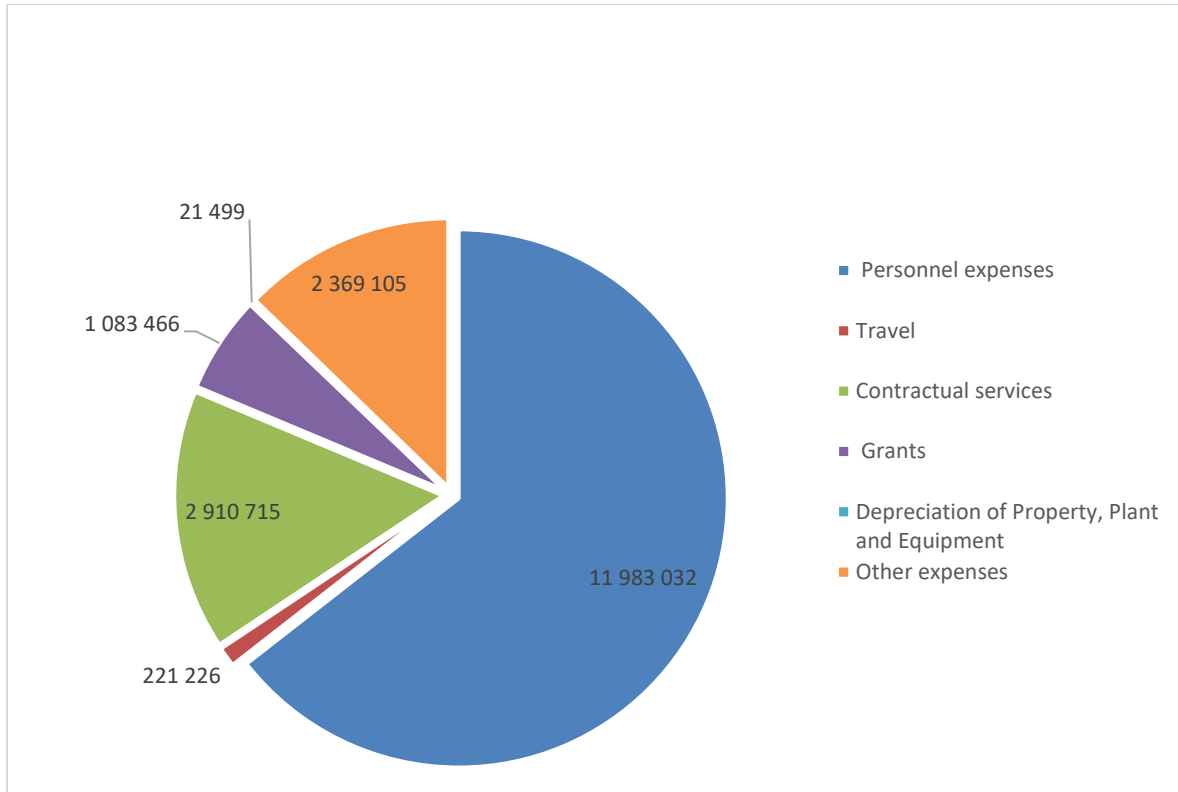
12. The principal sources of revenue were:

- Indicative contributions from signatories of the Convention. Indicative contributions for 2021 totalled USD 9.3 million from Member States, or 31.2 per cent of total revenue (2020: USD 8.46 million or 44.03 per cent).
- Voluntary contributions from donors totalled USD 20.46 million, or 68.61 per cent (2020: USD 9.59 million or 49.87 per cent), comprising (i) contributions of USD 5.91 million for the Global Mechanisms and USD 14.55 million for Secretariat respectively.
- Investment revenue, which represented 0.04 per cent of total revenue, decreased to USD 0.01 million from USD 0.43 million reported in 2020.
- The remaining revenue is the gain on investments in the amount of USD 0.05 million or 0.15 per cent.

***Expenses***

13. Expenses in 2021 totalled USD 18.59 million as shown below in figure II.

**Figure II. Total Expenses as at 31 December 2021  
(In United States dollars)**

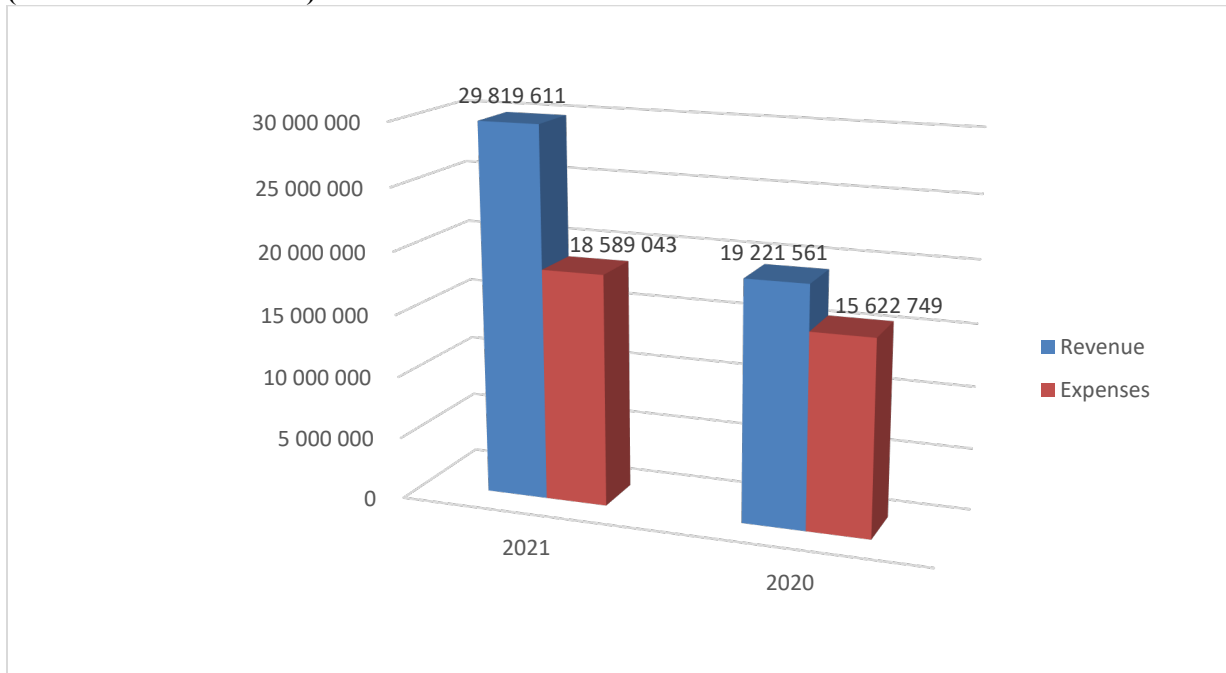


14. An increase of USD 2.97 million in total expenses was reported from the total expense amount of USD 15.62 million reported in 2020. The main increases in 2021 were in Personnel expenses, Travel, Contractual services and Other expenses including Operating expenses, Loss on foreign exchange and Change in provision for doubtful debts including the voluntary contributions. However, there were decrease in expenses such as Grants, Supplies, Commodities and materials and Equipment, vehicle and furniture. Due to the COVID-19 pandemic, all workshops and meetings were held hybrid and virtual, and travel of delegates/participants and staff were undertaken, and logistics were included.

15. The main expenses categories are Personnel expenses for USD 11.98 million or 64.46 per cent (2020: USD 10.19 million), Travel in the amount of USD 0.22 million or 1.19 per cent (2020: USD 0.06 million) Contractual services (non-employee compensation including consulting services individual fee, consultancy travel fee) for USD 2.91 million or 15.66 per cent (2020: USD 2.11 million), and Grant for USD 1.08 million, or 5.83 per cent (2020: USD 2.33 million). Depreciation of Property, Plant and Equipment in the amount of USD 0.02 million, or 0.12 per cent (2020: USD 0.02 million), and Other expenses of USD 2.37 million or 12.74 per cent (2020: USD 0.91 million), including Operating expenses of USD 1.22 million, Change in provision for doubtful receivables in the amount of USD 0.63 million, Loss on foreign exchange in the amount of USD 0.50 million and supplies, equipment and furniture of USD 0.01 million (2020: USD 0.15 million), make up the remaining total expenses.

16. Total Personnel expenses for USD 11.98 million or 64.46 per cent, which include (i) salary and wages of USD 6.72 million; (ii) pension and insurance of USD 2.04 million; (iii) interest and current service costs related to defined benefit obligations (After-Service Health Insurance, annual leave, and repatriation grant/travel) in the amount of USD 1.42 million; and (iv) other benefits of USD 1.8 million.

**Figure III. Movement in revenue and expenses  
(In United States dollars)**



17. There was an increase of USD 10.60 million in total revenue compared with the revenue reported in 2020, as shown in figure III above. The increase in revenue was mainly for the voluntary contributions from various donors as per the signed memorandum of understanding and agreements. Most of these agreements were signed in 4th quarter 2021. There was also an increase of USD 2.97 million in total expenses compared with the expenses reported in 2020. The sources of significant increase were USD 1.79 million for Personnel expenses, Travel, which increase by USD 0.16 million, contractual services of USD 0.80 million and Other expenses of USD 1.46 million including operating and other direct costs of USD 0.46 million, Allowance for doubtful debts for voluntary contributions of USD 0.49 million, and loss on foreign exchange of USD 0.51 million. There was also decrease in grant of USD 1.24 million, supplies, and equipment in the amount of USD 0.14 million.

***Operating results***

18. The net surplus in revenue over expense in 2021 is reported at USD 11.23 million, compared with the surplus of USD 3.6 million in 2020.

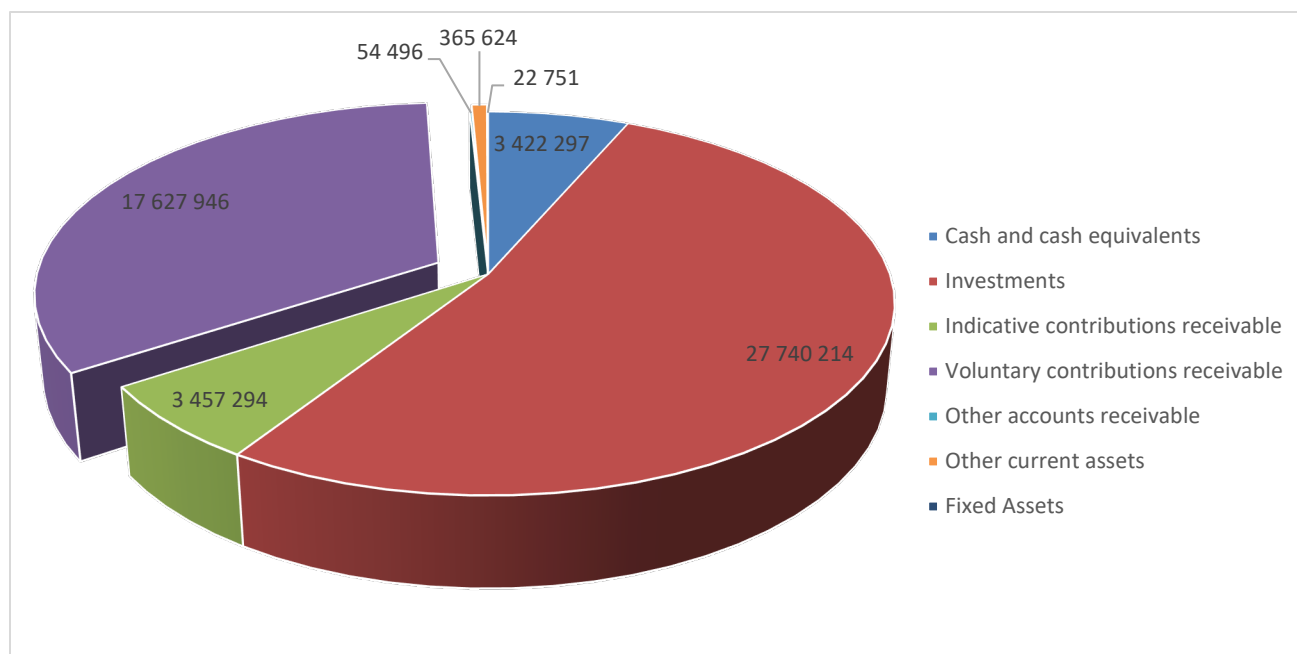
**Financial position**

*Assets*

19. UNCCD reports an increase in total assets of USD 12.93 million as at 31 December 2021 from the balance of USD 39.76 million reported as at 31 December 2020, to the current USD 52.69 million. The major components of UNCCD's assets are as follows:

<b>Summary of Assets at 31 December</b>	<b>2021</b>	<b>2020</b>	<b>Difference</b>
<b>(in United States dollars)</b>			
Cash and cash equivalents	3 422 297	2 854 666	567 631
Investments	27 740 214	23 231 879	4 508 335
Sub total assets held in cash pool	31 162 511	26 086 545	5 075 966
Indicative contributions receivable	5 502 760	4 824 388	678 372
Less provision for doubtful receivables	(2 045 466)	(1 904 867)	(140 599)
Net indicative contributions receivable	3 457 294	2 919 521	537 773
Voluntary contributions receivable	18 317 500	10 284 257	8 033 243
Allowance for doubtful debts	(488 895)	-	(488 895)
Discounting	(200 659)	-	(200 659)
Net voluntary contributions receivable	17 627 946	10 284 257	7 343 689
Other accounts receivable	54 496	103 161	(48 665)
Other current assets	365 624	323 877	41 747
Fixed assets	22 751	44 250	(21 499)
<b>Total Assets</b>	<b>52 690 622</b>	<b>39 761 611</b>	<b>12 929 011</b>

**Figure IV. Total assets as at 31 December 2021**  
(In United States dollars)



20. As shown above in figure IV, UNCCD's assets largely comprised investments of USD 27.74 million, or 52.65 per cent (2020: USD 23.23 million), voluntary contributions receivable from donors of USD 17.63 million, or 33.46 per cent (2020: USD 10.28 million), indicative contributions receivable from signatories to the Convention in the amount of USD 3.46 million, or 6.56 per cent (2020: USD 2.92 million) and cash and cash equivalents totalling USD 3.42 million, or 6.50 per cent (2020: USD 2.85 million). The remainder comprised 0.84 per cent, other accounts receivable of USD 0.05 million (2020: USD 0.1 million), other assets of USD 0.37 million (2020: USD 0.32 million), and fixed assets of USD 0.02 million (2020: USD 0.04 million).

