



**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 2015**

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## **Chapter I**

### **Report of the Board of Auditors on the financial statements: Audit Opinion**

#### **Report on the financial Statements**

We have audited the accompanying financial statements of the United Nations Convention to Combat Desertification (UNCCD), which comprise the statement of financial position as at 31 December 2015 (Statement I), the statement of financial performance (Statement II), statement of changes in net assets (Statement III), statement of cash flow (Statement IV) and the statement of comparison of budget and actual amounts (Statement V-A & V-B) for the year ended 31 December 2015, and the notes to the financial statements.

#### *Management's responsibility for the financial statements*

The Executive Secretary of UNCCD is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards (IPSAS) and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements, as a whole, are free from material misstatement.

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

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

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations Convention to Combat Desertification (UNCCD) as at 31 December 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards.

*Report on other legal and regulatory requirements*

Further in our opinion, the transactions of the United Nations Convention to Combat Desertification that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority. In accordance with article VII of the Financial Regulations and Rules, we have also issued a long-form report on our audit of the United Nations Convention to Combat Desertification.

(Signed) **Mussa Juma Assad**  
Controller and Auditor-General of the  
United Republic of Tanzania  
Chair of the United Nations Board of Auditors

(Signed) **Shashi Kant Sharma**  
Comptroller and Auditor-General of India  
(Lead Auditor)

(Signed) **Sir Amyas C. E. Morse**  
Comptroller and Auditor-General of the  
United Kingdom of Great Britain and Northern Ireland

19 September 2016

## 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 audited the financial statements and reviewed the operations of the United Nations Convention to Combat Desertification (UNCCD) for the year ended 31 December 2015. The audit was carried out at UNCCD's headquarters in Bonn, Germany.

#### *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*

During the period under review, UNCCD prepared its second IPSAS based financial statements. However, the Board identified a number of deficiencies in Financial Statements which were corrected by the UNCCD. The Board found certain areas for further improvement including maintaining of documents prescribed for vehicle usage, documentation of Business Continuity and Disaster Recovery Plan, travel management and maintenance of roster of consultants and individual contractors.

#### *Key findings*

##### *a) Presentation of the Financial Statements*

The Board noticed a number of accounting errors and missing information in Notes to Financial Statements. Errors included wrong projections in actuarial gain and incorrect entries involving balances of accumulated surplus, indicative and voluntary contributions, provision for doubtful debts etc. leading to understatement of Revenue, Current Liability and Current Assets. UNCCD subsequently rectified the same by revising the financial statements.

##### *b) Business Continuity and Disaster Recovery Plan*

The Board observed that the UNCCD has no Business Continuity and Disaster Recovery Plan.

***Main recommendations***

The Board recommends that UNCCD :

- (a) **Work towards improving the quality of financial reporting and ensure the correctness of the Financial Statements.**
- (b) **Prepare and implement a Business Continuity and Disaster Recovery Plan.**

**Key facts**

|                                  |                        |
|----------------------------------|------------------------|
| <b>Revenue</b>                   | <b>\$21.61 million</b> |
| <b>Expenses</b>                  | <b>\$20.67 million</b> |
| <b>Surplus for the year</b>      | <b>\$0.94 million</b>  |
| <b>Assets</b>                    | <b>\$24.15 million</b> |
| <b>Liabilities</b>               | <b>\$20.60 million</b> |
| <b>Fund Balance and Reserves</b> | <b>\$3.55 million</b>  |

**A. Mandate, scope and methodology**

1. The Board audited the financial statements of the United Nations Convention to Combat Desertification (UNCCD) and reviewed its operations for the financial year from 1 January 2015 to 31 December 2015 in accordance with General Assembly (GA) resolution 74 (I) of 1946. The audit was conducted in conformity with Article VII of the Financial Regulations and Rules of the United Nations (UNFRR) and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNCCD as at 31 December 2015 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

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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 UNFRR 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.

3. In addition to the audit of the accounts and financial transactions, the Board carried out review of UNCCD operations under financial regulation 7.5 of the UNFRR. This requires the Board to make observations with respect to the efficiency of the financial procedures, accounting system, internal financial controls and, in general, administration and management of UNCCD operations. The Board also followed up on its previous recommendations and addressed these matters in the relevant sections of this report.

4. The Board's observations and conclusions were discussed with the UNCCD Secretariat whose views have been appropriately reflected in the report.

## **B. Findings and recommendations**

### **1. Previous recommendations**

5. The Board noted that of the 10 recommendations that remained outstanding as at 31 December 2014, four (40 per cent) had been implemented, and six (60 per cent) were under implementation. Previous recommendations that are under implementation and require adequate attention of UNCCD pertain to travel ticket management, implementation of projects, outstanding assessed contribution, and provision for accrued expenses, enterprise risk management and measurable target for two year work programme. Details of status of implementation of pending recommendations are indicated in the Annex I to this report. The Board is of the view that UNCCD needs to put more efforts to address the concerns raised in our reports because the rate of implementation is considered less satisfactory.

### **2. Financial overview**

6. The total revenue for the period under review was \$21.61 million (2014: \$18.85 million) against the total expenses of \$20.67 million (2014: \$19.89 million), resulting in surplus of \$0.94 million (2014: deficit of \$1.03 million). Board noted that the increase in revenue especially in voluntary contribution is main reason behind the surplus of the current year. As of 31 December 2015 Assets and Liabilities amounted to \$24.15 million (2014: \$20.93 million) and \$20.61 million (2014: \$21.83 million) respectively.

7. Key financial ratios are presented in the table below and indicate that overall the UNCCD is in a sound financial position at 31 December 2015:

**Table: Ratio Analysis**

| <i>Ratio</i>  | <i>As on<br/>31 December 2015</i> | <i>As on<br/>31 December 2014</i> |
|---|-----------------------------------|-----------------------------------|
| Total Assets : Total Liabilities <sup>a</sup>   |                                   |                                   |
| Assets : Liabilities  | 1.17                              | 0.96                              |
| Current ratio <sup>b</sup>  |                                   |                                   |
| Current Asset : Current Liabilities   | 2.83                              | 3.92                              |
| Quick ratio <sup>c</sup><br>(Cash + Short Term Investment + Accounts<br>Receivable):Current Liabilities | 2.64                              | 3.88                              |
| Cash ratio <sup>d</sup><br>(Cash + Short Term Investment) :<br>Current Liabilities                      | 2.00                              | 3.49                              |

*Source:* UNCCD's financial statements for the years 2015 and 2014.

<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 by measuring the amount of cash, cash equivalents or invested funds there are in current assets to cover current liabilities.

8. There was a decrease in current ratio, quick ratio and cash ratio as at 31 December 2015 in comparison to those as at 31 December 2014. This is mainly due to decrease in cash and cash equivalents and short term investments which were \$18.58 million in 2014 and were \$12.56 million in 2015. However, there was an increase in ratio of total assets to total liabilities due to substantial increase in Long term investments (Non-current Assets) and a decrease in after service health insurance (Non-current) liability.

### 3. Implementation of IPSAS and issues in the Financial Statements

9. UNCCD prepared IPSAS compliant financial statements for the second year. The Accounting Policies were found to be consistent with IPSAS. The preparation of Financial Statements for the year ended 31 December 2015 was delayed by two months due to the set up and migration of financial data from the Integrated Management Information System (IMIS) to the new Umoja system.

#### *Presentation of the financial statements*

10. During the course of audit, the Board noticed a number of accounting errors and missing information in Notes to Financial Statements. Errors included wrong projections in actuarial gain and incorrect entries involving balances of accumulated surplus; indicative and voluntary contributions; and provision for doubtful debts leading to understatement of Revenue, Current Liability and Current Assets. UNCCD subsequently rectified the errors by revising the financial statements. Identification of these errors during audit highlighted



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the need for strengthening the processes and control mechanism in finalizing the Financial Statements under IPSAS.

*Disclosure in the Notes to the financial statements*

11. The Statement of Financial Performance for 2015 showed a negative figure of \$21,121 under the head Interest Revenue. UNCCD stated that this amount was posted by UNHQ Treasury, New York being the unrealized gain/ (loss).

12. The Board considers that the unusual nature of line item (negative revenue) should have been suitably explained in the Notes to Financial Statements.

13. **The Board recommends that UNCCD work towards improving the quality of financial reporting and ensures the correctness of the Financial Statements.**

**4. Vehicle Maintenance**

14. UNCCD guidelines on the use and control of UNCCD vehicles require the use of a UNCCD vehicle to be recorded on a Vehicle Daily Log. This log is required to be maintained accurately to show the trips taken, the odometer reading/number of km/mileage per trip and the elapsed time. It is the responsibility of the persons authorised to drive the vehicle to maintain the log up-to-date. Vehicle Daily Logs must be reviewed each day and signed by the designated staff member in the Administration and Finance Unit.

15. The Board observed that UNCCD did not maintain Vehicle Daily Log for vehicles owned by it which may lead to the risk of misuse of UNCCD vehicle for unintended purposes.

16. Further as per the Guidelines, a Vehicle History Record should be maintained for each UNCCD vehicle to record average fuel consumption calculated at the end of each month for comparison of performance of the vehicle and cost of repairing, maintaining and service. Whenever, a request for the disposal of a UNCCD vehicle is considered, a copy of Vehicle History Record is to be attached to the request. UNCCD did not maintain the prescribed Vehicle History Record for the vehicles owned by it, leading to non-assessment of vehicle efficiency.

17. **The Board recommends that UNCCD maintain Vehicle Daily Log and Vehicle History Record for the vehicles owned by it to ensure their proper use for official purposes and to assess vehicle efficiency with regard to fuel consumption.**

**5. Business Continuity and Disaster Recovery Plan**

18. The objective of having a Business Continuity and Disaster Recovery Plan and associated controls is to ensure that the organization can still accomplish its mission and it would not lose the capability to process, retrieve and protect information maintained in the event of an interruption or disaster leading to temporary or permanent loss of the information. The importance of adequate documentation is increased where significant

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reliance is placed on a few key members of the Information Technology Department. The loss of key staff may adversely affect an organization's ability to resume operations within a reasonable timeframe.

19. The Board observed that the UNCCD has no Business Continuity and Disaster Recovery Plan. UNCCD agreed to document a Business Continuity and Disaster Recovery plan.

20. **The Board recommends that UNCCD develop its Business Continuity and Disaster Recovery Plan at the earliest, and test periodically and update it as necessary.**

## **6. Travel Management**

21. Administrative guidelines on official travel of UNCCD 2013 require booking of tickets in advance by four weeks i.e. 28 days. The Board observed that out of 774 cases of ticket bookings in 2015, in 415 cases the approved date of tour, ticketing date and departure date of travel were found not recorded. Out of the remaining 359 cases, the Board further observed that tickets in 238 cases (66.3 per cent) were not purchased in advance of 28 days and in 196 cases (54.6 per cent) were purchased in less than 21 days of the travel date. The Board has shown concern over the travel ticket management in its earlier report too.

22. UNCCD stated that with the implementation of Umoja, the UNCCD would consider revising its policy to the standard of 21 days as followed in Umoja instead of 28 days.

23. **The Board recommends that with the proposed change in policy to advance booking of tickets before 21 days, UNCCD should strictly adhere to the new guidelines.**

## **7. Non-maintenance of rosters of consultants and individual contractors**

24. In terms of Administrative Instruction (ST/AI/2013/4 dated 19 December 2013) (Consultants and Individual Contractors) of the UN, rosters of consultants and individual contractors should be utilized where available, as they provide easy access to a screened pool of individuals with a relevant track record. Candidates maintained on any roster should be screened for qualifications, references, and prior work experience. Owing to the particular needs of the various offices of the Secretariat, every department, office and mission is required to develop their own roster of consultants and individual contractors based on their requirements.

25. The Board observed that though UNCCD worked with 111 consultants and individual contractors in 2014 and with 158 consultants and individual contractors in 2015, did not maintain a Roster of consultants and individual contractors.

26. In response, UNCCD stated that the list of Consultants/individual Contractors whose qualifications were screened as part of recruitment process, provide hiring managers, an option to consider their candidature for short term consultancies, and UNCCD also continued to advertise for its vacancies as matter of practice.

27. The Board felt that list of consultants/individual contractors shortlisted at one point of time by UNCCD does not substitute for an up to date Roster of Consultants and Individual Contractors as prescribed in Administrative Instruction of UN.

28. **The Board recommends that UNCCD maintain the roster of consultants and individual contractors in accordance with the administrative instructions.**

### **C. Disclosures by Management**

29. In accordance with 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 irregularity (including those resulting from fraud). Audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

30. 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 brought to their attention. The Board also inquired whether management has any knowledge of any actual, suspected or alleged fraud, and this includes enquiries of the Office of Internal Oversight.

31. UNCCD reported that there were no write-off of cash and receivables, assets during the year 2015. UNCCD also did not make any ex-gratia payment. UNCCD further reported that there was no case of fraud and presumptive fraud that could have a material effect on the financial statements or notes thereto for the financial year ended 31 December 2015.

### **D. Acknowledgement**

32. The Board wishes to express its appreciation for the co-operation and assistance extended to it by the Executive Secretary and staff members of UNCCD.

**Mussa Juma Assad**  
Controller and Auditor-General of the  
United Republic of Tanzania  
Chair of the United Nations Board of Auditors

**Shashi Kant Sharma**  
Comptroller and Auditor-General of India  
(Lead Auditor)

**Sir Amyas C. E. Morse**  
Comptroller and Auditor General of the  
United Kingdom of Great Britain and Northern Ireland

**Annex I** (Referred in paragraph 5)**Status of implementation of outstanding audit recommendations as on 31 December 2014**

| Sr. No. | Reference to Report and Financial Period | Recommendations  | Action Reported by the Management   | Status after verification   |             |                      |                 |                     |
|---------|--|--|---|---|-------------|----------------------|-----------------|---------------------|
|         |  |  |   | Board's Assessment  | Implemented | Under Implementation | Not Implemented | Overtaken by events |
| 1.      | Para 31 of Board Report 2010/2011        | Strengthen the management of tickets.                                      | With the implementation of Umoja, all exceptions must be recorded in the system explaining the rationale for the delay, if any. The secretariat prepares quarterly travel plans for the consideration by the Executive Secretary so that travel can be booked in advance. | Board noted that, out of 774 cases in 2015, in 415 cases of meeting participants travel dates were not captured. In the remaining 359 cases, in 238 cases (66.3%) delay in booking of ticket was noticed. |             | X                    |                 |                     |
| 2.      | Para 37 of Board Report 2010/2011        | Co-ordinate with related countries to expedite implementation of projects. | Executive Secretary informed the countries that the project would be closed and that funding would no longer be available.  | Final financial settlements are pending.  |             | X                    |                 |                     |
| 3.      | Para 41 of Board Report 2010/2011        | Update the inventory lists and reconcile the discrepancy of NEP records.   | The UNCCD secretariat maintains an inventory list of all items in its control. NEP has been uploaded into Umoja, as well as all of its equipment. It is anticipated that the secretariat will use the functions of Umoja for managing its inventory in the future.        | This has been implemented.  | X           |                      |                 |                     |

| Sr. No. | Reference to Report and Financial Period                 | Recommendations  | Action Reported by the Management   | Status after verification   |             |                      |                 |                    |
|---------|--|--|---|---|-------------|----------------------|-----------------|--------------------|
|         |  |  |   | Board's Assessment  | Implemented | Under Implementation | Not Implemented | Overaken by events |
| 4.      | Para 43 of Board Report 2010/2011                        | Finalize the implementation of the disaster recovery server.   | Disaster recovery center has been implemented in May 2015. The servers in the center are running in sync mode with HQ servers. Old backup tapes are also stored in the center.  | The actions taken are adequate.   | X           |                      |                 |                    |
| 5.      | Para 20 of Board Report 2012/2013                        | Obtain reliable and independent verification of the accuracy and completeness of records and balances transferred in respect of the GM.  | Audit was completed in December 2015.   | The action taken is adequate.   | X           |                      |                 |                    |
| 6.      | Para 30 of Board Report 2012/2013                        | Expedite efforts to collect the outstanding assessed contributions and seek to increase fund raising through improved advocacy work, demonstrating more clearly the "impact chain" of projects and continuous coordination of fund-raising activities with the GM. | The secretariat continues to make every effort to remind Parties of their outstanding contributions, including on the website, at meetings of the COP Bureau, reminder letters, and at sessions of the COP.   | The efforts have not yielded desired results.   |             | X                    |                 |                    |
| 7.      | Para 13 of Board Report 2014-2014 as at 31 December 2014 | Strengthen its internal mechanism to ensure that all information in respect of accrued expenses that is necessary to make provisions as per IPSAS is available so as to improve the preparation, presentation and accuracy of its financial statements.            | UNCCD secretariat prepares its Financial statements in 2015 taking into consideration of all accrued expenses in compliance with IPSAS. The secretariat is continuously in discussion with UNOG/UNHQ and UNFCCC on the update of financial policies that will also be included in | UNCCD has to take further measures to strengthen its internal mechanism to capture conditions of voluntary contributions, provisions for accruals to ensure that Financial Statements are fully compliant with IPSAS. |             | X                    |                 |                    |

**Board Report 2015**

| Sr. No. | Reference to Report and Financial Period                 | Recommendations   | Action Reported by the Management   | Status after verification                                |             |                      |                 |
|---------|--|---|---|--|-------------|----------------------|-----------------|
|         |  |   |   | Board's Assessment                                       | Implemented | Under Implementation | Not Implemented |
|         |  |   | the preparation of the financial statements.  |  |             |                      |                 |
| 8.      | Para 18 of Board Report 2014-2014 as at 31 December 2014 | UNCCD continue to actively pursue the audit of the financial statements of GM is completed during the year 2015.  | Audit was completed in 2015.  | The actions taken are adequate.                          | X           |                      |                 |
| 9.      | Para 22 of Board Report 2014-2014 as at 31 December 2014 | UNCCD to put in place a formal structured process for assessing, monitoring and mitigating enterprise risks.  | Risk register of the UNCCD updated as at 31 May 2016. As this is a first step, the secretariat will now put measures in place to formalize the process. | UNCCD has to take measures as per Risk Register.         |             | X                    |                 |
| 10.     | Para 27 of Board Report 2014-2014 as at 31 December 2014 | UNCCD to fix targets for the two-year work programmes in measurable terms so that the same can be compared with actual achievements in order to assess the performance of RCUs. | The budget performance report submitted to the COP at its 12 <sup>th</sup> session will be provided.  | The two year work programmes is not in measurable terms. |             | X                    |                 |
|         | <b>Total</b>   | <b>10</b>   |   |  | <b>4</b>    | <b>6</b>             |                 |
|         | <b>Percentage</b>  | <b>100</b>  |   |  | <b>40</b>   | <b>60</b>            |                 |

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**Annex II**

**Certification of Financial Statements, Financial report on the 2015  
accounts, Financial Statements and Notes**

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## **Certification of the financial statements**

The financial statements of the United Nations Convention to Combat Desertification (UNCCD) for the financial year ended 31 December 2015 have been prepared in accordance with financial rule 106.1. This is the second 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 (UNCCD), numbered I to V-A and V-B are correct.

*(Signed)* Monique **Barbut**  
Executive Secretary

31 May 2016



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## Financial report on the 2015 accounts

### Introduction

1. The financial statements of the United Nations Convention to Combat Desertification (UNCCD) are prepared and submitted to the Conference of Parties in accordance with the Financial Rules. The financial statements include all of the operations under the direct authority of the Executive Secretary including the regular budget, the Global Mechanism and extra-budgetary financed activities.

2. The 2015 financial statements are for the second time prepared based upon the International Public Sector Accounting Standards (IPSAS) in accordance with the decision of the United Nations General Assembly, provide increased information on actual assets and liabilities enabling in improved internal control and enhanced management of UNCCD's total resources. The statements include additional information on revenue and expense to senior management to support decision-making and enhance strategic planning.

3. 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. 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 software and fixed assets such as vehicles acquired has been capitalized rather than expensed. Included in expense for 2015 is the amortization of software capitalized and depreciation on a new vehicle.

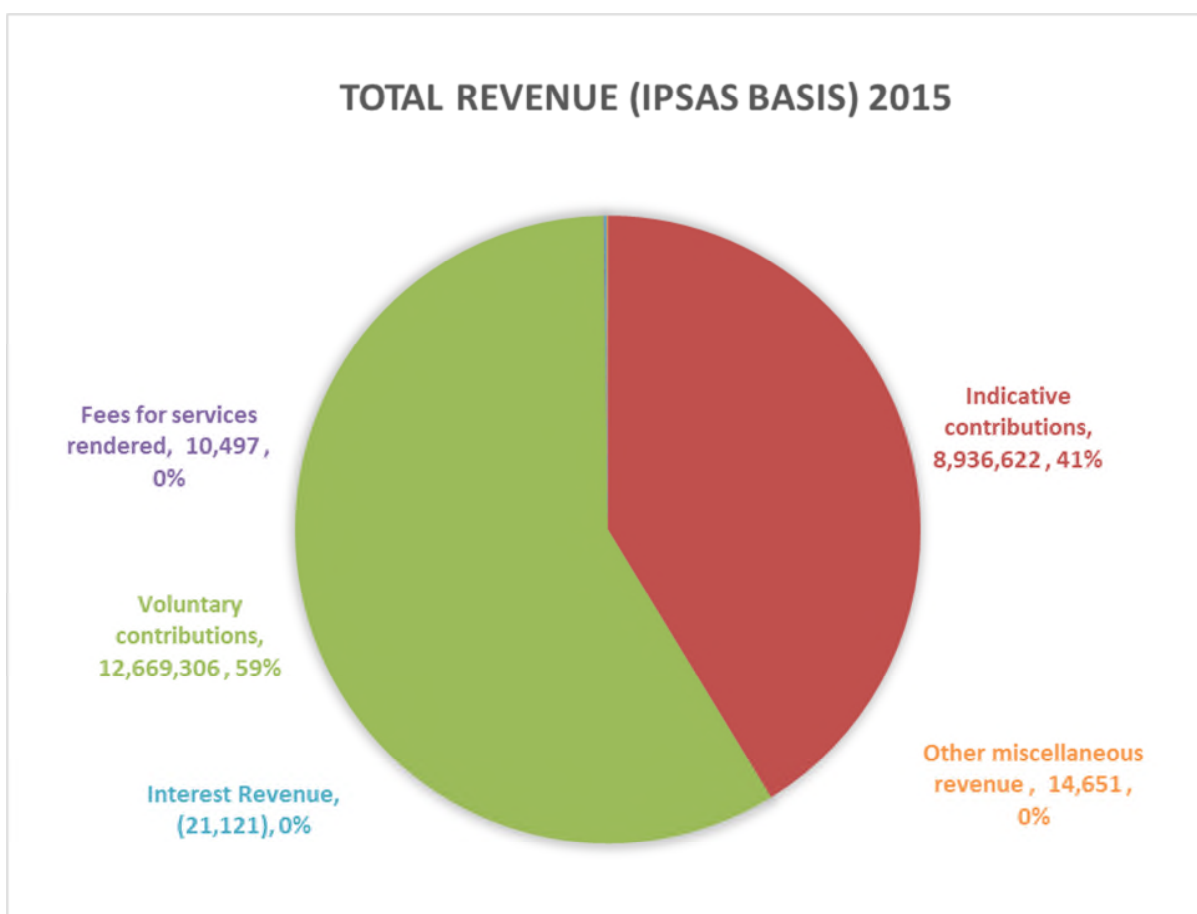
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## 2015 Financial Highlights