21. **Cash, cash equivalents and investments:** Cash, cash equivalents and investments are USD 31.16 million held in the UN Treasury Cash Pools (2020: USD 26.09 million). This represents an increase of USD 5.07 million over the balance held at the end of 2020. Changes in cash are shown in statement IV.

22. **Accounts receivable:** Accounts receivable from indicative contributions are recognized net of a provision of 50% for all amounts overdue for three years and 100% for all amounts overdue for four or more years. Voluntary contributions receivable based on the signed agreement/letter of intent in the net amount of USD 17.63 million of which USD 9.66 million represents receivable due for the Global Mechanism. Other accounts receivable includes staff recoverable of USD 0.01 million, investment revenue receivable in the amount of USD 0.03 million reported by UNHQ New York, and value added tax balances in the amount of USD 0.01 million.

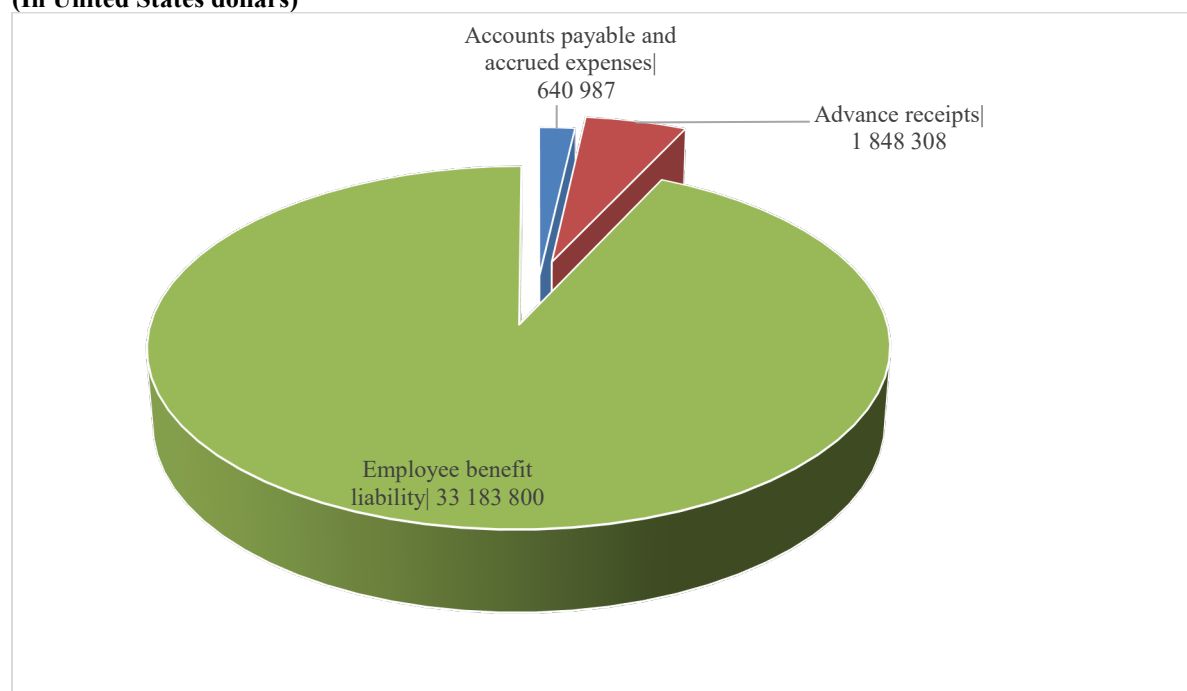
### *Liabilities*



23. Liabilities as at 31 December 2021 totalled USD 35.67 million (2020: USD 34.52 million) as follows:

<b>Summary of liabilities at 31 December (in United States dollars)</b>	<b>2021</b>	<b>2020</b>	<b>Difference</b>
Accounts payable and accruals	640 987	763 664	(122 677)
Advance receipts	1 848 308	1 394 657	453 651
Employee benefit liabilities	33 183 800	32 351 971	831 829
Other liabilities	-	6 586	(6 586)
<b>Total Liabilities</b>	<b>35 673 095</b>	<b>34 516 878</b>	<b>1 156 217</b>

**Figure V. Total Liabilities as at 31 December 2021  
(In United States dollars)**

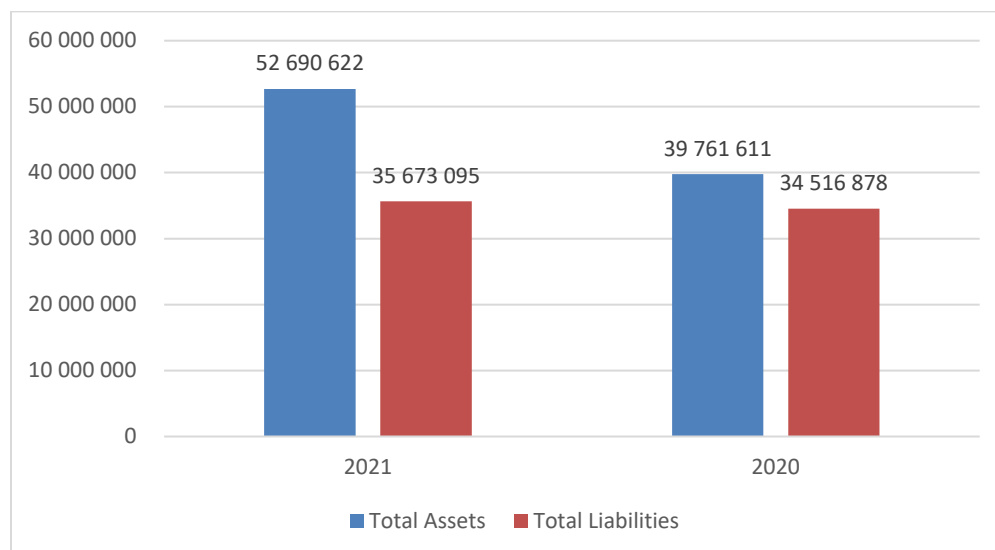


24. The most significant liability is the employee benefits (see figure V) earned by staff members and retirees but not paid at the reporting date, primarily the liability for ASHI. These liabilities total USD 33.18 million, or 93.02 per cent (2020: USD 32.35 million, represent 93.73 per cent) of UNCCD's total liabilities, and are explained in detail in note 14 to the financial statements. The increase of ASHI liability in 2021 in the amount of USD 0.75 million is due to the effect from the increase of the discount overcompensated by the increase of the expected health care cost trend. The repatriation grant decreases by USD 0.08 and annual leave liability has increased in the amount of USD 0.02 million due to the interest rate effects.

25. Another significant liability advance receipt covers indicative contributions received in advance of the start of the year to which they are related totalling USD 0.32 million (2020: USD 0.83 million). Also included are voluntary contributions, provided by donors totalling USD 1.53 million (2020: USD 0.56 million), that contain conditions requiring the performance of specified services or the return of unused

funds to the donor in accordance with the terms of the agreement. In addition, accounts payable and accrued liabilities stood at USD 0.64 million (2020: USD 0.76 million); this amount relates primarily to payables to vendors in the amount of USD 0.29 million, accruals for goods and services of USD 0.34 million, and the remaining balance from the Government of the Bolivarian Republic of Venezuela in the amount of USD 0.005 million (2020: USD 0.42 million).

**Figure VI. Movement in assets and liabilities as at 31 December 2021**  
(In United States dollars)



26. Figure VI shows an increase of assets held for USD 12.93 million, from USD 39.76 million reported in 2020 to USD 52.69 million reported for 2021, and an increase in liabilities of USD 1.15 million, from USD 34.52 million reported for 2020 to USD 35.67 million reported for 2021.

#### *Net assets*

27. The movement in net assets during the year reflects increase of USD 11.77 million from USD 5.24 million in 2020 to USD 17.01 million in 2021 due to the operating surplus of USD 11.23 million and actuarial and other adjustments recognized in net assets of USD 0.54 million. Net assets include the operating reserves which remained at USD 2.0 million.

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

28. In its 2019 and 2020 financial statements, UNCCD indicated that the extent of the impact of the COVID-19 pandemic on the financial performance of the UNCCD will depend on future developments, including (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the global economy, all of which are highly uncertain and cannot be reliably predicted. Where evident on the UNCCD's financial performance for the 2021 financial year, the financial impact has been disclosed within the relevant financial statement notes affected.

29. The outbreak of the COVID-19 pandemic in mid-March 2020 became a global challenge and impacted the global economy in an unprecedented manner. However, the UNCCD continued to focus on the effective implementation of its programmatic activities. The UNCCD quickly adjusted to these unprecedented circumstances and there was a robust response from supporting partners/donors in addressing the pandemic during this period. The following are various financial considerations of COVID-19 on the 2021 financial year.

30. The COVID-19 pandemic manifested itself in a variety of ways in the activities of UNCCD during 2021. While the impact on the way UNCCD conducted its business was profound, the direct, visible and measurable impact on the financial performance for 2021 and the financial position at the end of the year was limited. Furthermore, there can be no objective, exact or systematic determination of the impact of the COVID-19 pandemic on these financial statements as accounting and reporting systems are not intended or designed to report costs, revenues and balances based on a specific underlying cause, such as a pandemic. Despite these limitations, certain broad trends can be identified and are reflected in the financial statements where applicable.

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

32. No decisions concerning the need for and use of office space in the post pandemic period were made in 2021 and as such, no impairment events were identified that relate to potential changes in the nature of work in the post pandemic period.

33. The long-term impact of the lessons learned from the COVID-19 pandemic are still being evaluated and it is too early to assess whether any possible changes may have an impact of the carrying value of UNCCD's assets, as such no COVID-19 related asset impairment events were recorded during the annual asset impairment review.

### **Core budget**

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

35. The core budget continues to be prepared on a modified cash basis in accordance with the UN Financial Regulations. The overall budgetary results for the 2021 financial period in euros are summarized in Statements V. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the adopted budget are explained in Note 4: Budget Comparison and Reconciliation.

36. Valued in US dollars at the average USD 1 = EUR 0.86017 at the rate of exchange set by the United Nations and using the modified cash method of accounting, total Core budgetary revenue for 2021 amounted to EUR 8.2 million (USD 10.0 million). Expenses under the regular budget during 2021 amounted to EUR 8.4 million (USD 9.7 million). Expenses resulted in a net surplus fund of EUR 1.8 million (USD 2.1 million) when compared to the biennium budget. The surplus in the biennium is attributed to savings mainly due to the pandemic restrictions influencing travel and meetings. The meetings of the Bureaux of the COP, the Committee on Science and Technology (CST) and the Committee for the Review of the Implementation of the Convention (CRIC) were mostly held online, resulting in savings under the Executive Direction and Management and the Science, Technology and Innovation (STI) programme. Almost all meetings of the Science–Policy Interface (SPI) under STI, and meetings in the Regional Implementation Annexes, involving the Regional Liaison Offices under the External Relations, Policy and Advocacy programme, were also held as virtual. Savings were realized under personnel costs due to vacant positions throughout the biennium.

37. At the second extraordinary session of the Conference of Parties (COP ES-2) held in December 2021, the COP, in consideration that COP 15 had been postponed until May 2022, approved the interim programme budget for 2022 amounting to EUR 8.2 million by its decision 1/COP.ES-2.

## Chapter V

## Financial statements for the year ended 31 December 2021

## United Nations Convention to Combat Desertification

## I. Statement of Financial Position as at 31 December 2021

<i>(In United States Dollars)</i>	<i>Not</i>	<i>31 December 2021</i>	<i>31 December</i>
	<i>e</i>		<i>2020</i>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	3 422 297	2 854 666
Investments	6	23 366 878	17 467 322
Indicative contributions receivable	7	3 457 294	29 19 521
Voluntary contributions receivable	8	10 120 267	7 059 831
Other accounts receivable	9	54 496	103 161
Other current assets	10	365 624	323 877
<b>Total current Assets</b>		<b>40 786 856</b>	<b>30 728 378</b>
<b>Non-Current Assets</b>			
Investments	6	4 373 336	5 764 557
Voluntary contributions receivable	8	7 507 679	3 224 426
Fixed Assets	11	22 751	44 250
<b>Total Non-Current Assets</b>		<b>11 903 766</b>	<b>9 033 233</b>
<b>Total Assets</b>		<b>52 690 622</b>	<b>39 761 611</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	12	640 987	763 664
Advance receipts	13	1 848 308	1 394 657
Employee benefit liability	14	854 800	735 971
Other current liabilities	15	-	6 586
<b>Total Current Liabilities</b>		<b>3 344 095</b>	<b>2 900 878</b>
<b>Non-Current Liabilities</b>			
Employee benefit liability	14	32 329 000	31 616 000
<b>Total Non-Current Liabilities</b>		<b>32 329 000</b>	<b>31 616 000</b>
<b>Total Liabilities</b>		<b>35 673 095</b>	<b>34 516 878</b>
<b>Net Assets</b>		<b>17 017 527</b>	<b>5 244 733</b>
<b>Net Assets/Equity</b>			
Accumulated surpluses/(deficits)		27 344 201	16 113 633
Actuarial gain (loss) recognized in net assets	16	(12 278 929)	(12 821 155)
Operating reserves	16	1 952 255	1 952 255
<b>Total Fund Balances and Reserves</b>		<b>17 017 527</b>	<b>5 244 733</b>

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

## United Nations Convention to Combat Desertification

## II. Statement of Financial Performance for the period 1 January to 31 December 2021

<i>(in United States dollars)</i>	<i>Note</i>	<i>2021</i>	<i>2020</i>
<b>REVENUE</b>			
Indicative contributions	17	9 303 987	8 462 890
Voluntary contributions	17	20 459 391	9 585 540
Investment revenue	18	10 743	433 675
Other revenue	19	45 490	739 456
<b>TOTAL REVENUE</b>		<b>29 819 611</b>	<b>19 221 561</b>
<b>EXPENSES</b>			
Personnel expenses	20	11 983 032	10 194 085
Travel	20	221 226	61 632
Contractual services	20	2 910 715	2 109 190
Grants	20	1 083 466	2 325 881
Depreciation of Property, Plant and Equipment	11	21 499	22 224
Other expenses	20	2 369 105	909 737
<b>TOTAL EXPENSES</b>		<b>18 589 043</b>	<b>15 622 749</b>
<b>SURPLUS/DEFICIT FOR THE PERIOD</b>		<b>11 230 568</b>	<b>3 598 812</b>

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

## United Nations Convention to Combat Desertification

## III. Statement of Changes in Net Assets for the year ended 31 December 2021

<b>(United States Dollars)</b>				
	<b>Note</b>	<b>Accumulated Surplus – General Fund</b>	<b>Reserves</b>	<b>Total</b>
<b>Net Assets 31 December 2019</b>		<b>131 370</b>	<b>1 952 255</b>	<b>2 083 625</b>
Recognition of actuarial adjustments in net assets	16	(437 704)	-	(437 704)
Surplus/Deficit for the Period	Statement II	3 598 812	-	3 598 812
<b>Net Assets at 31 December 2020</b>		<b>3 292 478</b>	<b>1 952 255</b>	<b>5 244 733</b>
Actuarial gains / (loss on employee benefit liabilities)		592 000		592 000
Other adjustments		(49 774)		(49 774)
Surplus/ (deficit) for the year	Statement II	11 230 568		11 230 568
Total changes in net assets	16	11 772 794	-	11 772 794
<b>Net Assets at 31 December 2021</b>	Statement I	<b>15 065 272</b>	<b>1 952 255</b>	<b>17 017 527</b>

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

## United Nations Convention to Combat Desertification

### IV. Statement of Cash Flow for the period 1 January 2021 to 31 December 2021

<i>(in United States dollars)</i>	<i>Note</i>	<i>2021</i>	<i>2020</i>
<b>Cash flows from operating activities</b>			
Surplus (deficit) for the period		11 230 568	3 598 812
Actuarial and other non-cash adjustments to net assets	16	542 225	(437 704)
Depreciation and amortization	20	21 499	22 224
(Increase)/decrease in receivables	7, 8, 9	(7 832 797)	(3 713 801)
(Increase)/decrease in other current assets	10	(41 747)	73 778
Increase/(decrease) in advance receipts	13	453 651	189 216
Increase/(decrease) in accounts payable	12	(122 676)	(208 088)
Increase/(decrease) in other current liabilities	15	(6 586)	(299 874)
Increase/(decrease) in employee benefit liabilities	14	831 829	1 808 762
<b>Net cash flows from operating activities</b>		<b>5 075 966</b>	<b>1 033 325</b>
<b>Cash flows from financing activities</b>			
(Increase) decrease in short-term investments	6, 21	(5 899 556)	(3 522 795)
(Increase) decrease in long-term investments	6, 21	1 391 221	(1 389 251)
<b>Net cash flows from financing activities</b>		<b>(4 508 335)</b>	<b>(4 912 046)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>567 631</b>	<b>(3 878 721)</b>
<b>Cash and cash equivalents at beginning of year</b>	6, 21	<b>2 854 666</b>	<b>6 733 387</b>
<b>Cash and cash equivalents at end of year</b>	6, 2 1	<b>3 422 297</b>	<b>2 854 666</b>

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



**UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION**  
**V. STATEMENT OF BUDGET TO ACTUAL COMPARISON**  
**CORE BUDGET**  
**For the period 1 January 2020 to 31 December 2021**  
**(in euros)\***

Core budget of the Secretariat	Original budget 2021	Final Budget 2021	Actual 2021	Actual 2021	Original budget 2020-2021	Final Budget 2020-2021	Actual 2020-2021	Actual 2020-2021
<i>Programmes</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>USD</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>USD</i>
<b>I. Secretariat programmes</b>								
A. Executive direction and management	1 013 419	1 013 419	903 947	1 050 898	2 026 838	2 026 838	1 873 494	2 178 059
B. Communications	561 295	561 295	612 061	711 561	1 122 590	1 122 590	1 069 928	1 243 861
C. External relations, policy and advocacy	1 091 937	1 091 937	1 166 083	1 355 647	2 183 874	2 183 874	1 935 940	2 250 657
D. Science, technology and implementation	1 602 685	1 602 685	1 611 417	1 873 377	3 205 370	3 205 370	2 846 436	3 309 168
E. Administrative services	1 153 523	1 153 523	1 283 926	1 492 648	2 307 045	2 307 045	2 235 105	2 598 455
<b>II. Global Mechanism</b>								
F. Global Mechanism	1 847 452	1 847 452	1 829 065	2 126 408	3 694 905	3 694 905	3 105 009	3 609 776
Subtotal (A-F)	<u>7 270 311</u>	<u>7 270 311</u>	<u>7 406 499</u>	<u>8 610 540</u>	<u>14 540 622</u>	<u>14 540 622</u>	<u>13 065 912</u>	<u>15 189 977</u>
Programme support costs	945 141	945 141	962 845	1 119 370	1 890 281	1 890 281	1 698 569	1 974 697
Working capital reserve	0	0	0	0	0	0	0	0
<b>TOTAL Core Budget of the Secretariat</b>	<b>8 215 452</b>	<b>8 215 452</b>	<b>8 369 344</b>	<b>9 729 910</b>	<b>16 430 903</b>	<b>16 430 903</b>	<b>14 764 480</b>	<b>17 164 674</b>
Contribution from the host Government	511 292	511 292	511 292	594 526	1 022 584	1 022 584	1 022 584	1 192 528
Indicative contributions	7 582 749	7 582 749	7 582 749	9 303 987	15 165 498	15 165 498	15 282 534	17 766 877
Unspent balances or contributions from prior financial periods (up to)	121 411	121 411	121 410	141 147	242 821	242 821	242 821	282 294
<b>TOTAL income</b>	<b>8 215 452</b>	<b>8 215 452</b>	<b>8 215 451</b>	<b>10 039 659</b>	<b>16 430 903</b>	<b>16 430 903</b>	<b>16 547 939</b>	<b>19 241 699</b>
<b>Drought Initiative</b>	-	-	213 994	248 782	876 117	876 117	550 981	640 552
Programme support costs	-	-	27 819	32 342	113 895	113 895	71 628	83 272
<b>Contingency budget for conference servicing</b>	<b>2 104 660</b>	<b>2 104 660</b>	<b>0</b>	<b>0</b>	<b>2 104 660</b>	<b>2 104 660</b>	<b>0</b>	<b>0</b>
<b>Total other budgets approved by the Conference of the Parties</b>	<b>2 104 660</b>	<b>2 104 660</b>	<b>241 813</b>	<b>281 124</b>	<b>3 094 672</b>	<b>3 094 672</b>	<b>622 609</b>	<b>723 824</b>

\* At the average monthly exchange rate of the United Nations for the biennium 2020-2021 with 1 USD = EUR 0.86017, with the exception of the contribution from the host government.

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

## Notes to the financial statements

	Page
<u>Note 1: The Reporting Entity</u> .....	51
<u>Note 2: Basis of Preparation</u> .....	52
<u>Note 3: Significant Accounting Policies</u> .....	54
<u>Note 4: Budget Comparison and Reconciliation</u> .....	61
<u>Note 5: Budget to Actual variance analysis</u> .....	63
<u>Note 6: Cash, Cash Equivalents and Investments</u> .....	64
<u>Note 7: Indicative Contributions: receivables from non-exchange transaction</u> .....	64
<u>Note 8: Voluntary Contributions: receivables from non-exchange transactions</u> .....	65
<u>Note 9: Other accounts receivable</u> .....	65
<u>Note 10: Other current assets</u> .....	66
<u>Note 11: Fixed Assets</u> .....	66
<u>Note 12: Accounts payables and accrued expenses</u> .....	67
<u>Note 13: Advance receipts and deferred revenue</u> .....	68
<u>Note 14: Employee Benefit liability</u> .....	68
<u>Note 15: Other current liabilities</u> .....	75
<u>Note 16 Net assets</u> .....	75
<u>Note 17: Revenue from non-exchange transactions</u> .....	76
<u>Note 18: Investment revenue</u> .....	77
<u>Note 19: Other revenue</u> .....	78
<u>Note 20: Expenses</u> .....	79
<u>Note 21: Financial instruments and financial risk management</u> .....	83
<u>Note 22: Financial instruments: Cash Pool</u> .....	90
<u>Note 23: Related Parties</u> .....	95
<u>Note 24: Leases and commitments and contingencies</u> .....	97
<u>Note 25: Events after the reporting date</u> .....	97
<u>Note 26: Fund Accounting</u> .....	97
<u>ACRONYMS</u> .....	101

## Notes to the financial statements

### Note 1: The Reporting Entity

1. The permanent secretariat of the United Nations Convention to Combat Desertification (UNCCD) was established in December 1996. The Strategy is to forge global partnerships to reverse and prevent desertification and land degradation. These partnerships are also meant to mitigate the effects of drought in affected areas. Coupled with the vision is a Strategy mission: To provide a global framework to support the development and implementation of national and regional policies that are to contribute to the reduction of poverty. The Parties adopted the new strategic framework of the Convention for 2018–2030. The new strategy outlines five long-term objectives for the implementation of the UNCCD and directly contributes to the achievement of many SDGs, most notably SDG 15 concerning life on land and its target 15.3 on land degradation neutrality.

2. UNCCD is governed by the following constituent bodies:

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

#### **The Bureau of the COP**

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

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

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

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

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

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

4. The permanent secretariat of the UNCCD is located in Bonn, Germany. Other offices are in New York, Rabat, Santiago de Chile and Istanbul.

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

## **Note 2: Basis of Preparation**

### *Basis of preparation*

6. The financial statements of the UNCCD have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention. The statements are prepared on a going concern basis, and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the Organization, consist of the following:

- a) Statement of financial position (statement I);
- b) Statement of financial performance (statement II);
- c) Statement of changes in net assets (statement III);
- d) Statement of cash flows (using the indirect method) (statement IV);
- e) Statement of comparison of budget and actual amounts (statement V);
- f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes;
- g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

7. This is the eighth set of financial statements to be prepared in accordance with IPSAS. The adoption of IPSAS required changes to be made to the accounting policies previously followed by UNCCD, including the preparation of a single set of financial statements covering both Core budget and extra-budgetary activities, which are presented throughout in United States dollars (USD). In accordance with IPSAS, the 2021 financial statements are presented on an annual basis covering the period 1 January 2021 to 31 December 2021.

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

*Going concern*

9. The going concern assertion is based upon approval by the Conference of Parties of the 2020-2021 Programme and budget, the historical trend of collection of indicative and voluntary contributions over the past years and that the Conference of Parties has not made any decision to cease the operations of the Organization.

10. At the second extraordinary session of the Conference of Parties (COP ES-2) held in December 2021, the COP, in consideration that COP 15 had been postponed until May 2022, approved the interim programme budget for 2022 amounting to EUR 8.2 million by its decision 1/COP.ES-2.0.

*Functional and Presentation Currency*

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

*Foreign Currency Translation*

12. Transactions in currencies other than USD are translated into USD at the prevailing United Nations Operational Rates of Exchange (UNORE). Assets and liabilities in currencies other than USD are translated into USD at the UNORE year-end closing rate. The exchange rate for Euro and Swiss Francs (CHF) at 31 December 2021 are 0.881 and 0.915 respectively. Resulting gains or losses are accounted for in the Statement of Financial Performance.

*Materiality and use of judgment and estimates*

13. Materiality is central to the preparation and presentation of the Organization's financial statements and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

14. Preparing financial statements in accordance with IPSAS requires use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

15. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization methods for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions and classification of contingent assets/liabilities.

*Future accounting pronouncements*

16. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the Organization's financial statements continues to be monitored. In November 2020, the IPSAS Board deferred effective dates of new standards and amendments to existing standards to 1 January 2023. This affects IPSAS 41, Financial Instruments; IPSAS 42, Social Benefits; Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendments to IPSAS 41); Collective and Individual Services (Amendments to IPSAS 19); and Improvements to IPSAS, 2019. Also, improvements to IPSAS 2021 will be effective 1 January 2023 apart from amendments to IPSAS 29 which will be effective 1 January 2022. The new IPSAS 43, Leases, has the effective date 1 January 2025. Furthermore, the IPSAS Board expects to issue new IPSAS on "Revenue and Transfer Expenses" and "Retirement Benefit Plans" in 2022 and early 2023.

### Note 3: Significant Accounting Policies

#### Assets

##### *Financial assets classification*

17. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The Organization classifies its financial assets in one of the categories shown below at initial recognition and re-evaluates the classification at each reporting date.

Classification	Financial assets
Fair value through surplus or deficit	Investments in cash pools
Loans and receivables	Cash and cash equivalents and receivables

18. Financial assets are initially measured at fair value. Subsequent measurement of all financial assets is at fair value except for accounts receivable, which are measured at amortized cost using the effective interest method.

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

20. Gains or losses arising from changes in the fair value of financial instruments are included within the statement of financial performance in the period in which they arise.

##### *Investment in cash pools*

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

United Nations (Vol. I).

*Cash and Cash Equivalents*

22. Cash and cash equivalents are held at fair value and comprise cash on hand, cash at banks, money market and short-term deposits with a maturity of three months or less. Investment revenue is recognized as it accrues taking into account the effective yield.

*Accounts receivable*

23. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. UNCCD's receivables comprise indicative contributions receivable from member countries, voluntary contributions receivable and other accounts receivable recognized on the Statement of Financial Position.

24. Contributions receivable represent uncollected revenue from indicative and voluntary contributions committed to the Organization by Member States, non-member States and other donors on the basis of enforceable agreements. Other accounts receivable includes Value Added Tax (VAT) reimbursable under the headquarters agreement with the host government and investment income receivable.

25. Receivables are stated at amortized cost taking into account a provision for impairment and an adjustment to reflect the time value of money based on the interest rate generally applicable to securities of similar maturity and currency. A provision is established equal to 50% of indicative contributions receivable outstanding for more than 36 months and 100% of receivables outstanding for more than 48 months. A provision is established for all other receivables equal to 50% of the amount outstanding for more than 24 months and 100% for receivables outstanding for more than 36 months.

*Other assets*

26. Other assets include education grant advances and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized. Receivables from other United Nations reporting entities are also included in this category.

*Property, Plant and Equipment*

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

28. **Property, Plant and Equipment** are depreciated over their estimated useful lives using the straight-line method. The estimated useful life for equipment classes are as follows:

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

29. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstance indicate that carrying amounts may not be recoverable.