### 2015 Financial Results (in USD)

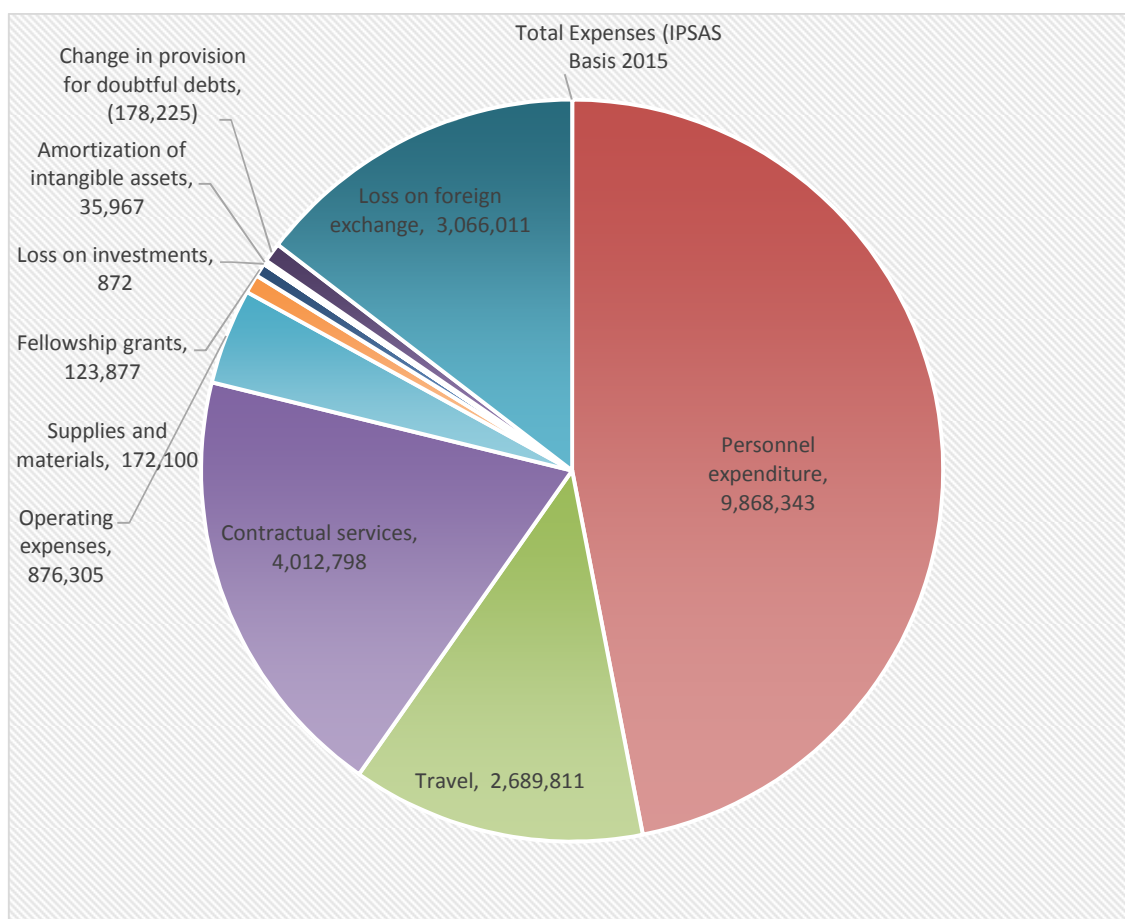
#### Total revenue:

4. Revenue in 2015 totalled USD 21.6 million as follows:



5. The principal sources of revenue were:
- The indicative contributions from signatories of the Convention. The indicative contributions for 2015 totalled USD 8.9 million
  - Voluntary contributions from donors totalled USD 12.7 million.

6. **Total expenditure:** Expenses in 2015 totalled USD 20.7 million as follows:



7. The main expense categories are staff costs of USD 9.9 million or 47.7%, non-employee (consultants and subcontracts) compensation of USD 4.0 million or 19.4%, travel of USD 2.7 million or 13.0%, general operating expenses of USD 0.9 million or 4.2%. In addition expenses include the impact of an unrealized exchange loss of USD 3.1 resulting from the reduction in the USD value of assets held in the United Nations Treasury cash pools and revaluation of receivables held in currencies other than USD. Staff costs include USD 1.4 million of interest and current service costs related to defined benefit obligations (After-Service Health Insurance [ASHI], annual leave, death benefit and repatriation grant/travel).

8. **Operating result:** The net surplus of expense over revenue in 2015, as measured under IPSAS, is USD 0.9 million.

9. **Assets:** Assets as of 31 December 2015 totalled USD 24.1 million compared to the balance at 31 December 2014 of USD 20.9 million. The major components of UNCCD's assets are as follows:

| <b>Summary of assets at 31 December<br/>(in US Dollars)</b> | <b>2015</b>        | <b>2014</b>        |
|---|--------------------|--------------------|
| Cash and cash equivalents                                   | 3 083 939          | 6 213 122          |
| Investments   | <u>15 858 265</u>  | <u>12 361 538</u>  |
| Sub total assets held in UN Euro cash pool                  | 18 942 204         | 18 574 660         |
| Cash held in field offices                                  | 0                  | 5 521              |
| Indicative contributions receivable                         | 4 090 303          | 3 804 779          |
| Less provision for doubtful debts                           | <u>(1 716 202)</u> | <u>(1 894 426)</u> |
| Net indicative contributions receivable                     | 2 374 101          | 1 910 353          |
| Other accounts receivable                                   | 1 637 980          | 138 280            |
| Other assets  | 1 132 573          | 233 356            |
| Fixed assets  | 38 395             | 0                  |
| Intangible assets   | 28 815             | 63 798             |
| <b>Total Assets</b>   | <b>24 154 068</b>  | <b>20 925 968</b>  |

10. The major assets at 31 December 2015 are cash, cash equivalents and investments totalling USD 18.9 million representing 78.4% of the total assets and indicative contributions from signatories to the convention receivable of USD 2.4 million, or 9.8 per cent. The remaining assets consist of other accounts receivable, other assets (primarily staff advances), and software.

11. **Cash, cash equivalents and investments:** Cash, cash equivalents USD 18.9 held in the UN Treasury Cash Pools. This represents an increase of USD 0.4 million over the balance held at the end of 2014 due primarily to receipt of additional voluntary contributions and the lower USD value of Euro based expenditure.

12. **Accounts receivable:** Under IPSAS, accounts receivable from indicative contributions are recognized net of a provision of 50% for all amounts receivable for three years and 100% for all amounts receivable for four or more years. Other receivables include the funds held by South Pacific Islands Nations and the Secretariat of the Pacific Community representing the unused balance of grants forming part of a voluntary contribution made by the Bolivarian Republic of Venezuela. Small receivables for outstanding VAT balances are also included in other receivables.

13. **Liabilities:** Liabilities as of 31 December 2015 totalled USD 20.6 million (USD 20.8 million as at 31 December 2014) as follows:

| <b>Summary of liabilities at 31 December</b> |                   |                   |
|--|-------------------|-------------------|
| <b>(in US Dollars)</b>                       | <b>2015</b>       | <b>2014</b>       |
| Accounts payable and accruals                | 3 563 323         | 431 923           |
| Advance receipts                             | 2 165 521         | 2 382 484         |
| Employee benefit liabilities                 | 14 877 074        | 17 093 283        |
| Other liabilities                            | 0                 | 1 923 217         |
| <b>Total Liabilities</b>                     | <b>20 605 918</b> | <b>21 830 907</b> |

14. The most significant liability is the employee benefits earned by staff members and retirees but not paid at the reporting date, primarily the liability for after service health insurance (ASHI). These liabilities total USD 14.9 million, represent 71.4% of UNCCD's total liabilities and are explained in detail in note 12 to the financial statements. The decrease of USD 2.2 million is caused primarily by the increase in the discount rate utilized to convert the outstanding obligation to net present value in accordance with the requirements of IPSAS. The higher the discount rate the lower the liability.

15. Other liabilities are Accounts payable and accruals and Advance receipts. Accounts payable to vendors relate to amounts due for goods received and services rendered but payment not completed. This also includes the balance due to the Government of the Bolivarian Republic of Venezuela. 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. Advance receipts covers indicative contributions received in advance of the start of the year to which they are related and other voluntary contributions provided by donors that contain conditions requiring the return of funds not spent in accordance with the terms of the agreement. The balance represents the portion of the contribution at 31 December that has not been recognized as revenue since it has not been earned by UNCCD by performing the services covered by the agreement.

16. **Net assets:** The movement in net assets during the year reflects an increase of USD 4.5million from USD (0.9) million in 2014 to USD 3.5 million in 2015 due primarily to the positive actuarial change of USD 2.2 million and the operating surplus of USD 0.9 million. Net assets include the operating reserves which remained at USD 1.9 million.

### **Core budget**

17. The Conference of the Parties approved a Core budget for the 2014–2015 financial period, amounting to EUR 16.1 million (USD 20.7 million) of which EUR 8.2 million (USD 9.8 million) was programmed for 2015. In addition, the Conference of the Parties approved a budget for the

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transfer of the Global Mechanism to Bonn for the 2014–2015 financial period amounting to EUR 0.351 million (USD 0.466 million).

18. The regular budget continues to be prepared on a modified cash basis in accordance with the UN Financial Regulations. The overall budgetary results for 2015 and the 2014–2015 financial periods in US dollars and euros are summarized in Statements V – A and V – B respectively. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the adopted budget are explained in note 17.

19. Valued in US dollars at the average USD 1 = EUR 0.828042 at the rate of exchange set by the United Nations and using the modified cash method of accounting, total Core budgetary income for 2015 amounted to USD 9.9 million. Expenditure under the regular budget during 2015 amounted to USD 8.9 million resulting in a net surplus of USD 871,647. The surplus is primarily due to savings accrued from vacant posts. The UNCCD secretariat and the Global Mechanism have made further savings through cost efficiencies in the utilization of consultants and have made efforts to pursue on-line training courses for staff development training, wherever possible. The COP, by its decision 10/COP.12, reallocated EUR 620,000 of the savings in the budget for the biennium 2014–2015 on an exceptional basis in support of activities in the biennium 2016–2017, as well as offsetting contributions for the next biennium.

| <b>STATEMENT I</b>  |             |                         |                         |
|---|-------------|-------------------------|-------------------------|
| <b>UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION</b>    |             |                         |                         |
| <b>Statement of Financial Position as at 31 December 2015</b> |             |                         |                         |
| (United States Dollars)                                       |             |                         |                         |
|   | <i>Note</i> | <i>31 December 2015</i> | <i>31 December 2014</i> |
| <b>Assets</b>   |             |                         |                         |
| <b>Current Assets</b>   |             |                         |                         |
| Cash and cash equivalents                                     | 5           | 3 083 939               | 6 218 643               |
| Short-term investments  | 5           | 9 478 251               | 12 361 538              |
| Indicative contributions receivable                           | 6           | 2 374 101               | 1 910 353               |
| Other accounts receivable                                     | 6           | 1 637 980               | 138 280                 |
| Other current assets  | 7           | 1 132 573               | 233 356                 |
| <b>Total current Assets</b>                                   |             | <b>17 706 844</b>       | <b>20 862 170</b>       |
| <b>Non-Current Assets</b>                                     |             |                         |                         |
| Intangible assets   | 9           | 28 815                  | 63 798                  |
| Fixed Assets  | 8           | 38 395                  | -                       |
| Long-term investments   | 5           | 6 380 014               | -                       |
| <b>Total Non-Current Assets</b>                               |             | <b>6 447 224</b>        | <b>63 798</b>           |
| <b>Total Assets</b>   |             | <b>24 154 068</b>       | <b>20 925 968</b>       |
| <b>Liabilities</b>  |             |                         |                         |
| <b>Current liabilities</b>                                    |             |                         |                         |
| Accounts payable and accrued expenses                         | 10          | 3 563 323               | 431 923                 |
| Advance receipts and deferred revenue                         | 11          | 2 165 521               | 2 382 484               |
| Employee benefit liability                                    | 12          | 538 074                 | 586 248                 |
| Other current liabilities                                     | 13          | -                       | 1 923 217               |
| <b>Total Current Liabilities</b>                              |             | <b>6 266 918</b>        | <b>5 323 873</b>        |
| <b>Non-Current Liabilities</b>                                |             |                         |                         |
| Employee benefit liability                                    | 12          | 14 339 000              | 16 507 035              |
| <b>Total Non-Current Liabilities</b>                          |             | <b>14 339 000</b>       | <b>16 507 035</b>       |
| <b>Total Liabilities</b>                                      |             | <b>20 605 918</b>       | <b>21 830 908</b>       |
| <b>Net Assets</b>   |             | <b>3 548 150</b>        | <b>( 904 940)</b>       |
| <b>Net Assets/Equity</b>                                      |             |                         |                         |
| Accumulated surpluses/(deficits)                              |             | 1 871 895               | 929 805                 |
| Actuarial gain (loss) recognized in net assets                |             | ( 276 000)              | (3 787 000)             |
| Operating reserves  | 16          | 1 952 255               | 1 952 255               |
| <b>Total Fund Balances and Reserves</b>                       |             | <b>3 548 150</b>        | <b>( 904 940)</b>       |