### Liabilities

#### *Financial liabilities: classification*

30. Financial liabilities are classified as 'other financial liabilities'. They include accounts payable, transfers payable, unspent funds held for future refunds and other liabilities such as balances payable to other United Nations system reporting entities and donors.

31. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The Organization re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

#### *Accounts payable and accrued expenses*

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

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

#### *Advance receipts and deferred revenue*

34. Advance receipts and deferred revenue consist of payments received in advance relating to non-exchange as well as exchange transactions, liabilities for conditional funding arrangements and other deferred revenue.

35. UNCCD recognizes a liability in cases where conditions are attached to voluntary contributions. Conditions are imposed by donors on the use of contributions



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

#### *Other Liabilities*

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

#### *Employee Benefits*

37. UNCCD provides the following employee benefits:

- Short-term employee benefits comprise first-time employee benefits (assignment grants), regular monthly benefits (wages, salaries, allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (education grant, reimbursement of taxes) which fall due wholly within twelve months after the end of the accounting period in which employees render the related service;
- Post-employment benefits including ASHI, repatriation grant, separation related travel and shipping costs, accumulated annual leave on separation and death benefit; and
- Termination benefits include indemnities for voluntary redundancy payable once a plan has been formally approved.

#### *Defined-benefit plans*

38. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits and accumulated annual leave that is commuted to cash upon separation from the Organization. Defined-benefit plans are those where the Organization's obligation is to provide agreed benefits and therefore the Organization bears the actuarial risks.

39. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation at the reporting date. An independent actuary using the projected unit credit method calculates the defined benefit obligations. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-grade corporate bonds with maturity dates approximating those of the individual plans. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the period in which they occur. Actuarial gains and losses are recognised in the statement of changes in net assets in the period in which they occur.

#### *Pension plan: United Nations Joint Staff Pension Fund*

40. The UNCCD is a member organization participating in the United Nations

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

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

#### *Termination benefits*

42. Termination benefits are recognized as an expense only when the Organization is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

#### *Provisions*

43. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the Organization has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

#### *Contingent liabilities*

44. Contingent liabilities, where their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNCCD or where the value cannot be reliably estimated, are disclosed in the notes to the financial statements.

45. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the

financial statements.

*Contingent assets*

46. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the Organization. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the Organization.

*Leases*

47. Leases of property, plant and equipment where the Organization has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with the property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

48. Leases where all of the risks and rewards of ownership are not substantially transferred to the Organization are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the term of the lease.

**Revenue**

*Non-exchange revenue*

*Indicative contributions*

49. Indicative contributions to the Core Budget are recognised at the beginning of the year to which the assessment relates. The revenue amount is determined based on the approved budgets and the scale of assessment approved by the United Nations General Assembly as adopted by the Conference of the Parties.

*Voluntary contributions*

50. Voluntary contributions are recognised when the agreement with the donor becomes binding. Revenue is recognised immediately if no condition is attached. If conditions are attached, including a requirement that funds not utilized in accordance with the agreement must be returned to the contributing entity, revenue is recognised only upon satisfying the conditions. Until such conditions are met a liability (deferred revenue) is recognised.

51. Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are considered contingent assets and are recognised as revenue when received and disclosed in the notes to the financial statements if receipt is considered probable. Unused funds returned to the donors are netted against voluntary contributions.

52. Multi-year voluntary conditional contributions due in future financial periods are recognized as receivables on the signing of the agreement along with a liability

(deferred revenue) until the conditions are met.

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

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

#### *Exchange revenue*

55. Exchange transactions are those in which the Organization sells goods or services in exchange for compensation. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met:

- Revenue from sales of goods is recognized when the sale occurs and risks and rewards have been transferred;
- Revenue from commissions and fees for services rendered is recognized when the service is performed.

56. An indirect cost recovery called a 'programme support cost' is charged to 'extrabudgetary' activities to ensure that the additional costs of supporting activities financed from extrabudgetary contributions are not borne by the Core Budget. The programme support cost is eliminated for the purposes of financial statement preparation. The funding for the programme support cost charge agreed upon with the donor is included as part of voluntary contributions.

#### *Investment revenue and gains / losses on investments*

57. Investment revenue includes the Organization's share of net cash pool revenue. The net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between the sale proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against revenue and the net revenue is distributed proportionately to all cash pool participants on the basis of their average daily balances.

58. Gains / losses on investments include unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

#### **Expenses**

59. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment.

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

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

#### *Personnel expenses*

62. Personnel expenses include staff salaries, post adjustment and staff assessment as well as other staff entitlements, such as pension and insurance subsidies and staff assignment, repatriation, hardship and other allowances.

#### *Travel*

63. Travel covers the cost of airfare and other transport cost, daily support allowances and terminal allowances.

#### *Contractual services*

64. Contractual services include the cost of contracting with individual experts and consultants, related insurances and travel, as well as IT services, production and printing of information materials, and translation and interpretation services.

#### *Grants*

65. Grants include outright grants and transfers to the implementing agencies, partners and other entities to carry out the mandates contained in the Convention.

#### *Operating and other direct cost*

66. Operating and other direct costs include maintenance, utilities, contracted services, training, security services, shared services, rent, and insurance.

#### **Changes in accounting policy**

67. No changes in accounting policy during the reporting period. However, the actuarial valuations are carried out based on the harmonization of assumption as recommended by IPSAS Task Force.

#### **Note 4: Budget Comparison and Reconciliation**

68. UNCCD's budget is prepared on a modified cash accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS. The COP approves the biennial Core budget of the secretariat and the Global Mechanism in Euros. For presentation in the financial statements, the budget is divided into annual amounts for presentation in the financial statement. Unexpended balances

at the end of the first year of the biennium are carried forward and added to the annual budget estimate for the second year of the biennium.

69. The COP has delegated authority to the Executive Secretary to make transfers between each of the main appropriations lines in Statement V up to an aggregate limit of 20% of the total estimated expenses for those appropriation lines subject to a further limitation of up to minus 25% of each appropriation line.

70. Statement V compares the final budget to actual revenue and expenses amounts calculated on the same basis as the corresponding approved budget. Comparison of budget and actual amounts are presented in euro, with the corresponding amounts of actuals presented in United States dollars. The comparison is only made in respect of budgets adopted by the COP.

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

- **Presentation differences** are differences in the format and classification schemes in the Statement of Financial Performance which includes both revenue and expenses and the Statement of Comparison of Budget and Actual Amounts which includes only revenue.
- **Basis differences** capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the net results on an IPSAS basis the non-cash elements such as unliquidated obligations, payments against prior year obligations and outstanding indicative contributions are included as basis differences.
- **Entity differences** represent funds other than Core budget that are reported in the Statement of Financial Performance.

72. The reconciliation between the actual amounts presented in statement V, and the actual amounts presented on the Statement of Financial Performance for the financial year 2021 is as follows:

**Reconciliation of net results on budgetary and IPSAS basis**  
(United States Dollars)

Actual net result on the Statement of budgets to actual comparison	
Core Budget (UXA) Revenue	10 039 659
Statement V-A Core Budget (UXA) expense on budgetary basis	9 729 909
Drought Initiative	281 124
Core Budget (UXA) Expense	<u>10 011 033</u>
Core Budget (UXA) Actual net result on budgetary basis	28 626
Basis differences	
Adjustments to revenue	
Investment revenue	1 500
Gain on Investment	(58 712)
Miscellaneous revenue not included in budget	<u>(141 146)</u>
	(198 358)
Capitalization of equipment & intangible Assets	4 301
Change in provision for doubtful debts	140 598
Loss on Foreign Exchange	169 236
Other adjustments to expenditure	(707 764)
Post employment benefit interest and current service cost	<u>(907 000)</u>
	(1 300 629)
Sub-total basis differences	(1 498 987)
Full accrual based net result for Core Budget	(1 470 361)
Entity differences on IPSAS Basis	
Global Mechanism (GMZ)	3 737 580
Participation in UNCCD COP Sessions (UVA)	(9 519)
Convention events organized by Secretariat (BMA)	116 530
Programme support costs (ZQA)	(278 177)
Cost Recovery under home country agreement (ZHC)	(263 099)
Voluntary Financing of activities (UWA)	<u>9 397 614</u>
Sub-total entity differences	12 700 929
<b>Actual net result on the Statement of Financial Performance</b>	<b><u>11 230 568</u></b>

**Note 5: Budget to Actual variance analysis**

73. Explanations of material differences between the original budget and final

budget, and final budget and the actual amounts are presented in the statement V from the Executive Secretary accompanying these statements. The statement V does not include many adjustments in revenue and expenses included in the reconciliation, such as: investment revenue and gain, as well as the expenses of depreciation, allowance for doubtful debts, loss on foreign exchange, and service costs and interest costs for ASHI, repatriation grant and annual leave.

**Note 6: Cash, Cash Equivalents and Investments**

(United States Dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Cash and cash equivalents	3 422 297	2 854 666
Short-term investments	23 366 878	17 467 322
Total current cash and short-term investments	26 789 175	20 321 988
Long-term investments	4 373 336	5 764 557
<b>Total cash and investments</b>	<b>31 162 511</b>	<b>26 086 545</b>

74. UNCCD cash forms part of the cash pools that are maintained and managed by the UN Treasury. The cash pools comprise UNCCD's participating share of cash and term deposits, short term and long-term investments and accrual of investment income all of which are managed in the pool. For further information, refer to Note 22: Financial instruments: Cash Pool.

75. The total cash and investments above include USD 29,718,149 (2020: USD 25,944,020) that are subject to general stipulations in the agreements which did not meet the requirements to be conditions under IPSAS 23. Historically, UNCCD has had positive experiences with regard to receiving the payment tranches from donors in accordance with the agreements and has never been in breach of stipulations that would prompt donors to demand refunds or reimbursements.

**Note 7: Indicative Contributions: receivables from non-exchange transaction  
Indicative Contributions due from Parties to the Convention**

(United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>
Gross receivable from member states	5 542 509	4 720 188
Accumulated revaluation	(39 749)	104 200
Less allowance for doubtful receivables	(2 045 466)	(1 904 867)
<b>Total indicative contributions receivable.</b>	<b>3 457 294</b>	<b>2 919 521</b>

76. Indicative contributions reflect the contributions receivable from Parties to the Convention to fund the Core Budget in accordance with the Financial Rules adopted by the COP. As the budget is denominated in EUR, indicative contributions receivable are also denominated in EUR.



**Note 8: Voluntary Contributions: receivables from non-exchange transactions**

**Voluntary contribution receivable as at 31 December 2020**

(United States dollars)

	<i>Current</i>	<i>Non-current</i>	<i>Total 31 December 2020</i>
Voluntary contributions	7 059 831	3 224 426	10 284 257
<b>Total voluntary contributions receivable</b>	<b>7 059 831</b>	<b>3 224 426</b>	<b>10 284 257</b>

**Voluntary contribution receivable as at 31 December 2021**

(United States dollars)

	<i>Current</i>	<i>Non-current</i>	<i>Total 31 December 2021</i>
Voluntary contributions	10 609 162	7 708 338	18 317 500
Allowance for doubtful receivables and discounting	488 895	200 659	689 554
<b>Total voluntary contributions receivable</b>	<b>10 120 267</b>	<b>7 507 679</b>	<b>17 627 946</b>

77. Voluntary contributions receivable of USD 17,627,946 (2020: USD 10,284,257) includes for both Secretariat and Global Mechanism as per the signed agreements. The voluntary contribution receivables from 2021 have been classified and presented in the Financial Position as current (USD 10,120,267) and non-current (USD 7,507,679) assets based on the due date.

78. The Gross voluntary contribution receivables above include USD 18,248,952 (2020: USD 9,600,058) that are subject to general stipulations in the agreements which did not meet the requirements to be conditions under IPSAS 23. Historically, UNCCD has had positive experiences with regard to receiving the payment tranches from donors in accordance with the agreements and has never been in breach of stipulations that would prompt donors to demand refunds or reimbursements.

**Note 9: Other accounts receivable**

(United States dollars)

	<i>2021</i>	<i>2020</i>
VAT	13 433	58 028
Investment income receivable	28 823	45 133
Staff	12 240	-
<b>Total other accounts receivable</b>	<b>54 496</b>	<b>103 161</b>

79. Value Added Tax (VAT) for USD 13,433 has been invoiced for taxes reimbursable under the headquarters agreement with the host government, and investment revenue receivable of USD 28,822 reported by UNHQ Treasury. The amount of USD 12,240 related to recovery from staff that will be reviewed in 2022.

**Note 10: Other current assets**

(United States dollars)

	2021	2020
Education grant advance	308 951	173 432
UNDP Remittances net of charges	43 792	90 184
Travel advance	11 439	50 853
Salary advance	761	8 672
Other	681	736
<b>Total other current assets</b>	<b>365 624</b>	<b>323 877</b>

80. Internationally recruited staff members received advance for education grants. The education grant liability of USD 308,951 related to 20 staff members earned in 2021 but not claimed at the reporting date.

81. UNDP remittance of net charges related to the fund balance between the amount transferred minus the expenses reported at 31 December 2021. The balance amount of USD 43,793 will be used to cover the payments to implementing partners, consultants, and vendors in 2022.

**Note 11: Fixed Assets**

(United States dollars)

	<i>Vehicles</i>	<i>Communications Information Technology Equipment</i>	<i>Total</i>
<b>Cost as at 31 December 2020</b>	<b>109 882</b>	<b>91 432</b>	<b>201 314</b>
Additions	0	0	0
Impairment	0	0	0
Disposals	0	0	0
<b>Cost as at 31 December 2021</b>	<b>109 882</b>	<b>91 432</b>	<b>201 314</b>
<b>Accumulated depreciation as at 31 December 2020</b>	<b>91 177</b>	<b>65 887</b>	<b>157 064</b>
Depreciation	3 938	17 561	21 499
Impairment	0	0	0
Disposals	0	0	0
<b>Accumulated depreciation as at 31 December 2021</b>	<b>95 115</b>	<b>83 448</b>	<b>178 563</b>
<b>Net carrying amount</b>			
31 December 2020	18 705	25 545	44 2504
<b>Net carrying amount 31 December 2021</b>	<b>14 767</b>	<b>7 984</b>	<b>22 751</b>

82. In 2015, the Organization acquired a new vehicle above the capitalization threshold of USD 5,000. The vehicle has been capitalized as an asset and is being depreciated over a period of ten years (see note 3).

83. In 2017, the Organization acquired additional communications and information technology equipment at a cost equals the capitalization threshold of USD 5,000 or above. The equipment has been capitalized as an asset and is being depreciated over a period of five years (see note 3).

**Note 12: Accounts payables and accrued expenses**  
(United States dollars)

	2021	2020
Vendor payables	294 243	153 410
Unexpended balance of contribution from the Government of the Bolivarian Republic of Venezuela	5 135	416 380
Accruals for goods and services	341 609	193 874
<b>Total payables and accrued expenses</b>	<b>640 987</b>	<b>763 664</b>

84. Payables to vendors relate to amounts due for goods received and services rendered payment had not been completed. Following are the details of USD 640,987 for 2021.

	2021
Vendors/suppliers	102 034
Consultants/individual contractors	143 350
Donors	49 230
United Nations	2 986
Staff	1 778
Accruals	341 609
<b>Total payables and accrued expenses</b>	<b>640 987</b>

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

86. The portion of the amount payable to the Government of the Bolivarian Republic of Venezuela in the amount of USD 444,031 has been used for project activities, USD 145,906 has been used to offset indicative contributions, USD 265,339 has been transferred to UNDP based on request and the remaining balance of USD 5,135 at 31 December 2021 as below. This amount has been included as accounts payable and accrued expenses.

(United States dollars)

Balance as per financial utilization report dated 23 December 2015	860 681
<i>Expenditures:</i>	
Amount approved for LDN TSP activities including Programme Support Costs	61 020
Offset of indicative contributions outstanding for 2010-2021	529 187
Amount transferred to UNDP	265 339
Balance payable	<b>5 135</b>

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

**Note 13: Advance receipts and deferred revenue**

(United States dollars)

	2021	2020
Deferred revenue from conditional voluntary contributions	1 526 749	562 724
Indicative contributions received in advance	321 559	831 933
<b>Total advance receipts</b>	<b>1 848 308</b>	<b>1 394 657</b>

88. Deferred revenue for the voluntary contributions has been increased to USD1,526,749 due to the conditional agreement signed between UNCCD and the European Commission in the amount of USD1,272,523 in 2021.

**Note 14: Employee Benefit liability**

(United States dollars)

	2021	2020
<i>Current liabilities</i>		
Repatriation grant and travel	200 000	164 000
After service health insurance	171 000	132 000
Accumulated annual leave	112 000	72 000
USA Tax reimbursement	18 123	13 664
Home leave	159 518	155 337
Other	194 159	198 970
<b>Subtotal current liabilities</b>	<b>854 800</b>	<b>735 971</b>
<i>Non-current liabilities</i>		
Repatriation grant and travel	1 409 000	1 522 000
After service health insurance	30 073 000	29 367 000
Accumulated annual leave	847 000	727 000
<b>Subtotal non-current liabilities</b>	<b>32 329 000</b>	<b>31 616 000</b>
<b>Total employee benefits liabilities</b>	<b>33 183 800</b>	<b>32 351 971</b>

89. The ASHI liability increased from USD 29.5 million to USD 30.24 million mainly due to the increase of interest rates but the effect was overcompensated by the change in the health care cost trend and other adverse effects. The repatriation grant of USD 0.077 million decrease in 2021 and the annual leave liability has slightly

increased in 2021 in the amount of USD 0.16 million due to interest rate effects.

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

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

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

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

#### **Post-employment benefits**

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

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

*After Service Health Insurance (ASHI):* Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or later are eligible for ASHI coverage if they have contributory health insurance coverage prior to retirement for at least five years of service for staff hired before 1 July 2007 and ten years of service for staff hired after 1 July 2007. Staff hired before 1 July 2007 who retire with less than ten years but more than 5 years of covered receive unsubsidized coverage until enrolled for 10 years at which time the coverage is subsidized. UNCCD’s liability for ASHI is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff. For 2021, the gross liability was calculated by the actuary as USD 30,244,000 net of contributions from plan participants (USD 29,499,000 at 31 December 2020.).

After-service health insurance for retired staff members and their survivors and dependents of UNCCD is provided by the United Nations Staff Mutual Insurance Society against Sickness and Accident (UNSMIS) established under article 6.2 of the United Nations Staff Regulation. UNSMIS is governed by its General Assembly approves amendments to the Statutes. An Executive Committee consisting of three members appointed by the Director-General of the United

Nations Office at Geneva, three members appointed by the Co-ordinating Council of the United Nations at Geneva in consultation with corresponding bodies of the specialized agencies affiliated to the UNSMIS and one member appointed by the other six members, is responsible for approving the UNSMIS accounts and management report.

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

Defined benefit obligations: An actuarial valuation at 31 December 2021 has been utilized to determine the UNCCD's estimated liability and expenses recognized on the Statement of Financial Performance for repatriation grants and travel, accumulated leave and after-service health insurance at the reporting date.

The results as at 31 December 2021 presented in this report for defined benefit obligations are based on a full valuation. Financial assumptions such as discount rates, salary increases, inflation rates and health-care cost trends have been updated since the actuarial valuation carried out in 2021 to determine UNCCD's estimated liability for defined benefit obligations at the reporting date. Demographic assumptions including probability of marriage at retirement will be updated in the actuarial study to be conducted.

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

#### Assumptions used to determine the value of employee benefit liabilities

<i>Assumption</i>	<i>After-service health insurance</i>	<i>Repatriation grant</i>	<i>Accumulated annual leave</i>
Discount rate (31 December 2020)	0.21%	2.05%	2.07%
Discount rate (31 December 2021)	0.46%	2.58%	2.68%
Travel inflation (31 December 2020)	–	2.2%	–
Travel inflation (31 December 2021)	–	2.0%	–
Health-care cost trend rate (31 December 2020)	3.65% decreasing to 3.25% in four years	–	–
Health-care cost trend rate (31 December 2021)	3.95% decreasing to 3.75% in four years	–	–
Salary increase rate	Based upon age and calculated separately for Professional and General Service staff		

92. The following assumptions were utilized by the actuary in determining the maturity profile of the defined benefit obligations at 31 December 2021:

- ASHI scheme: full eligibility is achieved once the staff member's period of service reaches 10 years in duration (5 years if hired before 01.07.2007) and once he/she reaches 55 years old. The projected duration of the ASHI liability is 25 years.
- Repatriation benefits: historically, for disclosure purposes it has been assumed that full eligibility is achieved from the time when the staff member's period of service reaches 12 years. The projected duration of the repatriation grant liability is 8 years;
- Annual leave: historically, for disclosure purpose sit has been assumed that full eligibility is achieved from the time when the staff member has accumulated 60 days of leave, i.e. once the maximum of benefits has been accumulated. The projected duration of the annual leave liability is 8 years.

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

### Sensitivity of defined benefit obligations

(United States dollars)

	2021		2020	
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
<b>0.5 percentage point movement in the assumed medical costs trend rate</b>				
Effect on the defined benefit obligation	3 632	(3 099)	4 408	(3 748)
Effect on the aggregate of the current service cost and interest cost	372	(307)	315	(258)
	2021		2020	
	<i>Increase</i>	<i>Decrease</i>	<i>Increase</i>	<i>Decrease</i>
<b>0.5 percentage point movement in the assumed discount rate</b>				
Effect on the ASHI defined-benefit obligation	(3 205)	3 812	(3 890)	4 650
Effect on the Repatriation Grant defined-benefit obligation	(53)	59	(53)	59
Effect on the Annual Lease defined-benefit obligation	(33)	35	(29)	29

1.

### Reconciliation of opening to closing defined benefit liability and expense in 2021

(Thousands of United States dollars)

	<i>ASHI</i>	<i>Repatriation Grant &amp; Travel</i>	<i>Annual Leave</i>
<b>Net defined benefit liability as at 1 January</b>	<b>29 499</b>	<b>1 686</b>	<b>799</b>
Current service cost	1 488	125	71
Interest cost	62	33	17
<b>Total costs recognized in the statement of financial performance</b>			
Benefits paid (net of participant contribution)	(132)	(169)	(74)
Liability (gain)/loss due to actuarial assumptions and experience recognized in net assets	<u>(671)</u>	<u>(67)</u>	<u>146</u>
<b>Net defined benefit liability as at 31 December</b>	<b><u>30 246</u></b>	<b><u>1 608</u></b>	<b><u>959</u></b>

### Reconciliation of opening to closing defined benefit liability and expense in 2020

(Thousands of United States dollars)

	<i>ASHI</i>	<i>Repatriation Grant &amp; Travel</i>	<i>Annual Leave</i>
<b>Net defined benefit liability as at 1 January</b>	<b>27 768</b>	<b>1 623</b>	<b>793</b>
Current service cost	1 391	119	71
Interest cost	94	46	19
<b>Total costs recognized in the statement of financial performance</b>			
Benefits paid (net of participant contribution)	(114)	(220)	(107)
Liability (gain)/loss due to actuarial assumptions and experience recognized in net assets	<u>360</u>	<u>118</u>	<u>23</u>
<b>Net defined benefit liability as at 31 December</b>	<b><u>29 499</u></b>	<b><u>1 686</u></b>	<b><u>799</u></b>

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

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

96. As of 31 December 2021, UNCCD accrued USD 175,122 for repatriation grant and travel and USD 280,052 for ASHI from all funds except core budget and programme support costs. These amounts were collected in the fund for employee benefits and will be used to (partially) fund future payments for ASHI and repatriation



grants relating to the funds participating in the accrual.

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

### Historical present value of liability for defined-benefit obligations

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
After Service Health Insurance	30 244	29 499	27 768
Repatriation Grant and Travel	1 609	1 686	1 623
Annual Leave	959	799	793
<b>Total</b>	<b>32 812</b>	<b>31 894</b>	<b>30 814</b>

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

### United Nations Joint Staff Pension Fund

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

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

101. The Fund’s Regulations state that the Pension Board shall have an actuarial

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

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

103. The latest actuarial valuation for the Fund was completed as of 31 December 2019, and the valuation as of 31 December 2021 is currently being performed. A roll forward of the participation data as of 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

104. The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4%. The funded ratio was 107.1% when the current system of pension adjustments was taken into account.

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

106. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2018, 2019 and 2020) amounted to USD 7,993.15 million, of which 0.056% was contributed by the UNCCD.

107. During 2021, contributions paid to the Fund amounted to USD 1.65 million (2020 USD 1.55 million). Expected contributions due in 2022 are approximately USD 1.68 million.

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

excess of the liabilities are included in the amount.

109. The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, and these can be viewed by visiting the Fund at [www.unjspf.org](http://www.unjspf.org).

**Note 15: Other current liabilities**

**Other current liabilities**

(United States dollars)

	<i>2021</i>	<i>2020</i>
Repatriation grant held in trust	-	6 586
<b>Total</b>	<b>-</b>	<b>6 586</b>

110. USD 6,586 related to the repatriation grant payable to staff member whose contracts expired in 2018 was cleared in 2021.

111. There are no claims arising from legal actions that are likely to result in a significant liability to UNCCD.

**Note 16 Net assets**

**Reconciliation of opening and closing net assets**

(United States dollars)

	<i>Total</i>
<b>Net assets as at 31 December 2020</b>	<b>5 244 733</b>
<b>Changes in net assets</b>	
Actuarial gains / (losses) on employee benefit liabilities	592 000
Other adjustments to net assets	(49 774)
Surplus / (deficit) for the year	11 230 568
<b>Total changes in net assets</b>	<b>11 772 794</b>
<b>Net assets as at 31 December 2021</b>	<b>17 017 527</b>

**Net assets as at 31 December 2020**

(United States dollars)

	<i>Total</i>
Accumulated surplus/ (deficit)	16 113 633
Actuarial gains / (losses) on employee benefit liabilities and other adjustments to net assets	(12 821 155)
Reserves	1 952 255

<b>Total net assets</b>	<b>5 244 733</b>
-------------------------	------------------

### Net assets as at 31 December 2021

(United States dollars)

	<i>Total</i>
Accumulated surplus/ (deficit) - 2020	16 113 633
Surplus / (deficit) for 2021	11 230 568
Accumulated surplus	27 344 201
Reserves	1 952 255
<b>Total net assets</b>	<b>29 296 456</b>

#### *Accumulated surplus*

112. The accumulated surplus includes the accumulated surplus of the General Fund and related funds, general trust funds, and after-service employee benefit funds.

#### *Reserves*

113. A working capital reserve has been established for the Core Budget as part of the adoption of the budget by the COP along with operating reserves established for the Trust Fund for Voluntary Financing, Trust Fund for participation of State Parties in the Conference and Special Account for Programme Support. The total reserves at the reporting date totalled USD 2.0 million (USD 2.0 million as at 31 December 2020).

### Note 17: Revenue from non-exchange transactions

#### *Indicative contributions*

(United States dollars)

	<i>2021</i>	<i>2020</i>
Indicative contributions approved by the Conference of the parties	9 303 987	8 462 890
<b>Amount reported in Statement II: Indicative contributions</b>	<b>9 303 987</b>	<b>8 462 890</b>

114. The above amount of USD 9,303,987 includes the contributions from the following top ten countries which represents 67.47 per cent of total amounts.

(United States dollars)

	Amount	Percent
United States of America	1 995 488	21.45
People's Republic of China	1 088 902	11.70
Japan	776 789	8.35

Germany	552 388	5.94
United Kingdom of Great Britain and Northern Ireland	414 245	4.45
France	401 546	4.32
Italy	299 958	3.22
Brazil	267 395	2.87
Canada	247 985	2.67
European Union	232 600	2.50
<b>Total top ten</b>	<b>6 277 296</b>	<b>67.47</b>

*Voluntary contributions*

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

(In United States dollars)

	<i>2021</i>	<i>2020</i>
Voluntary contributions	20 459 391	10 056 003
Refunds	-	(470 463)
<b>Net voluntary contributions</b>	<b>20 459 391</b>	<b>9 585 540</b>

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

**Note 18: Investment revenue**

*Investment revenue*

(United States dollars)

	<i>2021</i>	<i>2020</i>
Investment revenue (recorded by UNHQ Treasury New York)	10 743	433 675
<b>Total investment revenue</b>	<b>10 743</b>	<b>433 675</b>

117. There was a considerable decrease in investment revenue from 2020 in the amount of USD 433,675 to 2021 in the amount of USD 10,743 due to the following reasons.