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

| <b>STATEMENT II</b>  |             |                   |                    |
|--|-------------|-------------------|--------------------|
|  |             |                   |                    |
| <b>UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION</b>                             |             |                   |                    |
| <b>Statement of Financial Performance for the period 1 January to 31 December 2015</b> |             |                   |                    |
| <b>(in United States dollars)</b>  |             |                   |                    |
|  | <b>Note</b> | <b>2015</b>       | <b>2014</b>        |
| <b>REVENUE</b>   | 14          |                   |                    |
| Indicative contributions   |             | 8 936 622         | 9 944 345          |
| Voluntary contributions  |             | 12 669 306        | 8 842 548          |
| Fees for services rendered   |             | 10 497            | 38 802             |
| Investment revenue   |             | ( 21 121)         | 19 244             |
| Gain on investments  |             | -                 | 8 093              |
| Other/miscellaneous revenue  |             | 14 650            | 105                |
| <b>TOTAL REVENUE</b>   |             | <b>21 609 954</b> | <b>18 853 137</b>  |
| <b>EXPENSES</b>  | 15          |                   |                    |
| Personnel expenditure  |             | 9 868 344         | 9 869 297          |
| Travel   |             | 2 689 811         | 1 411 283          |
| Contractual services   |             | 4 012 798         | 1 808 327          |
| Operating expenses   |             | 876 305           | 3 042 082          |
| Supplies and materials   |             | 172 100           | 29 178             |
| Fellowship grants  |             | 123 877           | 1 053 553          |
| Loss on investments  |             | 873               | -                  |
| Amortization of intangible assets and depreciation                                     |             | 35 967            | 39 427             |
| Change in provision for doubtful debts   |             | ( 178 225)        | ( 301 460)         |
| Loss on foreign exchange   |             | 3 066 014         | 2 936 039          |
| <b>TOTAL EXPENSES</b>  |             | <b>20 667 864</b> | <b>19 887 726</b>  |
| <b>SURPLUS/ (DEFICIT) FOR THE PERIOD</b>   |             | <b>942 090</b>    | <b>(1 034 589)</b> |

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



| <b>STATEMENT III</b>   |              |  |                  |                    |
|--|--------------|--|------------------|--------------------|
| <b>UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION</b>                       |              |  |                  |                    |
| <b>Statement of Changes in Net Assets for the year ended 31 December 2015</b>    |              |  |                  |                    |
| <b>(United States Dollars)</b>   |              |  |                  |                    |
|  | <b>Notes</b> | <b>Accumulated<br/>Surplus-<br/>General Fund</b> | <b>Reserves</b>  | <b>Total</b>       |
| <b>Net Assets 31 December 2013 (UNSAS basis)</b>                                 |              | <b>3 744 455</b>                                 | <b>1 952 255</b> | <b>5 696 710</b>   |
| <b>Changes in accounting policy and other adjustments to net equity</b>          |              |  |                  |                    |
| Adjustment for the reversal of unliquidated obligations non delivered            |              | 1 765 217  | -                | 1 765 217          |
| Adjustment to reverse deferred expenditure                                       |              | ( 14 069)  | -                | ( 14 069)          |
| Adjustment for deferral of unearned revenue                                      |              | ( 248 244)                                       | -                | ( 248 244)         |
| Adjustment for the recognition of intangible assets                              |              | 103 225  | -                | 103 225            |
| Adjustment for the recognition of provision for doubtful debts                   |              | (2 207 101)                                      | -                | (2 207 101)        |
| Adjustment for accrual of education grants payable                               |              | ( 65 999)  | -                | ( 65 999)          |
| Adjustment for accrual of unliquidated obligations                               |              | ( 884 625)                                       | -                | ( 884 625)         |
| Adjustment for the recognition of employee benefits                              |              | ( 228 464)                                       | -                | ( 228 464)         |
| <b>Sub total IPSAS opening balance adjustments</b>                               |              | <b>(1 780 060)</b>                               | <b>-</b>         | <b>(1 780 060)</b> |
| <b>Net Assets at 31 December 2013/1 January 2014 including IPSAS adjustments</b> |              | <b>1 964 395</b>                                 | <b>1 952 255</b> | <b>3 916 650</b>   |
| Change in actuarial method for annual leave and death benefit                    |              | ( 16 000)  | -                | ( 16 000)          |
| <b>Net Assets at 01 January 2014</b>   |              | <b>1 948 395</b>                                 | <b>1 952 255</b> | <b>3 900 650</b>   |
| Recognition of actuarial adjustments in net assets                               |              | (3 771 000)                                      | -                | (3 771 000)        |
| Net result for 2014  |              | (1 034 590)                                      | -                | (1 034 590)        |
| <b>Net Assets at 31 December 2014</b>  |              | <b>(2 857 195)</b>                               | <b>1 952 255</b> | <b>( 904 940)</b>  |
| Recognition of actuarial adjustments in net assets                               |              | 3 511 000  | -                | 3 511 000          |
| Interfund adjustments  |              | -  | -                | -                  |
| Net result for 2015  |              | 942 090  | -                | 942 090            |
| <b>Net Assets at 31 December 2015</b>  |              | <b>1 595 895</b>                                 | <b>1 952 255</b> | <b>3 548 150</b>   |

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

| <b>STATEMENT IV</b>   |              |                    |                    |
|---|--------------|--------------------|--------------------|
| <b>UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION</b>                      |              |                    |                    |
| <b>Statement of Cash Flow for the period 1 January 2015 to 31 December 2015</b> |              |                    |                    |
| <b>(in United States dollars)</b>   | <b>Notes</b> | <b>2015</b>        | <b>2014</b>        |
| <b>Cash flows from operating activities</b>                                     |              |                    |                    |
| Surplus (deficit) for the period excluding interest                             |              | 963,211            | (1,053,833)        |
| Interest revenue  |              | ( 21 121)          | 19 244             |
| Surplus (deficit) for the period  | Statement II | 942 090            | (1 034 589)        |
| Depreciation and amortization   | 8&9          | 35 967             | 39 427             |
| Increase (decrease) in provision for doubtful debts                             | 6            | ( 178 225)         | ( 301 460)         |
| (Increase) decrease in receivables  | 6            | (1 785 224)        | 155 994            |
| (Increase) decrease in other current assets                                     | 7            | ( 899 215)         | 676 398            |
| Increase (decrease) in advance receipts   | 11           | ( 216 963)         | 1 746 590          |
| Increase (decrease) in accounts payable   | 10           | 3 131 399          | ( 893 030)         |
| Increase (decrease) in other current liabilities                                | 13           | (1 923 217)        | 1 923 216          |
| Increase (decrease) in employee benefit liabilities recognized in surplus       | 12           | 1 294 790          | 986 817            |
| <b>Net cash flows from operating activities</b>                                 |              | <b>401 402</b>     | <b>3 299 364</b>   |
| <b>Cash flows from investing activities</b>                                     |              |                    |                    |
| (Increase) decrease in short-term investments                                   | 5            | 2 883 287          | (7 669 924)        |
| (Increase) decrease in fixed assets   | 8            | ( 39 379)          | -                  |
| (Increase) decrease in long-term investments                                    | 5            | (6 380 014)        | 4 726 052          |
| <b>Net cash flows from investing activities</b>                                 |              | <b>(3 536 106)</b> | <b>(2 943 872)</b> |
| <b>Net increase in cash and cash equivalents</b>                                |              | <b>(3 134 704)</b> | <b>355 492</b>     |
| <b>Cash and cash equivalents at beginning of year</b>                           | 5            | <b>6 218 643</b>   | <b>5 863 151</b>   |
| <b>Cash and cash equivalents at end of year</b>                                 | 5            | <b>3 083 939</b>   | <b>6 218 643</b>   |

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

**United Nations Convention to Combat Desertification**  
**V-A Statement of Comparison of Budget and Actual amounts for the year ended at 31 December 2015**  
(in United States dollars)

| <b>Core budget of the Secretariat</b>                                | <i>Original<br/>budget<br/>2015</i> | <i>Final Budget<br/>2015</i> | <i>Actual<br/>2015*</i> | <i>Original<br/>budget<br/>2014-2015</i> | <i>Final Budget<br/>2014-2015</i> | <i>Actual<br/>2014-2015*</i> |
|--|-------------------------------------|------------------------------|-------------------------|--|-----------------------------------|------------------------------|
| <i>Programmes</i>  |                                     |                              |                         |  |                                   |                              |
| A. Advocacy, awareness raising and education                         | 1 182 143                           | 1 182 143                    | 972 544                 | 2 512 282                                | 2 512 282                         | 2 126 801                    |
| B. Policy framework  | 925 659                             | 925 659                      | 790 189                 | 1 978 836                                | 1 978 836                         | 1 662 207                    |
| C. Science, technology and knowledge                                 | 1 388 489                           | 1 388 489                    | 1 261 154               | 2 967 740                                | 2 967 740                         | 2 556 019                    |
| D. Capacity building   | 430 956                             | 430 956                      | 320 257                 | 871 314                                  | 871 314                           | 613 945                      |
| E. Financing and technology transfer                                 | 955 981                             | 955 981                      | 1 160 550               | 2 040 314                                | 2 040 314                         | 1 850 719                    |
| F. Executive direction and management                                | 1 917 446                           | 1 917 446                    | 1 708 800               | 4 033 006                                | 4 033 006                         | 2 974 823                    |
| G. Conference services   | 405 707                             | 405 707                      | 415 165                 | 868 648                                  | 868 648                           | 799 023                      |
| H. Administration and finance services                               | <u>1 455 745</u>                    | <u>1 455 745</u>             | <u>1 501 816</u>        | <u>3 133 448</u>                         | <u>3 133 448</u>                  | <u>2 890 518</u>             |
| Sub total  | 8 662 126                           | 8 662 126                    | 8 130 476               | 18 405 588                               | 18 405 588                        | 15 474 056                   |
| Programme support costs  | 1 126 075                           | 1 126 075                    | 786 079                 | 2 392 727                                | 2 392 727                         | 1 740 744                    |
| Working capital reserve  |                                     |                              |                         | ( 84 348)                                | ( 84 348)                         |                              |
| <b>TOTAL Core Budget of the Secretariat</b>                          | 9 788 201                           | 9 788 201                    | 8 916 555               | 20 713 967                               | 20 713 967                        | 17 214 800                   |
| Contribution from the host Government                                | 610 372                             | 610 372                      | 541 050                 | 1 313 808                                | 1 313 808                         | 1 234 942                    |
| Unspent balances or contributions from prior financial periods       | 241 207                             | 241 207                      | 241 207                 | 519 192                                  | 519 192                           | 519 192                      |
| Indicative contributions   | 8 936 622                           | 8 936 622                    | 6 300 025               | 18 880 967                               | 18 880 967                        | 14 533 287                   |
| <b>TOTAL income</b>  | 9 788 201                           | 9 788 201                    | 7 082 282               | 20 713 967                               | 20 713 967                        | 16 287 421                   |
| <b>Global Mechanism - Transfer to Bonn</b>                           | -                                   | -                            | 12 302                  | 412 746                                  | 412 746                           | 385 450                      |
| Programme support costs  | -                                   | -                            | 1 601                   | 53 639                                   | 53 639                            | 50 108                       |
| <b>Total other budgets approved by the Conference of the Parties</b> | -                                   | -                            | 13 903                  | 466 385                                  | 466 385                           | 435 558                      |