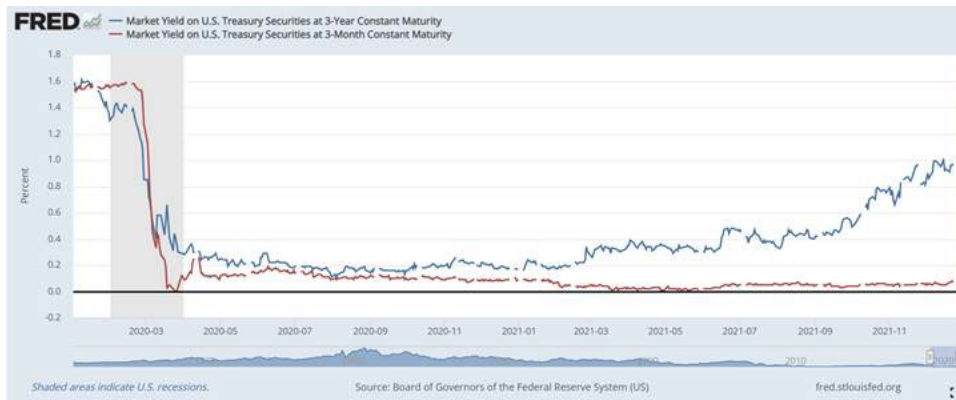
In 2021 there was an overall decline in the main pool rate of return compared to 2020 as new and maturing funds were invested or reinvested in the low interest rate environment (0.41 per cent for 2021, 1.11 per cent for 2020). The realized income on the main pool for the year 1 January 2021 to 31 December 2021, which has been distributed to the pool participants, was USD 46.5 million (2020 was USD 113 million). This income was earned during the period on the average pool

balance of USD 11.2 billion and is distributed proportionately to all cash pool participants on the basis of their average daily balances.

118. In the latter part of 2021, interest rates began to rise as investors started to expect the Federal Reserve to raise rates sooner rather than later in response to rising inflation and strong employment. This increase in rates meant a decline in the market value of a number of securities in the pool. The decline in market value is recorded as an unrealized loss during the period and is a reversal of the increase in the market value of pool securities seen in 2020 when interest rates fell at the beginning of the pandemic period (2021 unrealized loss USD 37 million, 2020 unrealized gain USD 54 million). Unrealized market gains and losses on securities are based on market prices on the last business day of the year and are distributed proportionately to all participants on the basis of year-end balances.

119. There was no impairment of investment assets during the period. The main pool consists of highly rated investments in liquid bonds (issued by governments, government agencies and supranationals), commercial papers, certificates of deposit and term deposits, in line with the principal investment objective of preservation of capital. The main pool continues to outperform the benchmark and the Organization is actively monitoring all credit ratings for the investment holdings and investment counterparties on an ongoing basis.

### US Treasury 3-month and 3-year yields



### Note 19: Other revenue

#### Gain on Investments

(United States dollars)

	2021	2020
Gain on investments	45 490	368
<b>Total gain on investments</b>	<b>45 490</b>	<b>368</b>

#### Gain on foreign exchange

(United States dollars)

	2021	2020
Gain on foreign exchange	-	720 358

<b>Total gain on foreign exchange</b>	-	<b>720 358</b>
---------------------------------------	---	----------------

120. Gain on foreign exchange represents the realized gain on transactions occurring in currencies other than US dollars and unrealized gain resulting from revaluation of monetary assets. In 2021, there is a loss on foreign exchange in the amount of USD 507,227 included in the Note 21 as other expenses.

*Change in provision for doubtful receivables*

(United States dollars)

	2021	2020
Change in provision for doubtful receivables	-	18 730
<b>Total change in provision for doubtful receivables</b>	-	<b>18 730</b>

121. In 2021, there is a change in provision of for doubtful receivables for both indicative and voluntary contributions in the amount of USD 488,895 included in Note 21 as other expenses.

**Note 20: Expenses**

*Personnel expenses*

(United States dollars)

	2021	2020
Salary and wages	6 718 598	6 199 935
Pension and insurance benefits	2 043 070	1 820 687
Interest, service costs and net benefits paid	1 420 000	1 299 000
Other benefits	1 801 364	874 463
<b>Total personnel expenses</b>	<b>11 983 032</b>	<b>10 194 085</b>

122. Personnel expenses include employee salaries, allowances, and benefits. Employee salaries include international, national, and general temporary staff salaries, post adjustment and staff assessment including employment of temporaries. The allowances and benefits include other staff entitlements, such as pension and insurance subsidies and staff assignment, repatriation, hardship, living allowances and post-employment benefits for United Nations Volunteers, and other allowances.

*Travel*

(United States dollars)

	2021	2020
Travel	221 226	61 632
<b>Total travel</b>	<b>221 226</b>	<b>61 632</b>

123. Travel covers the cost of airfare and other transport cost, daily support allowances and terminal allowances. Travel costs increased from USD 61,632 in 2020 to USD 221,226 in 2022 due to the organization of workshop and conference organized in-person, in addition to on-line and virtual conferences.

*Grants*

(United States dollars)

	2021	2020
Outright grants	483 273	1 901 408
Transfers to implementing agencies	600 193	399 554
Transfers to other entities	-	24 919
<b>Total grants</b>	<b>1 083 466</b>	<b>2 325 881</b>

124. Grant amounts of USD 1,083,466 include outright grants and transfers to the implementing agencies, partners and other entities to carry out the mandates contained in the Convention. There was a considerable decrease in 2021 compared to 2020. In 2021, the UNCCD secretariat focussed on the organization of the Committee for the Review of the Implementation of the Convention and the 15th Session of the Conference of the Parties. Furthermore, the pandemic prevented any in-person workshops from held during the reporting period. There was a balance of the grants that were provided in previous years.

*Contractual services*

(United States dollars)

	2021	2020
Consultancy services – individual and institutional	2 673 686	1 953 525
ICT services	40 662	84 243
Translation and interpretation services	77 063	41 531
Information services – production and printing	115 748	26 045
Other	3 556	3 846
<b>Total contractual services</b>	<b>2 910 715</b>	<b>2 109 190</b>

125. Non-employee compensation and allowances (contractual services) cover the cost of contracting with individual experts and consultants, insurances and travel expenses of the consultants, ICT services, production and printing of information materials, and translation and interpretation services. In 2021, the amount for the contractual services increased due to the hiring of editors, individual contractors, printing of publications/brochures and using ICT services for the preparation of the CRIC, Extraordinary Session and 15th Session of the Conference of the Parties.

*Depreciation of property, plant and equipment*

(United States dollars)

	2021	2020
Depreciation of property, plant and equipment	21 499	22 224
<b>Total depreciation of property, plant and equipment</b>	<b>21 499</b>	<b>22 224</b>

126. Depreciation of property, plant and equipment has been a slight decrease in 2021 compared to 2020.

*Other Expenses:*

127. Other Expenses include operating and other direct costs; supplies, commodities and materials; Equipment, vehicle and furniture; loss on foreign exchange and change in provision for doubtful debts, as explained below.



**United Nations Convention to Combat Desertification**  
**Notes to the financial statements (continued)**

	2021	2020
Operating and other direct costs	1 216 697	757 540
Supplies commodities and materials	3 653	11 055
Equipment vehicles and furniture	12 035	141 142
Change in provision for doubtful debts - indicative contributions receivable	140 598	-
Allowance for doubtful debts - voluntary contributions receivable	488 895	-
-Loss on foreign exchange	507 227	-
<b>Total</b>	<b>2 369 105</b>	<b>909 737</b>

*Operating and other direct costs*

(United States dollars)

	2021	2020
Joint activities	639 340	318 964
Contracted services	308 190	285 926
Communications utilities	39 001	59 136
Rental	167 019	55 220
Shared services	23 166	16 065
Hospitality and official functions	3 723	9 439
Bank charges and UNDP services	6 207	5 489
Shipping	1 893	3 666
Training	28 158	3 635
<b>Total operating and other direct costs</b>	<b>1 216 697</b>	<b>757 540</b>

128. Operating and other direct costs include maintenance, utilities, contracted services, training, security services, shared services, rent, and insurance, as per details above. An increase of USD 0.46 million in operating and other direct costs comparing with the expenses of 2020. The main increases were in contracted services of USD 0.02 million, Joint activities in the amount of USD 0.32 million, rental in the amount of USD 0.11 million and training of USD 0.02 million. There were also decrease in communication, Hospitality and Shipping of USD 0.03 million.

*Equipment, vehicles and furniture*

(United States dollars)

	2021	2020
Equipment, vehicles and furniture	12 035	141 142
<b>Total equipment, vehicles and furniture</b>	<b>12 034</b>	<b>141 142</b>

129. Equipment, vehicles and furniture has been decreased considerably from USD 141,142 in 2020 to USD 12,034 in 2021. Most of the equipment including computer equipment and furniture and fixtures were procured in 2020. Therefore, there was no procurement of equipment made in 2021.

*Supplies, commodities and materials*

(United States dollars)

	2021	2020
Supplies, commodities and materials	3 653	11 055
<b>Total supplies, commodities and materials</b>	<b>3 653</b>	<b>11 055</b>

*Loss on foreign exchange*

(United States dollars)

	2021	2020
Loss on foreign exchange	507 227	-
<b>Total loss on foreign exchange</b>	<b>507 227</b>	<b>-</b>

130. There was a gain on foreign exchange in the amount of USD 720,358 in 2020 included as other revenue in the Note 19.

*Change in provision for doubtful receivables*

(United States dollars)

	2021	2020
Indicative contributions	140 598	-
Voluntary contributions receivable	488 895	-
<b>Total change in provision for doubtful receivables</b>	<b>629 494</b>	<b>-</b>

131. In 2020, an amount of USD 18,730 has been reported the change in provision for doubtful receivables included as other revenue in Note 19.

## Note 21: Financial instruments and financial risk management

### Summary of financial instruments

(United States dollars)

	<i>Note</i>	<i>31 December 2021</i>	<i>31 December 2020</i>
<b>Financial assets</b>			
<b>Fair value through the surplus or deficit</b>			
Short-term investments: Cash pool	6	23 366 878	17 467 322
<b>Total short-term investments</b>		<b>23 366 878</b>	<b>17 467 322</b>
Long-term investments: Cash pool	6	4 373 336	5 764 557
<b>Total long-term investments</b>		<b>4 373 336</b>	<b>5 764 557</b>
<b>Total fair value through the surplus or deficit investments</b>		<b>27 740 214</b>	<b>23 231 879</b>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents: Cash pool	6	3 422 297	2 854 666
<b>Total cash and cash equivalents</b>		<b>3 422 297</b>	<b>2 854 666</b>
<b>Loans and receivables</b>			
Indicative contributions	7	3 457 294	2 919 521
Voluntary contributions	8	17 627 946	10 284 257
Other receivables	9	54 496	103 161
Other assets (excluding advances and deferred charges)		-	-
<b>Total of cash and cash equivalents, receivables from exchange and non-exchange transactions and loans</b>		<b>21 139 736</b>	<b>13 306 939</b>
<b>Total carrying amount of financial assets</b>		<b>52 302 247</b>	<b>39 393 484</b>
Of which relates to financial assets held in main pool		31 162 511	26 086 545
<b>Financial liabilities at amortized cost</b>			
Accounts payable and accrued liabilities	12	640 987	763 664
Other liabilities		-	-
<b>Total carrying amount of financial liabilities</b>		<b>640 987</b>	<b>763 664</b>
<b>Summary of net revenue from financial assets</b>			
Net cash pool revenue		30 521 524	25 322 881
Other investment revenue		-	-
<b>Total net revenue from financial assets</b>		<b>30 521 524</b>	<b>25 322 881</b>

## Summary of financial instruments

United States dollars)

	2021	2020
Cash and cash equivalents at fair value through surplus and deficit	3 422 297	2 854 666
Short-term investments at fair value through surplus and deficit	23 366 878	17 467 322
Long-term investments	4 373 336	5 764 557
Accounts Receivable at amortized cost	21 139 736	13 306 939
Accounts Payable at amortized cost	(640 987)	(569 790)
<b>Total net financial instruments</b>	<b>51 661 260</b>	<b>38 823 694</b>

132. As at 31 December 2021, the cash pools and the total assets for USD 11,799.7 million (2020: USD 10,652.4 million), of which USD 31.2 million was due to the Organization (2020: USD 26.1 million), and its share of revenue from cash pools was USD 0.011 million (2020: USD 0.4 million).

## Summary of assets and liabilities of the main pool as at 31 December 2021 compared to 2020

(Thousands of United States dollars)

	<i>Main pool 2021</i>	<i>Main pool 2020</i>
<b>Fair value through the surplus or deficit</b>		
Short-term investments	8 839 722	7 120 747
Long-term investments	1 654 439	2 349 880
<b>Total fair value through the surplus or deficit investments</b>	<b>10 494 161</b>	<b>9 470 307</b>
<b>Loans and receivables</b>		
Cash and cash equivalents	1 294 660	1 163 683
Accrued investment revenue	10 903	18 398
<b>Total loans and receivables</b>	<b>1 305 563</b>	<b>1 182 082</b>
<b>Total carrying amount of financial assets</b>	<b>11 799 724</b>	<b>10 652 389</b>
<b>Cash pool liabilities</b>		
Payable to UNCCD	31 191	26 132
Payable to other cash pool participants	11 768 533	10 626 257
<b>Total liabilities</b>	<b>11 799 724</b>	<b>10 652 257</b>
<b>Net assets</b>	<b>–</b>	<b>–</b>

*Financial risk management*

*Overview*

133. The Organization has exposure to the following financial risks:
- Credit risk;
  - Liquidity risk;
  - Market risk

134. The present note and note 23: “Financial instruments: Cash pool” present information on the Organization's exposure to those risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

*Risk management framework*

135. The Organization's risk management practices are in accordance with its Financial Regulations and Rules and Investment Management Guidelines. The Organization defines the capital that it manages as the aggregate of its net assets, which comprises accumulated fund balances and reserves. Its objectives are to safeguard its ability to continue as a going concern, to fund its asset base and to accomplish its objectives. The Organization's capital is managed in the light of global economic conditions, the risk characteristics of the underlying assets and the Organization's current and future working capital requirements.

*Financial risk management: credit risk*

136. Credit risk is to the risk of financial loss resulting from a counterparty to a financial instrument failing to meet on its contractual obligations. Credit risk arises from cash and cash equivalents, investments, deposits and forward currency contracts with financial institutions, as well as credit exposure to outstanding receivables. The carrying value of financial assets is to the maximum exposure to credit risk.

137. The investment management function is centralized at the United Nations Treasury. Other areas are not permitted, in normal circumstances, to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Investment Management Guidelines.

*Credit risk: contributions receivable and other receivables*

138. A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities that do not have significant credit risk. The maximum exposure to credit risk of financial assets equals their carrying amount. As at the reporting date, the Organization held no collateral as security for receivables.

*Credit risk: allowance for doubtful receivables*

139. The Organization evaluates the allowance for doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the Organization will not collect the full amount due. Management-approved write-offs under the Financial Regulations and Rules or reversals of previously impaired receivables are recognized directly in the statement of financial performance. The movement in the allowances account during the year is shown below.

### Movement in the allowance for doubtful receivables

(United States dollars)

	<i>Total allowance for doubtful receivables</i>
<b>As at 1 January 2020</b>	(36 470)
Net movement	177 068
<b>As at 31 December 2021 – indicative contribution receivable</b>	<b>140 598</b>
<b>Allowance for the Voluntary contribution receivable</b>	<b>488 895</b>
<b>Total as at 31 December 2021</b>	<b>629 493</b>

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

141. The ageing and associated allowance of indicative contributions receivable is as shown below.

### Ageing of indicative contributions

(United States dollars)

	<i>31 December 2021</i>		<i>31 December 2020</i>	
	<i>Gross receivable</i>	<i>Allowance</i>	<i>Gross receivable</i>	<i>Allowance</i>
Less than one year	2 035 542	0	1 409 286	0
One to two years	750 735	0	974 076	0
Two to three years	531 512	0	468 666	0
Three to four years	358 510	179 255	134 986	67 493
More than four years	1 866 211	1 866 211	1 837 374	1 837 374
Revaluation	(39 750)			
<b>Total</b>	<b>5 502 760</b>	<b>2 045 466</b>	<b>4 824 388</b>	<b>1 904 867</b>

142. The ageing and associated allowance of receivables other than assessed contributions is as shown below.

**Ageing of voluntary contribution receivables**

(United States dollars)

	31 December 2021			31 December 2020	
	<i>Gross receivable</i>	<i>AFDA</i>	<i>Discounting</i>	<i>Total</i>	<i>Total</i>
Neither past due nor impaired	13 036 392	-	( 200 659)	12 835 733	
Less than one year	1 764 878	-	-	1 764 878	9 343 600
One to two years	2 929 008	-	-	2 929 008	198 020
Two to three years	196 654	( 98 327)	-	98 327	253 926
More than three years	390 568	( 390 568)	-	-	488 711
<b>Total</b>	<b>18 317 501</b>	<b>( 488 895)</b>	<b>( 200 659)</b>	<b>17 627 946</b>	<b>10 284 257</b>

*Credit risk: cash and cash equivalents*

143. At the year end, the Organization had cash and cash equivalents of USD 3.42 million (2020: USD 2.85 million), which is the maximum credit exposure on those assets. See Note 22: Financial instruments: Cash Pool.

*Financial risk management: liquidity risk*

144. Liquidity risk is the risk that the Organization might not have adequate funds to meet its obligations as they fall due. The Organization's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organization's reputation.

145. The Financial Regulations and Rules of the United Nations require that expenses be incurred after the receipt of funds from donors, thereby considerably reducing the liquidity risk with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses before the receipt of funds are permitted only if specified risk management criteria are adhered to with regard to amounts receivable.

146. The Organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that there is sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. The Organization maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

*Liquidity risk: financial liabilities*

147. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to the cash and cash equivalents, receivables and investments available to the entity and internal policies and procedures put in place to ensure that there are appropriate resources to meet its financial obligations.

*Financial risk management: market risk*

148. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the Organization's revenue or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the Organization's fiscal position.

*Market risk: interest rate risk*

149. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to a change in interest rates. In general, as an interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk. The main exposure to interest rate risks relates to the cash pools and is considered in note 22: Financial instruments: cash pools.

*Market risk: currency risk*

150. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Organization has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to currency risk arising from fluctuations in exchange rates.

151. The Organization's financial assets and liabilities are primarily denominated in euros and United States dollars. Non-United States dollar financial assets primarily relate to indicative and voluntary contributions receivables. The Organization participates in the United Nations cash pool and does not maintain own bank accounts. The most significant exposure to currency risk relates to indicative contributions receivable and voluntary contribution receivable. As at the reporting date, the non-United States dollar denominated balances in those financial assets were primarily euros and Canadian dollars. Currency risk: sensitivity analysis

152. A strengthening or weakening of the euro and Canadian dollar United Nations operational rates of exchange as at the reporting date would have affected the measurement of assets and liabilities denominated in a foreign currency. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.



**Currency exposure as at 31 December 2021**

(In United States dollars)

	EUR	CAD	Other	USD	Total
Indicative contributions receivable	3 457 294	-	-	-	<b>3 457 294</b>
Voluntary contributions receivable	7 985 763	2 810 304	-	7 021 706	<b>17 817 773</b>
Other accounts receivable	13 433	-	-	41 062	<b>54 496</b>
Other Current Assets	11 742	-	-	353 882	<b>365 624</b>
Accounts payable and accrued expenses	( 138 611)	-	( 13)	( 502 363)	<b>( 640 987)</b>
Advance receipts	(1 848 308)	-	-	-	<b>(1 848 308)</b>
<b>Total</b>	<b>9 481 313</b>	<b>2 810 304</b>	<b>( 13)</b>	<b>6 914 287</b>	<b>19 205 892</b>

**Currency exposure sensitivity analysis**

USD / foreign currency exchange rate as at 31 December 2021	1.14	0.78
Effect of a 10 per cent increase of the exchange rate	948 131	281 030
Effect of a 10 per cent decrease of the exchange rate	( 948 131)	( 281 030)

*Other market price risk*

153. The Organization is not exposed to other significant market price risk as it has limited exposure to price-related risk with respect to expected purchases of certain commodities used in normal operations. Therefore, change in those prices can only alter cash flows by an immaterial amount.

*Accounting classifications and fair value*

154. The carrying value of fair value through surplus or deficit investments is fair value. For cash and cash equivalents, receivables and accounts payable, carrying value is a fair approximation of fair value.

Fair value hierarchy

155. The table below analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- c) Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

156. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an

exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

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

158. There were no level 3 financial assets or any liabilities carried at fair value or any transfers of financial assets between fair value hierarchy classifications. The fair value hierarchy for the cash pools is disclosed in note 23: Financial instruments: cash pools.

**Note 22: Financial instruments: Cash Pool**

159. The UNCCD participates in the United Nations Treasury cash pool. The main pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

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

161. As at 31 December 2021, the cash pools and the total assets for \$11,799.7 million (2020: \$10,652.4 million), of which \$31.2 million was due to the Organization (2020: \$26.1 million), and its share of revenue from cash pools was \$0.011 million (2020: \$0.4 million).

**Summary of assets and liabilities of the main pool as at 31 December 2021**

(Thousands of United States dollars)

	<i>Main pool</i>
<b>Fair value through the surplus or deficit</b>	
Short-term investments	8 839 722
Long-term investments	1 654 439
<b>Total fair value through the surplus or deficit investments</b>	<b>10 494 161</b>
<b>Loans and receivables</b>	
Cash and cash equivalents	1 294 660
Accrued investment revenue	10 903
<b>Total loans and receivables</b>	<b>1 305 563</b>
<b>Total carrying amount of financial assets</b>	<b>11 799 724</b>
<b>Cash pool liabilities</b>	
Payable to UNCCD	31 191
Payable to other cash pool participants	11 768 533
<b>Total liabilities</b>	<b>11 799 724</b>

	<i>Main pool</i>
<b>Net assets</b>	–

**Summary of revenue and expenses of the main pool for the year ended 31 December 2021**

(Thousands of United States dollars)

	<i>Main pool</i>
Investment revenue	46 322
Unrealized gains / (losses)	(37 495)
<b>Investment revenue from main pool</b>	<b>8 827</b>
Foreign exchange gains / (losses)	(1 626)
Bank fees	(1 805)
<b>Operating gains (losses) from main pool</b>	<b>(3 431)</b>
<b>Revenue and expenses from main pool</b>	<b>5 396</b>

**Summary of assets and liabilities of the main pool as at 31 December 2020**

(Thousands of United States dollars)

	<i>Main pool</i>
<b>Fair value through the surplus or deficit</b>	
Short-term investments	7 120 427
Long-term investments	2 349 880
<b>Total fair value through the surplus or deficit investments</b>	<b>9 470 307</b>
<b>Loans and receivables</b>	
Cash and cash equivalents	1 163 683
Accrued investment revenue	18 398
<b>Total loans and receivables</b>	<b>1 182 082</b>
<b>Total carrying amount of financial assets</b>	<b>10 652 389</b>
<b>Cash pool liabilities</b>	
Payable to UNCCD	26 132
Payable to other cash pool participants	10 626 257
<b>Total liabilities</b>	<b>10 652 389</b>
<b>Net assets</b>	<b>–</b>

**Summary of revenue and expenses of the main pool for the year ended 31 December 2020**

(Thousands of United States dollars)

	<i>Main pool</i>
Investment revenue	113 031
Unrealized gains / (losses)	54 145
<b>Investment revenue from main pool</b>	<b>167 176</b>
Foreign exchange gains / (losses)	5 837

Bank fees	(578)
<b>Operating gains (losses) from main pool</b>	<b>5 259</b>
<b>Revenue and expenses from main pool</b>	<b>172 435</b>

*Financial risk management*

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

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

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

*Financial risk management: credit risk*

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

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

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

**Investments of the cash pool by credit ratings as at 31 December 2021**

<i>Main pool</i>					<i>Ratings as at 31 December 2021</i>					<i>Ratings as at 31 December 2020</i>				
<b>Bonds (Long term ratings)</b>										<b>Bonds (Long term ratings)</b>				
		<b>AAA/ AAAu</b>	<b>AA+u/AA+/AA</b>	<b>A-1/ A-1+</b>	<b>NA</b>			<b>AAA</b>	<b>AA+u/AA/AA-</b>	<b>A+</b>	<b>NR/ WD</b>			
S&P		47.8%	48.1%	0.4%	3.7%	S&P		44.0%	53.2%		2.8%			
Fitch		<b>AAA</b> 61.3%	<b>AA+/AA/AA-</b> 15.7%		<b>NA/NR</b> 23.1%	Fitch		<b>AAA</b> 61.4%	<b>AA+/AA/AA-</b> 15.5%		<b>NR/ WD</b> 23.1%			
Moody's		<b>Aaa</b> 61.3%	<b>Aa1/Aa2/Aa3</b> 34.9%	<b>A-1</b> 0.4%	<b>NA</b> 3.6%	Moody's		<b>Aaa</b> 61.1%	<b>Aa1/Aa2/Aa3</b> 34.9%	<b>A1</b> 0.4%				3.6%
<b>Commercial papers/ Certificates of Deposit (Short term ratings)</b>										<b>Commercial papers/ Certificates of Deposit (Short term ratings)</b>				
		<b>A-1+/A-1</b>						<b>A-1+/A-1</b>						
S&P		100.0%				S&P		100.00%						
Fitch		<b>F1+/F1</b> 96.7%			<b>NR</b> 3.3%	Fitch		<b>F1+/F1</b> 98.00%			<b>NR</b> 2.0%			
Moody's		<b>P-1/P2</b> 100.0%				Moody's		<b>P-1</b> 100.00%						
<b>Reverse repurchase agreement (short-term ratings)</b>														
		<i>A-1+u</i>												
		100.0												
		<i>F1+</i>												
		100.0												
		<i>WR</i>												
		100.0												
<b>Term deposits/demand deposit account (Fitch viability ratings)</b>										<b>Term deposits (Fitch viability ratings)</b>				
		<i>aa-</i>	<i>a+/a/a-</i>		<b>NA</b>			<b>aaa</b>	<b>aa/aa-</b>	<b>a+/a/a-</b>				
Fitch		34.1%	65.9%			Fitch		-	27.5%	72.5%				

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

*Financial risk management: liquidity risk*

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

*Financial risk management: interest rate risk*

170. The cash pools comprise the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than three years (2020: four years). The average duration of the main pool on 31 December 2021 was 0.49 years (2020: 0.72 years), which is considered to be an indicator of low risk.

*Cash pools interest rate risk sensitivity analysis*

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

**Main pool interest rate risk sensitivity analysis as at 31 December 2021**

<i>Shift in yield curve (basis points)</i>	-200	-150	-100	-50	0	+50	+100	+150	+200
<b>Increase/(decrease) in fair value</b> (Millions of United States dollars):									
Main pool total	113.63	85.22	56.81	28.40	0	(28.40)	(56.80)	(85.19)	(113.58)

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

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

*Other market price risk*

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

*Accounting classifications and fair value hierarchy*

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

174. The levels are defined as:

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

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

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

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

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

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

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

	31 December 2021			31 December 2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial assets at fair value through surplus or deficit</b>						
Bonds – corporate	29 997	–	29 997	15 379	–	15 379
Bonds – non-United States agencies	1 595 405	–	1 595 405	1 368 666	–	1 368 666
Bonds – supranational	812 539	–	812 539	847 288	–	847 288
Bonds – United States treasuries	197 390	–	197 390	502 462	–	502 462
Bonds – non-United States sovereigns	90 163	–	90 163	90 910	–	90 910
Main pool – commercial papers	–	3 033 880	3 033 880	–	2 062 987	2 062 987
Main pool – certificates of deposit	–	2 824 787	2 824 787	–	2 762 615	2 762 615
Main pool – term deposits	–	1 910 000	1 910 000	–	1 820 000	1 820 000
<b>Total</b>	<b>2 725 494</b>	<b>7 768 667</b>	<b>10 494 161</b>	<b>2 824 705</b>	<b>6 645 602</b>	<b>9 470 307</b>
<b>Euro pool</b>						
Bonds – corporate	963	–	963	1 194	–	1 194
Bonds – non-United States sovereigns	458	–	458	570	–	570
<b>Subtotal, euro pool</b>	<b>1 421</b>	<b>–</b>	<b>1 421</b>	<b>1 764</b>	<b>–</b>	<b>1 764</b>
<b>Total</b>	<b>2 726 915</b>	<b>7 768 667</b>	<b>10 495 582</b>	<b>2 826 469</b>	<b>6 645 602</b>	<b>9 472 071</b>

**Note 23: Related Parties**

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

UNCCD and influencing its strategic direction.