\*Expenditure at the average monthly exchange rate of the United Nations for the biennium 2014-2015 with 1 USD = EUR 0.828042

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

**United Nations Convention to Combat Desertification**  
**V – B: Statement of Comparison of Budget and Actual amounts for the year ended at 31 December 2015**  
(in Euros)

| <b>Core budget of the Secretariat</b>                                | <i>Original<br/>budget<br/>2015</i> | <i>Final Budget<br/>2015</i> | <i>Actual<br/>2015*</i> | <i>Original<br/>budget<br/>2014-2015</i> | <i>Final Budget<br/>2014-2015</i> | <i>Actual<br/>2014-2015*</i> |
|--|-------------------------------------|------------------------------|-------------------------|--|-----------------------------------|------------------------------|
| <i>Programmes</i>  |                                     |                              |                         |  |                                   |                              |
| A. Advocacy, awareness raising and education                         | 990 250                             | 990 250                      | 805 307                 | 1 955 400                                | 1 955 400                         | 1 761 081                    |
| B. Policy framework  | 775 400                             | 775 400                      | 654 310                 | 1 540 200                                | 1 540 200                         | 1 376 377                    |
| C. Science, technology and knowledge                                 | 1 163 100                           | 1 163 100                    | 1 044 288               | 2 309 900                                | 2 309 900                         | 2 116 491                    |
| D. Capacity building   | 361 000                             | 361 000                      | 265 186                 | 678 175                                  | 678 175                           | 508 372                      |
| E. Financing and technology transfer                                 | 800 800                             | 800 800                      | 960 984                 | 1 588 050                                | 1 588 050                         | 1 532 473                    |
| F. Executive direction and management                                | 1 606 193                           | 1 606 193                    | 1 414 958               | 3 139 035                                | 3 139 035                         | 2 463 279                    |
| G. Conference services   | 339 850                             | 339 850                      | 343 774                 | 676 100                                  | 676 100                           | 661 624                      |
| H. Administration and finance services                               | <u>1 219 439</u>                    | <u>1 219 439</u>             | <u>1 243 567</u>        | <u>2 438 876</u>                         | <u>2 438 876</u>                  | <u>2 393 471</u>             |
| Sub total  | 7 256 032                           | 7 256 032                    | 6 732 375               | 14 325 736                               | 14 325 736                        | 12 813 168                   |
| Programme support costs  | 943 284                             | 943 284                      | 650 906                 | 1 862 346                                | 1 862 346                         | 1 441 409                    |
| Working capital reserve  |                                     |                              |                         | ( 65 651)                                | ( 65 651)                         |                              |
| <b>TOTAL Core Budget of the Secretariat</b>                          | 8 199 316                           | 8 199 316                    | 7 383 282               | 16 122 431                               | 16 122 431                        | 14 254 577                   |
| Contribution from the host Government                                | 511 292                             | 511 292                      | 511 292                 | 1 022 584                                | 1 022 584                         | 1 022 584                    |
| Unspent balances or contributions from prior financial periods       | 202 053                             | 202 053                      | 202 053                 | 404 106                                  | 404 106                           | 404 106                      |
| Indicative contributions   | 7 485 970                           | 7 485 970                    | 6 594 966               | 14 695 741                               | 14 695 741                        | 13 037 719                   |
| <b>TOTAL income</b>  | 8 199 315                           | 8 199 315                    | 7 308 311               | 16 122 431                               | 16 122 431                        | 14 464 409                   |
| <b>Global Mechanism - Transfer to Bonn</b>                           | -                                   | -                            | 10 187                  | 310 526                                  | 310 526                           | 319 169                      |
| Programme support costs  | -                                   | -                            | 1 326                   | 40 368                                   | 40 368                            | 41 492                       |
| <b>Total other budgets approved by the Conference of the Parties</b> | -                                   | -                            | 11 512                  | 350 894                                  | 350 894                           | 360 660                      |

\*Expenditure at the average monthly exchange rate of the United Nations for the biennium 2014-2015 with 1 USD = EUR 0.828042

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

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**UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION**  
**Notes to the financial statements**

**NOTE 1: The Reporting Entity**

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

2. UNCCD is governed by the following constituent bodies:

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

**The Bureau of the COP**

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

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

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

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

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

**NOTE 2: Basis of Preparation**

5. The financial statements of the UNCCD have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention. The statements are prepared on a going concern basis based upon approval by the Conference of Parties of the 2016–17 Programme and budget and the 10 year (2008–2018) strategic plan and framework to enhance the implementation of the Convention, the historical trend of collection of assessed 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.

6. These are the second 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 2015 financial statements are presented on an annual basis covering the period 1 January 2015 to 31 December 2015.

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

### **2.1 Functional and Presentation Currency**

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

### **2.2 Foreign Currency Translation**

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

10. The Core budget and the budget for the Resources requirements for transferring the Global Mechanism to Bonn were approved in euros. The contingency budget for conference services of UNCCD is approved by the COP; however, funds are not assessed unless required. Information on the Statements of Budget to Actual Comparisons for each budget is presented in both euros and US dollars.

### **2.3 Materiality and use of judgment and estimates**

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

## **NOTE 3: Significant Accounting Policies**

### **Assets**

#### **3.1 Cash and Cash Equivalents**

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

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### **3.2 Financial Instruments**

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

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

15. The Main and Euro Cash pools comprise participating entity shares of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed by the UN Treasury. UNCCD's share of the cash pools is disclosed in the notes to the financial statements and on the Statement of Financial Position. Detailed information on the holdings of the Main and Euro Cash Pools may be obtained in the Financial Statements of the United Nations.

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

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

### **3.3 Inventories**

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

### **3.4 Property, Plant and Equipment**

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

**Depreciation**

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

| <b>Class</b>                      | <b>Estimated useful life (years)</b>  |
|-----------------------------------|---------------------------------------|
| Computer Equipment                | 5                                     |
| Communication and audio equipment | 5                                     |
| Furniture and fittings            | 10                                    |
| Vehicles                          | 10                                    |
| Leasehold improvements            | 10 (or lease term, whichever shorter) |

21. Impairment reviews are undertaken for all assets at least biennially and any impairment losses are recognized in the Statement of Financial Performance. The useful lives of equipment are reviewed and adjusted, if applicable.

**3.5 Intangible Assets**

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

**Amortization**

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

| <b>Class</b>                  | <b>Estimated useful life (years)</b> |
|-------------------------------|--------------------------------------|
| Software acquired externally  | 5                                    |
| Internally developed software | 3 - 6                                |

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



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## **Liabilities**

### **3.6 Employee Benefits**

25. 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.
26. The liability recognized for post-employment benefits is the present value of the defined benefit obligations at the reporting date. An independent actuary using the projected unit credit method calculates the defined benefit obligations. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-grade corporate bonds with maturity dates approximating those of the individual plans.
27. Employee benefits including payments to staff members on separation from service such as repatriation grant, accrued annual leave, repatriation travel and removal on repatriation are expensed on an accrual basis.
28. Actuarial gains and losses related to post-employment benefits for after service health insurance are recognised in the period in which they occur on the statement of changes in net assets as a separate item in net assets/equity.
29. UNCCD is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Pension 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.
30. The plan 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, in line with the other participating organizations in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25: Employee benefits. UNCCD's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

### **3.7 Provisions**

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

### **3.8 Contingent liabilities and contingent assets**

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

### **3.9 Leases**

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

### **Revenue**

#### **3.10 Non-exchange Revenue and Receivables**

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

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

36. 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.

37. 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.

38. 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 expense 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 expense are eliminated since they represent inter-fund charges and revenue.

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

### **3.11 Exchange Revenue**

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

### **3.12 Expenses**

41. 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.

42. 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 expense in the current period on the Statement of Financial Performance.

### **3.13 Segment Reporting**

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

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

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

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

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

### **3.14 Budget Comparison**

47. UNCCD's budget is prepared on a modified cash basis and the financial statements are prepared on

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

48. Statement V-A Comparison of budget and Actual Amounts compares the final budget to actual revenue and expense amounts calculated on the same basis as the corresponding approved budget.

49. As the basis used to prepare the budget and financial statements differ, Note 17 provides a reconciliation between the actual amounts presented in statement V-A and the actual amounts presented on the Statement of Financial Performance.

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

#### **Note 4 – Financial Risk and Instruments**

##### **4.1 Financial risk factors**

51. UNCCD's operations may expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

##### **OAH cash pool related credit risk disclosures**

52. In addition to directly held cash and cash equivalents and investments, the United Nations Convention to Combat Desertification ("UNCCD") participates in the United Nations Treasury Cash Pools. 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 income is based on each participating entity's principal balance.

53. The Organization participates in two United Nations Treasury managed Cash Pools, specifically:

- a) The Main Pool, which comprises operational bank account balances in a number of currencies and investments in United States dollars;
- b) The Euro Pool, which comprises investments in Euros. The pool participants are mostly offices of the United Nations Secretariat away from Headquarters that may have a surplus of Euros from their operations.

54. As at 31 December 2015, the Cash Pools held total assets of \$7,827.4 million (2014: \$9,608.8 million), of which \$19.0 million was due to the UNCCD (2014: \$18.6 million), and its share of net income from Cash Pools was negative \$2.5 million (2014: negative \$2.2 million). The net loss was due to a negative \$2.5 million foreign exchange loss relating to the Euro currency weakening against the United States dollar.

**Summary of assets and liabilities of the Cash Pools as at 31 December 2015**  
(Thousands of United States dollars)

|  | <i>Main Pool</i> | <i>Euro Pool</i> | <i>Total</i>     |
|--|------------------|------------------|------------------|
| <b>Fair value through the surplus or deficit</b>                   |                  |                  |                  |
| Short-term investments   | 3 888 712        | 10 941           | 3 899 653        |
| Long-term investments  | 2 617 626        | -                | 2 617 626        |
| <b>Total fair value through the surplus or deficit investments</b> | <b>6 506 338</b> | <b>10 941</b>    | <b>6 517 279</b> |
| <b>Loans and receivables</b>                                       |                  |                  |                  |
| Cash and cash equivalents  | 1 265 068        | 32 637           | 1 297 705        |
| Accrued investment income  | 12 462           | 3                | 12 465           |
| <b>Total loans and receivables</b>                                 | <b>1 277 530</b> | <b>32 640</b>    | <b>1 310 170</b> |
| <b>Total carrying amount of financial assets</b>                   | <b>7 783 868</b> | <b>43 581</b>    | <b>7 827 449</b> |
| <b>Cash Pool liabilities</b>                                       |                  |                  |                  |
| Payable to the UNCCD   | 18 972           | 1                | 18 973           |
| Payable to other cash pool participants                            | 7 764 896        | 43 580           | 7 808 476        |
| <b>Total liabilities</b>   | <b>7 783 868</b> | <b>43 581</b>    | <b>7 827 449</b> |
| <b>Net assets</b>  | <b>-</b>         | <b>-</b>         | <b>-</b>         |

**Summary of net income and expenses of the Cash Pools for the year ended 31 December 2015**  
(Thousands of United States dollars)

|                                   | <i>Main Pool</i> | <i>Euro Pool</i> | <i>Total</i>  |
|-----------------------------------|------------------|------------------|---------------|
| Investment revenue                | 51 944           | 48               | 51 992        |
| Foreign exchange gains/(losses)   | (11 720)         | (15 300)         | (27 020)      |
| Unrealized gains/(losses)         | (10 824)         | (4)              | (10 828)      |
| Bank fees                         | (525)            | -                | (525)         |
| <b>Net income from Cash Pools</b> | <b>28 875</b>    | <b>(15 256)</b>  | <b>13 619</b> |