**Key management remuneration**

(United States dollars)

	<i>Number of Individuals (full time equivalents)</i>	<i>Aggregate Remuneration</i>	<i>After-service health insurance, repatriation, and annual leave liability</i>
Senior Management (2021)	9	1 951 111	831 000
Senior Management (2020)	11	1 840 269	839 000

179. The aggregate remuneration paid to key management personnel includes gross salaries, post adjustment, entitlements, assignments and other grant, rental subsidy, personal effects shipment costs, income tax reimbursement, employer contributions to pension plan and current health insurance contributions. Key management personnel are also qualified for post-employment benefits which are payable only upon separation. In addition to the aggregate remuneration, the post-employment benefits for the key management personnel as at 31 December 2021 in the amount of USD 831,000 provided by the actuary.

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

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

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

183. The charges paid to the United Nations (UN Office at Geneva – UNOG) for services related to security, payroll, treasury and other services are considered to be provided on a normal supplier basis. The United Nations Secretariat also provides support services on a normal supplier basis such as translation and editing of documents related to the meetings of the Conference of Parties to the Organization. In addition, the United Nations Volunteers (UNV) is responsible for the management of the building occupied by UNCCD in Bonn, Germany. UNV charges UNCCD for the costs of space occupancy and security services on a normal supplier basis.

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

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



**Note 24: Leases and commitments and contingencies**

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

187. The minimum lease payments under non-cancellable property in 2021 are USD 25,412 compared to 2020 in the amount of USD 14,390, and has no outstanding leases qualifying as finance leases at the reporting date. Lease payments recognised as expenses in the period are USD (2020: USD 14,390).

188. Other commitments relate to the acquisition of goods and services contracted for, but not delivered, as at 31 December 2021 amount to USD 282,003 (2020: USD 153,411).

*Contingent liabilities*

189. No contingent liabilities during the reporting period.

*Contingent assets*

190. There are contingent assets of which relate to official confirmation made by donors to UNCCD for future contributions at the reporting date as at 31 December 2021. On behalf of G-20, UNCCD has signed an agreement for the Cooperation with The Ministry of Environment, Water and Agriculture of the Kingdom of Saudi Arabia in the willingness of both parties to strengthen their cooperation to implement the Global Initiatives on Reducing Land Degradation and Enhancing Conservation of Terrestrial Habitats (referred to as the 'initiative'), launched during the G20 Saudi Presidency in 2020, and in accordance with laws and regulations of Both Parties. The agreement signed for 10 years in the total amount of USD 70.0 million, USD 7,000,000 per year. This amount is not recognized in 2021 financial statements since the task force/working group was not established and no activities were started. Furthermore, no Implementation plan and timeline is not yet established. The Programme Manager of this project informed that actual implementation of the project will begin in 1st quarter 2022. Based on these information, a grant in Umoja will be created in 2022 with a conditional terms and conditions and a billing for USD 7,000,000 will be raised to record the 1st instalment.

**Note 25: Events after the reporting date**

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

**Note 26: Fund Accounting**

192. The UNCCD is a single purpose entity established by the Parties to the Convention and the United Nations. The UNCCD has one major mandate to assist the signatories of the Convention to improve the living conditions for people in drylands,

to maintain and restore land and soil productivity, and to mitigate the impact of land degradation and protect our land so we can provide food, water, shelter and economic opportunity to all people. To provide additional information for use to senior management and Parties to the Convention supplemental disclosures are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all UNCCD funds. Fund balances represent the accumulated residual of revenue and expenses.

193. The following separate funds have been established:

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

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

**United Nations Convention to Combat Desertification  
Notes to the financial statements (continued)**

UNITED NATIONS CONVENTION TO  
Statement I : Statement of Financial Position  
by Fund  
as at 31 December 2021

	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		TRUST FUND FOR VOLUNTARY FINANCING OF THE UNCCD GLOBAL MECHANISM (GMZ)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE(UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)		TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)		UNCCD COST RECOVERY UNDER HCA (ZHC)		TOTAL	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
<b>Assets</b>																
<b>Current Assets</b>																
Cash and cash equivalents	111 720	117 758	693 249	703 611	16 444	12 987	1 952 330	1 203 978	437 836	601 999	33 750	9 474	176 968	204 859	3 422 297	2 854 666
Investments	762 806	720 545	4 733 387	4 305 307	112 282	79 464	13 330 185	7 366 982	2 989 469	3 683 550	230 438	57 970	1 208 311	1 253 504	23 366 878	17 467 322
Indicative contributions receivable									3 457 294	2 919 521					3 457 294	2 919 521
Voluntary contributions receivable			6 998 552	4 999 058		33 975	3 121 715	2 026 798							10 120 267	7 059 831
Other accounts receivable	11 183	1 862	6 660	11 501	138	205	16 629	22 007	16 511	58 309	347	1 850	3 028	7 427	54 496	103 161
Other current assets	333	1 155	41 043	25 780	(36)	11 798	54 303	20 604	213 575	226 720	56 424	40 799	(18)	(2 979)	365 624	323 877
<b>Total current Assets</b>	<b>886 042</b>	<b>841 320</b>	<b>12 472 891</b>	<b>10 045 257</b>	<b>128 828</b>	<b>138 429</b>	<b>18 475 162</b>	<b>10 640 369</b>	<b>7 114 685</b>	<b>7 490 099</b>	<b>320 959</b>	<b>110 093</b>	<b>1 388 289</b>	<b>1 462 811</b>	<b>40 786 856</b>	<b>30 728 378</b>
<b>Non-Current Assets</b>																
Investments	142 766	237 794	885 899	1 420 835	21 015	26 224	2 494 872	2 431 248	559 508	1 215 644	43 129	19 131	226 147	413 681	4 373 336	5 764 557
Voluntary contributions receivable			2 663 590	836 320			4 844 089	2 388 106							7 507 679	3 224 426
Fixed Assets							7 984	25 182	14 767	19 068					22 751	44 250
<b>Total Non-Current Assets</b>	<b>142 766</b>	<b>237 794</b>	<b>3 549 489</b>	<b>2 257 155</b>	<b>21 015</b>	<b>26 224</b>	<b>7 346 945</b>	<b>4 844 536</b>	<b>574 275</b>	<b>1 234 712</b>	<b>43 129</b>	<b>19 131</b>	<b>226 147</b>	<b>413 681</b>	<b>11 903 766</b>	<b>9 033 233</b>
<b>Total Assets</b>	<b>1 028 808</b>	<b>1 079 114</b>	<b>16 022 380</b>	<b>12 302 412</b>	<b>149 843</b>	<b>164 653</b>	<b>25 822 107</b>	<b>15 484 905</b>	<b>7 688 960</b>	<b>8 724 811</b>	<b>364 088</b>	<b>129 224</b>	<b>1 614 436</b>	<b>1 876 492</b>	<b>52 690 622</b>	<b>39 761 611</b>
<b>Liabilities</b>																
<b>Current liabilities</b>																
Accounts payable and accrued expenses		3 879	12 397	37 649		5 291	421 478	605 579	153 480	67 890	9 213		44 419	43 376	640 987	763 664
Advance receipts			22 574	22 857			1 504 175	539 868	321 559	831 932					1 848 308	1 394 657
Employee benefit liability	2 939	3 931	12 245	4 324			8 327	11 542	617 972	532 683	213 317	183 491			854 800	735 971
Other current liabilities										6 586						6 586
<b>Total Current Liabilities</b>	<b>2 939</b>	<b>7 810</b>	<b>47 216</b>	<b>64 830</b>	<b>-</b>	<b>5 291</b>	<b>1 933 980</b>	<b>1 156 989</b>	<b>1 093 011</b>	<b>1 439 091</b>	<b>222 530</b>	<b>183 491</b>	<b>44 419</b>	<b>43 376</b>	<b>3 344 095</b>	<b>2 900 878</b>
<b>Non-Current Liabilities</b>																
Employee benefit liability									19 695 000	20 337 000	12 634 000	11 279 000			32 329 000	31 616 000
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19 695 000</b>	<b>20 337 000</b>	<b>12 634 000</b>	<b>11 279 000</b>	<b>-</b>	<b>-</b>	<b>32 329 000</b>	<b>31 616 000</b>
<b>Total Liabilities</b>	<b>2 939</b>	<b>7 810</b>	<b>47 216</b>	<b>64 830</b>	<b>-</b>	<b>5 291</b>	<b>1 933 980</b>	<b>1 156 989</b>	<b>20 788 011</b>	<b>21 776 091</b>	<b>12 856 530</b>	<b>11 462 491</b>	<b>44 419</b>	<b>43 376</b>	<b>35 673 095</b>	<b>34 516 878</b>
<b>Net Assets</b>	<b>1 025 869</b>	<b>1 071 304</b>	<b>15 975 164</b>	<b>12 237 582</b>	<b>149 843</b>	<b>159 362</b>	<b>23 888 127</b>	<b>14 327 916</b>	<b>(13 099 051)</b>	<b>(13 051 280)</b>	<b>(12 492 442)</b>	<b>(11 333 267)</b>	<b>1 570 017</b>	<b>1 833 116</b>	<b>17 017 527</b>	<b>5 244 733</b>
Accumulated surpluses/(deficits)	57 105	(59 425)	15 138 472	11 400 892	149 843	411 919	22 613 976	12 793 152	(7 740 322)	(6 269 961)	(4 444 890)	(4 166 713)	1 570 017	2 003 769	27 344 201	16 113 633
Actuarial gain (loss) recognized in net assets	968 764	1 130 729	836 692	836 690	-	-	673 080	510 483	(6 312 747)	(7 735 337)	(8 444 718)	(7 563 720)	-	-	(12 278 929)	(12 821 155)
Operating reserves	-	-	-	-	-	(252 557)	601 071	1 024 281	954 018	954 018	397 166	397 166	-	(170 653)	1 952 255	1 952 255
<b>Total Fund Balances and Reserves</b>	<b>1 025 869</b>	<b>1 071 304</b>	<b>15 975 164</b>	<b>12 237 582</b>	<b>149 843</b>	<b>159 362</b>	<b>23 888 127</b>	<b>14 327 916</b>	<b>(13 099 051)</b>	<b>(13 051 280)</b>	<b>(12 492 442)</b>	<b>(11 333 267)</b>	<b>1 570 017</b>	<b>1 833 116</b>	<b>17 017 527</b>	<b>5 244 733</b>

STATEMENT II

UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Statement of Financial Performance for the period 1 January to 31 December 2021 by fund

(in United States dollars)	TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA)		TRUST FUND FOR VOLUNTARY FINANCING OF THE UNCCD GLOBAL MECHANISM (GMZ)		TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE (UVA)		TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA)		TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA)		SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA)		UNCCD COST RECOVERY UNDER HCA (ZHC)		ELIMINATIONS		TOTAL	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>REVENUE</b>																		
Indicative contributions									9 303 987	8 462 890							9 303 987	8 462 890
Voluntary contributions	594 526	598 003	5 914 296	1 927 826		63 224	13 356 043	6 677 428	594 526	598 002			(278 943)			20 459 391	9 585 540	
Interest Revenue	57	13 890	5 017	122 014	289	6 938	3 048	169 700	1 500	83 460	(954)	2 836	1 786	34 837		10 743	433 675	
Other revenue	-	(13 068)	(1 871)	516 432	2 172	(9 907)	104 192	109 267	(58 712)	135 007	-	763	(291)	962	-	45 490	739 456	
Programme support revenue											1 990 884	1 663 713			(1 990 884)	(1 663 713)	-	-
<b>TOTAL REVENUE</b>	<b>594 583</b>	<b>598 825</b>	<b>5 917 442</b>	<b>2 566 272</b>	<b>2 461</b>	<b>60 255</b>	<b>13 463 283</b>	<b>6 956 395</b>	<b>9 841 301</b>	<b>9 279 359</b>	<b>1 989 930</b>	<b>1 667 312</b>	<b>1 495</b>	<b>(243 144)</b>	<b>(1 990 884)</b>	<b>(1 663 713)</b>	<b>29 819 611</b>	<b>19 221 561</b>
<b>EXPENSES</b>																		
Personnel expenses	331 429	325 642	766 013	476 854			995 723	843 543	7 621 033	5 960 446	2 268 834	2 587 600					11 983 032	10 194 085
Travel	835	-	37 593	60 606	11 468	(6 695)	8 481	(62 770)	127 233	69 828			35 616	663			221 226	61 632
Contractual services	32 367		277 987	189 683			1 744 415	1 424 392	852 043	495 115			3 903				2 910 715	2 109 190
Grants			151 633	1 901 408			836 254	290 544	95 579	133 929							1 083 466	2 325 881
Amortization/depreciation							17 198	17 198	4 301	5 026							21 499	22 224
Other expenses	54 930	175	876 560	83 174	(984)	89	(25 230)	(35 284)	1 459 378	839 377	(727)	21 678	5 178	528	-	-	2 369 105	909 737
Programme support costs	58 492	45 295	70 076	324 486	1 496	(1 047)	488 828	388 751	1 152 095	906 228			219 897		1 990 884	1 663 713	-	-
<b>TOTAL EXPENSES</b>	<b>478 053</b>	<b>371 112</b>	<b>2 179 862</b>	<b>3 036 211</b>	<b>11 980</b>	<b>(7 653)</b>	<b>4 065 669</b>	<b>2 866 374</b>	<b>11 311 662</b>	<b>8 409 949</b>	<b>2 268 107</b>	<b>2 609 278</b>	<b>264 594</b>	<b>1 191</b>	<b>1 990 884</b>	<b>1 663 713</b>	<b>18 589 043</b>	<b>15 622 749</b>
<b>SURPLUS/DEFICIT FOR THE PERIOD</b>	<b>116 530</b>	<b>227 713</b>	<b>3 737 580</b>	<b>(469 939)</b>	<b>(9 519)</b>	<b>67 908</b>	<b>9 397 614</b>	<b>4 090 021</b>	<b>(1 470 361)</b>	<b>869 410</b>	<b>(278 177)</b>	<b>(941 966)</b>	<b>(263 099)</b>	<b>(244 335)</b>	<b>-</b>	<b>-</b>	<b>11 230 568</b>	<b>3 598 812</b>

## ACRONYMS

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