**Summary of assets and liabilities of the Cash Pools as at 31 December 2014**  
(Thousands of United States dollars)

|  | <i>Main Pool</i> | <i>Euro Pool</i> | <i>Total</i>     |
|--|------------------|------------------|------------------|
| <b>Fair value through the surplus or deficit</b>                   |                  |                  |                  |
| Short-term investments   | 3 930 497        | 97 011           | 4 027 508        |
| Long-term investments  | 3 482 641        | -                | 3 482 641        |
| <b>Total fair value through the surplus or deficit investments</b> | <b>7 413 138</b> | <b>97 011</b>    | <b>7 510 149</b> |

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|  | <i>Main Pool</i> | <i>Euro Pool</i> | <i>Total</i>     |
|--|------------------|------------------|------------------|
| <b>Loans and receivables</b>                     |                  |                  |                  |
| Cash and cash equivalents                        | 2 034 824        | 48 819           | 2 083 643        |
| Accrued investment income                        | 14 842           | 119              | 14 961           |
| <b>Total loans and receivables</b>               | <b>2 049 666</b> | <b>48 938</b>    | <b>2 098 604</b> |
| <b>Total carrying amount of financial assets</b> | <b>9 462 804</b> | <b>145 949</b>   | <b>9 608 753</b> |
| <b>Cash Pool liabilities</b>                     |                  |                  |                  |
| Payable to UNCCD                                 | 0                | 18 575           | 18 575           |
| Payable to other cash pool participants          | 9 462 804        | 127 374          | 9 590 178        |
| <b>Total liabilities</b>                         | <b>9 462 804</b> | <b>145 949</b>   | <b>9 608 753</b> |
| <b>Net assets</b>                                | <b>–</b>         | <b>–</b>         | <b>–</b>         |

**Summary of net income and expenses of the Cash Pools for the year ended 31 December 2014**  
(Thousands of United States dollars)

|                                   | <i>Main Pool</i> | <i>Euro Pool</i> | <i>Total</i>    |
|-----------------------------------|------------------|------------------|-----------------|
| Investment revenue                | 62 511           | 132              | <b>62 643</b>   |
| Foreign exchange gains/(losses)   | (7 064)          | (14 396)         | <b>(21 460)</b> |
| Unrealized gains/(losses)         | (3 084)          | 9                | <b>(3 075)</b>  |
| Bank fees                         | (214)            | (2)              | <b>(216)</b>    |
| <b>Net income from Cash Pools</b> | <b>52 149</b>    | <b>(14 257)</b>  | <b>37 892</b>   |

*Financial risk management*

55. The United Nations Treasury is responsible for investment and risk management for the Cash Pools, including conducting investment activities in accordance with the Guidelines.

56. 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.

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

*Financial risk management: credit risk*

58. 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

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Cash Pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

59. 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.

60. 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 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 Pools by credit ratings as at 31 December**

(Thousands of United States dollars)

| <i>Main Pool</i>   | <i>Ratings as at 31 December 2015</i> |                    |             | <i>Ratings as at 31 December 2014</i>                             |                    |             |           |
|--|---------------------------------------|--------------------|-------------|---|--------------------|-------------|-----------|
| <b>Bonds (Long term ratings)</b>                         |                                       |                    |             |   |                    |             |           |
|  | <b>AAA</b>                            | <b>AA+/AA/AA-</b>  | <b>NR</b>   | <b>AAA</b>  | <b>AA+/AA/AA-</b>  | <b>A+</b>   | <b>NR</b> |
| S&P  | 37.7%                                 | 54.2%              | 8.1%        | 31.2%   | 59.8%              | 1.3%        | 7.7%      |
| Fitch  | 61.9%                                 | 26.5%              | 11.6%       | 52.2%   | 21.4%              | -           | 26.4%     |
|  | <b>Aaa</b>                            | <b>Aa1/Aa2/Aa3</b> | <b>-</b>    | <b>Aaa</b>  | <b>Aa1/Aa2/Aa3</b> | <b>-</b>    | <b>-</b>  |
| Moody's  | 65.8%                                 | 34.2%              | -           | 69.3%   | 30.7%              | -           | -         |
| <b>Commercial papers (Short term ratings)</b>            |                                       |                    |             |   |                    |             |           |
|  | <b>A-1+</b>                           |                    |             | <b>A-1+</b>   |                    |             | <b>NR</b> |
| S&P  | 100.0%                                |                    |             | 100.0%  |                    |             | -         |
|  | <b>F1+</b>                            |                    |             | <b>F1+</b>  |                    |             |           |
| Fitch  | 100.0%                                |                    |             | 90.0%   |                    |             | 10.0%     |
|  | <b>P-1</b>                            |                    |             | <b>P-1</b>  |                    |             |           |
| Moody's  | 100.0%                                |                    |             | 70.0%   |                    |             | 30.0%     |
| <b>Reverse repurchase agreement (Short term ratings)</b> |                                       |                    |             |   |                    |             |           |
|  | <b>A-1+</b>                           |                    |             | No reverse repurchase agreements were held as at 31 December 2014 |                    |             |           |
| S&P  | 100.0%                                |                    |             |   |                    |             |           |
|  | <b>F1+</b>                            |                    |             |   |                    |             |           |
| Fitch  | 100.0%                                |                    |             |   |                    |             |           |
|  | <b>P-1</b>                            |                    |             |   |                    |             |           |
| Moody's  | 100.0%                                |                    |             |   |                    |             |           |
| <b>Term deposits (Fitch viability ratings)</b>           |                                       |                    |             |   |                    |             |           |
|  | <b>aaa</b>                            | <b>aa/aa-</b>      | <b>a+/a</b> | <b>aaa</b>  | <b>aa/aa-</b>      | <b>a+/a</b> |           |
| Fitch  | -                                     | 53.6%              | 46.4%       | -   | 64.1%              | 35.9%       |           |

| <i>Euro Pool</i>                 | <i>Ratings as at 31 December 2015</i> |            |           | <i>Ratings as at 31 December 2014</i> |            |           |
|----------------------------------|---------------------------------------|------------|-----------|---------------------------------------|------------|-----------|
| <b>Bonds (Long term ratings)</b> |                                       |            |           |                                       |            |           |
|                                  | <b>AAA</b>                            | <b>AA+</b> | <b>NR</b> | <b>AAA</b>                            | <b>AA+</b> | <b>NR</b> |
| S&P                              | -                                     | 100.0%     | -         | -                                     | 100.0%     | -         |
| Fitch                            | -                                     | -          | 100.0%    | -                                     | -          | 100.0%    |

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|  |            |               |           |            |            |                |  |
|--|------------|---------------|-----------|------------|------------|----------------|--|
|  |            |               |           | <b>Aaa</b> | <b>Aa1</b> |                |  |
| Moody's  |            |               |           | 100.0%     | -          | -              |  |
| <b>Term deposits (Fitch viability ratings)</b> |            |               |           |            |            |                |  |
|  | <b>aaa</b> | <b>aa/aa-</b> | <b>a+</b> | <b>aaa</b> | <b>aa-</b> | <b>a+/a/a-</b> |  |
| Fitch  | -          | -             | 100.0%    | -          | 22.1%      | 77.9%          |  |

61. 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*

62. 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*

63. 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 five years (2014: five years). The average durations of the main pool and the euro pool were 0.86 years (2014: 1.10 years) and 0.21 years (2014: 0.22 years) respectively, which are considered to be an indicator of low risk.

*Cash Pools interest rate risk sensitivity analysis*

64. 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.

**Cash Pools interest rate risk sensitivity analysis as at 31 December 2015**

|  |               |              |              |              |          |                |                |                |                 |
|--|---------------|--------------|--------------|--------------|----------|----------------|----------------|----------------|-----------------|
| <i>Shift in yield curve (basis points)</i>                                       | -200          | -150         | -100         | -50          | 0        | +50            | +100           | +150           | +200            |
| <b>Increase/(decrease) in fair value</b><br>(Millions of United States dollars): |               |              |              |              |          |                |                |                |                 |
| Main Pool total  | 128.99        | 96.74        | 64.48        | 32.24        | -        | (32.23)        | (64.46)        | (96.69)        | (128.91)        |
| Euro Pool total  | 0.04          | 0.03         | 0.02         | 0.01         | -        | (0.01)         | (0.02)         | (0.03)         | (0.04)          |
| <b>Total</b>   | <b>129.03</b> | <b>96.77</b> | <b>64.50</b> | <b>32.25</b> | <b>-</b> | <b>(32.24)</b> | <b>(64.48)</b> | <b>(96.72)</b> | <b>(128.95)</b> |

**Cash Pools interest rate risk sensitivity analysis as at 31 December 2014**

|  |      |      |      |     |   |     |      |      |      |
|--|------|------|------|-----|---|-----|------|------|------|
| <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                          | 205.45        | 154.08        | 102.71        | 51.35        | -        | (51.34)        | (102.67)        | (154.00)        | (205.31)        |
| Euro Pool total                          | 0.61          | 0.49          | 0.37          | 0.12         | -        | (0.12)         | (0.37)          | (0.49)          | (0.61)          |
| <b>Total</b>                             | <b>206.06</b> | <b>154.57</b> | <b>103.08</b> | <b>51.47</b> | <b>-</b> | <b>(51.46)</b> | <b>(103.04)</b> | <b>(154.49)</b> | <b>(205.92)</b> |

*Other market price risk*

65. 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*

66. 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.

67. 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).

68. 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.

69. 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.

70. 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 as at 31 December: Cash Pools**

(Thousands of United States dollars)

|  | 31 December 2015 |         |           | 31 December 2014 |         |           |
|--|------------------|---------|-----------|------------------|---------|-----------|
|  | Level 1          | Level 2 | Total     | Level 1          | Level 2 | Total     |
| <b>Financial assets at fair value through surplus or deficit</b> |                  |         |           |                  |         |           |
| Bonds - Corporates   | 149 682          | -       | 149 682   | -                | -       | -         |
| Bonds - Non-United States agencies                               | 2 190 965        | -       | 2 190 965 | 2 154 956        | -       | 2 154 956 |
| Bonds - Non-United States sovereigns                             | 124 612          | -       | 124 612   | 691 489          | -       | 691 489   |
| Bonds - Supranational  | 139 828          | -       | 139 828   | 440 169          | -       | 440 169   |

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|   |                  |                  |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| Bonds - United States treasuries                                | 1 092 139        | -                | 1 092 139        | 1 297 290        | -                | 1 297 290        |
| Main Pool - Commercial papers                                   | 949 112          | -                | 949 112          | 999 234          | -                | 999 234          |
| Main Pool - Term deposits                                       | -                | 2 842 390        | 2 842 390        | -                | 1 830 000        | 1 830 000        |
| Reverse repurchase agreement –<br>United States Federal Reserve | -                | 1 900            | 1 900            | -                | -                | -                |
| <b>Main Pool total</b>  | <b>4 646 338</b> | <b>2 844 290</b> | <b>7 490 628</b> | <b>5 583 138</b> | <b>1 830 000</b> | <b>7 413 138</b> |
| Euro Pool – Bonds:  |                  |                  |                  |                  |                  |                  |
| Non-United States sovereigns                                    | -                | -                |                  | 6 157            | -                | 6 157            |
| Euro Pool - Term deposits                                       | -                | 10 941           | 10 941           | -                | 90 854           | 90 854           |
| <b>Euro Pool total</b>  | <b>-</b>         | <b>10 941</b>    | <b>10 941</b>    | <b>6 157</b>     | <b>90 854</b>    | <b>97 011</b>    |
| <b>Total Cash Pools</b>   | <b>4 646 338</b> | <b>2 855 231</b> | <b>7 501 569</b> | <b>5 589 295</b> | <b>1 920 854</b> | <b>7 510 149</b> |

**Financial Instruments**

(United States dollars)

|   | <b>2014</b>       | <b>1 January 2014<br/>(restated)</b> |
|---|-------------------|--------------------------------------|
| Cash and cash equivalents at fair value through surplus and deficit | 6 218 643         | 5 863 151                            |
| Short-term investments at fair value through surplus and deficit    | 12 361 538        | 4 691 614                            |
| Long-term investments at fair value through surplus and deficit     |                   | 4 726 052                            |
| Accounts Receivable at amortized cost                               | 2 048 633         | 1 903 167                            |
| Accounts Payable at amortized cost                                  | ( 141 836)        | ( 440 328)                           |
| <b>Total net financial instruments</b>                              | <b>20 486 978</b> | <b>16 743 656</b>                    |

71. The carrying amounts of the indicative contributions receivable are denominated in euros.

72. The age of contributions receivables at the reporting date are as follows.

(United States dollars)

| <i>Receivables past due</i>                                   | <i>Assessed</i>  | <i>Other receivables</i> |
|---|------------------|--------------------------|
| Up to 1 year  | 1 037 299        | 1 637 980                |
| 1 to 2 years  | 774 247          | -                        |
| 2 to 3 years  | 497 942          | -                        |
| 3 to 4 years  | 129 227          | -                        |
| Above 4 years   | 1 651 588        | -                        |
| <b>Total receivables at 31 December</b>                       | <b>4 090 303</b> | <b>1 637 980</b>         |
| Provision for impaired receivables At 1 January               | (1 716 202)      | -                        |
| <b>Total receivables after provisioning as at 31 December</b> | <b>2 374 101</b> | <b>1 637 980</b>         |

**Note 5: Cash, Cash Equivalents and Investments**

| (in US dollars)   | 2015       | 2014       |
|---|------------|------------|
| Cash at bank and on hand                                    | -          | 5,521      |
| Cash and cash equivalents held in OAH Euro dollar Cash Pool | 3 083 939  | 6 213 122  |
| Total cash  | 3 083 939  | 6 218 643  |
| Short-term investments                                      | 9 478 251  | 12 361 538 |
| Total current cash and short-term investments               | 12 562 190 | 18 580 181 |
| Long-term investments                                       | 6 380 014  | -          |
| Total cash and investments                                  | 18 942 204 | 18 580 181 |

73. Most of 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.

**Note 6: Accounts receivable**

| Accounts receivable  | 2015             | 2014             |
|--|------------------|------------------|
| <b>Assessed Contributions due from Parties to the Convention<br/>(Non-exchange transactions) (in US dollars)</b> |                  |                  |
| Current  | 4 177 788        | 3 804 779        |
| Less revaluation   | ( 87 485)        |                  |
| Less provision for doubtful debts  | (1 716 202)      | (1 894 426)      |
| <b>Sub-total indicative contributions</b>  | <b>2 374 101</b> | <b>1 910 353</b> |

74. Assessed 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.

75. Other receivables includes amounts invoiced for taxes reimbursable under the headquarters agreement with the host government, investment income receivable, voluntary contributions receivable and receivable related to the Global Mechanism.

| <b>Other receivables (in US dollars)</b>            | <b>2015</b>      | <b>2014</b>    |
|---|------------------|----------------|
| VAT   | 35 797           | 29 262         |
| Investment income receivable                        | 30 375           | -              |
| Global Mechanism receivables less revaluation       | 218 818          | -              |
| Other receivables (exchange transactions)           | -                | 1 501          |
| Voluntary contributions receivable less revaluation | 1 352 990        | 109 018        |
| Less provision for doubtful debts                   | -                | ( 1 501)       |
| <b>Sub-total</b>                                    | <b>1 637 980</b> | <b>138 280</b> |

76. Provisions have been established covering assessed contributions receivable and other receivables equal to 50% of amounts outstanding for more than three but less than four years and 100% of amounts outstanding for more than four years.

**Note 7: Other current assets**

77. Other current assets consist of the following:

| <b>Other current assets (in US dollars)</b> | <b>2015</b>      | <b>2014</b>    |
|---|------------------|----------------|
| Travel advance                              | 15 726           | 13 730         |
| Education grant advance                     |                  | 129 440        |
| Project clearing account                    | -                | 75 744         |
| Salary advance                              | 13 189           | -              |
| UNDP Remittances net of charges             | 1 103 658        | -              |
| Imprest replenishment clearing              | -                | 933            |
| Other                                       | -                | 13 509         |
| Third party advance                         | -                | 9 714          |
| Less provision for doubtful advance         | -                | ( 9 714)       |
| <b>Total other current assets</b>           | <b>1 132 573</b> | <b>233 356</b> |

## Note 8: Fixed Assets

|                                 | Vehicles         |
|---------------------------------|------------------|
| <b>Equipment</b>                |                  |
| <b>Cost</b>                     |                  |
| At 31 December 2014             | 70 502           |
| Additions                       | 39 379           |
| Disposal                        | -                |
| Impairment                      | -                |
| <b>At 31 December 2015</b>      | <b>109 881</b>   |
|                                 |                  |
| <b>Accumulated depreciation</b> |                  |
| At 31 December 2014             | ( 70 502)        |
| Depreciation during the year    | ( 984)           |
| Disposal                        | -                |
| <b>At 31 December 2015</b>      | <b>( 71 486)</b> |
|                                 |                  |
| <b>Net Book Value</b>           |                  |
| At 31 December 2015             | <b>38 395</b>    |
| At 31 December 2014             | -                |

**Note 9: Intangibles**

(United States dollars)

|   | <b>Software<br/>externally<br/>acquired</b> | <b>Software<br/>internally<br/>developed</b> | <b>Total</b>      |
|---|---|--|-------------------|
| <b>(in US dollars)</b>                          |   |  |                   |
| <b>Opening balance</b>                          |   |  |                   |
| At 1 January 2015                               | 197 138                                     | -  | 197 138           |
| Additions                                       | -   | -  | -                 |
| Disposals                                       | -   | -  | -                 |
| Impairment                                      | -   | -  | -                 |
| <b>At 31 December 2015</b>                      | <b>197 138</b>                              | <b>-</b>                                     | <b>197 138</b>    |
| <b>Accumulated Amortisation Opening Balance</b> |   |  |                   |
| At 1 January 2014 (restated)                    | ( 93 913)                                   | -  | (93,913)          |
| Amortisation 2014                               | ( 39 428)                                   | -  | (39,428)          |
| Amortisation 2015                               | ( 34 982)                                   | -  | (34,982)          |
| <b>Closing balance</b>                          | <b>( 168 323)</b>                           | <b>-</b>                                     | <b>( 168 323)</b> |
| <b>Net Book Value</b>                           |   |  |                   |
| At 31 December 2015                             | <b>28 815</b>                               | <b>-</b>                                     | <b>28 815</b>     |
| At 31 December 2014                             | <b>63 797</b>                               | <b>-</b>                                     | <b>63 797</b>     |

78. UNCCD has utilized the transition provision in IPSAS-31. Intangible assets and the value of intangibles assets were recognized prospectively beginning with costs incurred on or after 1 January 2014.

**Note 10: Payables and Accruals**

| <b>Note 10 Payables and Accruals</b>   |                  |                |
|--|------------------|----------------|
| <b>(in US dollars)</b>   | <b>2015</b>      | <b>2014</b>    |
| Vendor payables  | 1 577 247        | 141 936        |
| Unexpended balance of contribution from the Government of the Bolivarian Republic of Venezuela | 969 699          | -              |
| Accruals for goods and services  | 1 016 377        | 289 987        |
| <b>Total payables and accrued expenses</b>   | <b>3 563 323</b> | <b>431 923</b> |

79. Payables to vendors relate to amounts due for goods received and services rendered but payment not completed.

80. Education grant payables represent the portion of education grants earned by eligible staff at the reporting date.

81. 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 11: Advance receipts and deferred revenue**

| <b>(in US dollars)</b>   | <b>2015</b>      | <b>2014</b>      |
|--|------------------|------------------|
| Conditional voluntary contributions  | 1 391 537        | 241 998          |
| Unexpended balance of contribution from the Government of the Bolivarian Republic of Venezuela | -                | 969 699          |
| Indicative contributions received in advance   | 773 984          | 1 170 787        |
| <b>Total advance receipts</b>  | <b>2 165 521</b> | <b>2 382 484</b> |

82. 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.

83. Assessed contributions received in advance cover amounts received before the due date as established by the Financial Regulations.

**Note 12: Employee Benefits**

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

| (in United States dollars)                 | 2015              | 2014              |
|--|-------------------|-------------------|
| Current liabilities                        |                   |                   |
| Repatriation grant                         | 173 000           | 144 000           |
| ASHI liability                             | 66 000            | 82 000            |
| Accumulated annual leave                   | 135 000           | 111 000           |
| Death Benefit                              | 4 000             | 3 000             |
| USA Tax reimbursement                      | 1 822             | 43 499            |
| Education Grant                            | 0                 | 156 636           |
| Home leave                                 | 73 795            | 45 934            |
| Other                                      | 84 457            | 178               |
| <b>Subtotal current liabilities</b>        | <b>538 074</b>    | <b>586 248</b>    |
| Non-current liabilities                    |                   |                   |
| Home leave                                 |                   | 5 035             |
| Death benefit                              | 29 000            | 22 000            |
| Accumulated annual leave                   | 1 071 000         | 541 000           |
| Repatriation grant and travel              | 1 241 000         | 1 247 000         |
| After service health insurance             | 11 998 000        | 14 692 000        |
| <b>Subtotal non-current liabilities</b>    | <b>14 339 000</b> | <b>16 507 035</b> |
| <b>Total employee benefits liabilities</b> | <b>14 877 074</b> | <b>17 093 283</b> |

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

*Short term benefits:*

*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.

*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 amount 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.



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*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 at least one 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. Staffs 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 2015, the gross liability was calculated by the actuary as \$12,064,000 net of contributions from plan participants (\$14,776,000 at 31 December 2014).

86. An actuarial valuation at 31 December 2015 has been utilized to determine the UNCCD's estimated liability and expenses recognized on the Statement of Financial Performance for repatriation grants and travel, death benefit, accumulated leave and after-service health insurance at the reporting date.

87. Each year, the UNCCD reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expense 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.

88. The following assumptions and methods have been used to determine the value of after-service medical care liabilities for the UNCCD at 31 December 2014 and at 31 December 2015.

| <i>Key financial assumptions</i>                    | <i>ASHI</i>   | <b>Repatriation Grant &amp; Travel</b> | <b>Annual Leave</b> | <b>Death Benefit</b> |
|---|---|--|---------------------|----------------------|
| Discount rate at beginning of period                | 0.90%   | 3.10%                                  | 3.32%               | 2.96%                |
| Discount rate at end of period                      | 1.13%   | 3.38%                                  | 3.61%               | 3.29%                |
| General inflation rate at beginning of period       |   | 2.50%                                  |                     |                      |
| General inflation rate at end of period             |   | 2.25%                                  |                     |                      |
| Salary increase rate at beginning and end of period | Based on the age of staff member calculated separately for professional and general service staff |  |                     |                      |
| Healthcare cost trend rate at beginning of period   | 5.00%   |  |                     |                      |
| Healthcare cost trend rate at end of period         | 5.00%   |  |                     |                      |
|   |   |  |                     |                      |
|   |   |  |                     |                      |

89. The effect of a one percent change in the health care trend rate on UNCCD's defined benefit obligation for ASHI for 2015 is as follows:

| <b>Impact of change in medical trend rate</b>                    | Change | After service health insurance |
|--|--------|--------------------------------|
| (in thousands of US dollars)                                     |        |                                |
| On total defined benefit obligation -                            | 1%     | 3 631                          |
|  | -1%    | (2 673)                        |
| On current service cost and interest cost component of liability | 1%     | 352                            |
|  | -1%    | ( 246)                         |

90. The liabilities established for defined benefit obligations and the net service costs for 2015 are as follows:

| (Thousands of United States dollars)  | ASHI           | Repatriation Grant & Travel | Annual Leave  | Death Benefit |
|---|----------------|-----------------------------|---------------|---------------|
| <b>Reconciliation of defined benefit obligation</b>   |                |                             |               |               |
| Defined benefit obligation, beginning of year   | 14 776         | 1 392                       | 652           | 25            |
| Current service cost  | 1 319          | 100                         | 118           | 0             |
| Interest cost   | 133            | 41                          | 20            | 1             |
| Benefits paid (net of participant contribution)   | ( 83)          | ( 148)                      | ( 115)        | ( 3)          |
| Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets        | <u>(4 081)</u> | <u>29</u>                   | <u>531</u>    | <u>10</u>     |
| <b>Total liability recognized on Statement of Financial Position</b>                              | <b>12 064</b>  | <b>1 414</b>                | <b>1 206</b>  | <b>33</b>     |
| <b>Annual expense for calendar year</b>   |                |                             |               |               |
| Current service cost  | 1 319          | 100                         | 118           | 0             |
| Interest cost   | 133            | 41                          | 20            | 1             |
| Benefits paid (net of participant contribution)   | <u>( 83)</u>   | <u>( 148)</u>               | <u>( 115)</u> | <u>( 3)</u>   |
| <b>Total (charge)/credit recognized on statement of financial performance</b>                     | <b>1 369</b>   | <b>( 7)</b>                 | <b>23</b>     | <b>( 2)</b>   |
| Estimated benefit payments net of participant contributions payable in 2015                       | 67             | 179                         | 140           | 4             |
| <b>Cumulative amount of actuarial (gain)/loss recognized in net assets</b>                        |                |                             |               |               |
| Amount at beginning of year   | 3 690          | 37                          | 43            | ( 3)          |
| Adjustment to opening balance to reflect change in valuation methodology recognized in net assets | 0              | 0                           | 0             | 0             |
| Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets        | <u>(7 771)</u> | <u>( 8)</u>                 | <u>488</u>    | <u>13</u>     |
| <b>Total portion of cumulative liability recognized in net assets at end of year</b>              | <b>(4 081)</b> | <b>29</b>                   | <b>531</b>    | <b>10</b>     |

91. Comparative information on defined benefit obligations for the current year and four previous years is as follows:

(Thousands of United States dollars)

| Historical Information  |               |               |               |              |              |
|---|---------------|---------------|---------------|--------------|--------------|
| Present value of liability for defined benefit obligations at 31 December | 2015          | 2014          | 2013          | 2012         | 2011         |
| (Thousands of United States dollars)                                      |               |               |               |              |              |
| After service health insurance  | 12 064        | 14 776        | 10 090        | 8 348        | 7 665        |
| Repatriation grant and travel   | 1 414         | 1 392         | 1 386         | 979          | 944          |
| Annual leave  | 1 206         | 652           | 615           | 360          | 336          |
| Death benefit   | <u>33</u>     | <u>25</u>     | <u>22</u>     | <u>28</u>    | -            |
| <b>Total</b>  | <b>14 717</b> | <b>16 845</b> | <b>12 113</b> | <b>9 715</b> | <b>8 945</b> |

Note 1 - actuarial valuations calculated on biennially through 2011

92. Under IPSAS-25: Employee benefits, the liabilities for ASHI, repatriation grant and travel, death benefit and accumulated leave are considered unfunded and, therefore, no fair value of plan assets has been recognized and the entire ASHI liability is recognized as a liability of the UNCCD.

93. 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.

94. 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**

95. The Pension 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 Pension Fund will be sufficient to meet its liabilities.

96. UNCCD's financial obligation to the UNJSPF 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 Pension Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

97. The latest actuarial valuation was performed as of 31 December 2013. The valuation revealed an actuarial deficit of 0.72% (1.87% in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42% of pensionable remuneration, compared to the actual contribution rate of 23.7%. The actuarial deficit was primarily attributable to the lower than expected investment experience in recent years.

98. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5% (130% in the 2011 valuation). The funded ratio was 91.2% (86% in the 2011 valuation) when the current system of pension adjustments was taken into account.

99. In December 2012 and April 2013 the General Assembly authorized an increase to age 65 in the normal retirement age and in the mandatory age of separation respectively for new participants of the Fund with effect not later than 1 January 2014. The related change to the Pension Fund's Regulations was approved by the General Assembly in December 2013. The increase in the normal retirement age is reflected in the actuarial valuation of the fund as of 31 December 2013.

100. During 2015, contributions paid to UNJSPF amounted to USD 804,000. Expected contributions due in 2016 are 1.0 million.

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

**Note 13: Other current liabilities**

| (in US dollars)         | 2015     | 2014             |
|-------------------------|----------|------------------|
| Provisions              |          | 48 781           |
| Inter-fund balances     | -        | 1 874 437        |
| <b>Total Provisions</b> | <b>-</b> | <b>1 923 218</b> |

102. The provision established in 2014 in connection with actions pending at the ILO Administrative Tribunal in connection with former staff of the Global Mechanism has been cancelled as the case has been fully settled per the Tribunal's decision in 2015. Inter-fund balances due to the United Nations have been settled in full.

**Note 14: Revenue**

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

104. 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.

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

106. Investment income includes interest earned and unrealized gain or loss from revaluation on the deposits and investments held in the UN Cash Pools. Investment revenue in 2015 includes an unrealized loss from revaluation totalling \$34,772 which will be reversed by UNHQ Treasury in 2016.

107. Exchange differences represent gains realized on transactions occurring in currencies other than US dollars and unrealized losses resulting from revaluation of monetary assets.

**Note 15: Expenses**

108. Employee salaries, allowances and benefits are for all international and national staff expenses such as salaries, post adjustments, entitlements, pension and health plan contributions for professional and general service category staff. It also includes temporary staff expenses such as costs relating to the employment of temporaries and supernumeraries.

109. Non-employee compensation and allowances cover the cost of contracting with individual experts and consultants, including insurances and travel expenses.

110. Travel covers the cost of airfare and other transport cost, daily support allowances and terminal allowances. Other operating expenses consist of the following elements.

|                                       | <b>2015</b>    | <b>2014</b>      |
|---------------------------------------|----------------|------------------|
| <b>Other operating expenses</b>       | <b>USD</b>     | <b>USD</b>       |
| Bank Charges                          | 3 922          | 81 266           |
| Communications Utilities              | 69 907         | 2 114 134        |
| Contracted services                   | 53 092         | 20 979           |
| Insurance                             | 511 387        | 595 540          |
| Joint activities                      | 28 021         | 17 129           |
| Maintenance                           | 3 422          | 437              |
| Foreign exchange loss                 | 67 768         | 87 348           |
| Shared services                       | 20 240         | 9 513            |
| Rental                                | 70 348         | 29 252           |
| Shipping                              | 31 419         | 22 246           |
| Hospitality and official functions    | 91 928         | 6 228            |
| Reverse provision for litigation      | ( 48 780)      | -                |
| Others                                | ( 26 368)      | 58 012           |
| <b>Total Other Operating Expenses</b> | <b>876 305</b> | <b>3 042 082</b> |

111. Fellowship grants are made to individuals to attend educational institutions, seminars and workshops to carry out the mandates contained in the Convention.

112. Exchange revaluation differences represent losses realized on transactions occurring in currencies other than US dollars and unrealized losses resulting from revaluation of monetary assets.

**Note 16: 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 at 31 December 2014).

**Note 17: Budget Comparison and Reconciliation**

114. UNCCD's budget is prepared on a modified cash accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS. On statement V-A, the budget has been adopted on a biennial basis and divided into annual amounts for presentation in the financial statement. Comparison of budget and actual amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary appropriations. The comparison is only made in respect of budgets adopted by the COP.

115. The actual amounts presented on a comparable basis to the budget are not prepared on a comparable basis to the Statement of Financial Performance. A reconciliation of the budgetary amounts to the amounts presented on the financial statements, identifying separately any basis, entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

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

**Basis differences** capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the net results on an IPSAS basis the non-cash elements such as un-liquidated obligations, payments against prior year obligations and outstanding assessed contributions are included as basis differences.

**Entity differences** represent funds other than Core budget, contingency budget for conference servicing and the Resource requirements for the transferring the Global Mechanism to Bonn that are reported in the Statement of Financial Performance.

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

**Board Report 2015**

| <b>Reconciliation of net result on budgetary and IPSAS basis</b>   | Operations        | Investing | Financing | Total             |
|--|-------------------|-----------|-----------|-------------------|
| (in United States dollars)   |                   |           |           |                   |
| Actual net result on the Statement of budgets to actual comparison |                   |           |           |                   |
| Core Budget (UXA) Revenue  | 7 082 282         | -         | -         | 7 082 282         |
| Statement V-A Core Budget (UXA) expense on budgetary basis         | 8 936 622         | -         | -         | 8 936 622         |
| Global mechanism cost of move to Bonn                              | <u>13 903</u>     | <u>-</u>  | <u>-</u>  | <u>13 903</u>     |
| Core Budget (UXA) Expense  | 8 950 525         | -         | -         | 8 950 525         |
| Core Budget (UXA) Actual net result on budgetary basis             | (1 868 243)       | -         | -         | (1 868 243)       |
| <b>Basis differences</b>   |                   |           |           |                   |
| <b>Adjustments to revenue</b>                                      |                   |           |           |                   |
| Miscellaneous revenue not included in budget                       | 10 268            | -         | -         | 10 268            |
| Indicative contributions not reflected in Core Budget              | 2 636 598         | -         | -         | 2 636 598         |
| Prior period revenue used to finance core budget                   | <u>( 241 207)</u> | <u>-</u>  | <u>-</u>  | <u>( 241 207)</u> |
|  | 2 405 659         | -         | -         | 2 405 659         |
| Capitalization of equipment & intangible assets                    | ( 35 967)         | -         | -         | ( 35 967)         |
| Changes in provision for doubtful debts                            | 178 225           | -         | -         | 178 225           |
| Mark investments to market   | ( 211)            | -         | -         | ( 211)            |
| Other adjustments to expenditure                                   | ( 191 962)        | -         | -         | ( 191 962)        |
| Exchange loss  | (1 334 245)       | -         | -         | (1 334 245)       |
| Cancellation of prior period staff benefit obligations             | 205 108           | -         | -         | 205 108           |
| Post employment benefit interest and current service cost          | ( 989 298)        | -         | -         | ( 989 298)        |
| Programme support expense not reflected in Core Budget             | <u>256 822</u>    | <u>-</u>  | <u>-</u>  | <u>256 822</u>    |
|  | (1 911 528)       | -         | -         | (1 911 528)       |
| Sub-total basis differences  | 494 130           | -         | -         | 494 130           |
| Full accrual based net result for Core Budget                      | (1 374 113)       | -         | -         | (1 374 113)       |
| <b>Entity differences on IPSAS Basis</b>                           |                   |           |           |                   |
| Global Mechanism (GMZ)   | 925 034           | -         | -         | 925 034           |
| Participation in UNCCD COP Sessions (UVA)                          | 775 977           | -         | -         | 775 977           |
| Convention events organized by Secretariat (BMA)                   | ( 170 689)        | -         | -         | - 170 689         |
| Programme support costs (ZQA)                                      | ( 223 935)        | -         | -         | ( 223 935)        |
| Cost Recovery under home country agreement (ZHC)                   | 423 175           | -         | -         | 423 175           |
| Voluntary Financing of activities (UWA)                            | <u>586 641</u>    | <u>-</u>  | <u>-</u>  | <u>586 641</u>    |
| Sub-total entity differences                                       | 2 316 203         | -         | -         | 2 316 203         |
| Actual net result on the Statement of Financial Performance        | 942 090           | -         | -         | 942 090           |

**Note 18: Budget to Actual variance analysis**

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

**Note 19: Related Parties**

118. The key management personnel of UNCCD are the Executive Secretary, Deputy Executive Secretary and Coordinators 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<br/>(full time equivalents)</i> | <i>Aggregate<br/>Remuneration</i> |
| Senior Management (2015) | 10   | 2 099 188                         |
| Senior Management (2014) | 13   | 2 699 832                         |

119. 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.

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

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

122. 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.

123. 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.



124. 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.

125. 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 20: Leases and commitments and Contingencies**

126. 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.

127. The minimum lease payments under non-cancellable property leases are shown below:  
(United States dollars)

| <i>Equipment Non- cancellable leases</i> | <i>2015</i>   | <i>2014</i>   |
|--|---------------|---------------|
| No later than one year                   | 17 563        | 10 320        |
| 1-2 years                                | <u>16 099</u> | =             |
| <b>Total Equipment Leases</b>            | <b>33 662</b> | <b>10 320</b> |

128. UNCCD has no outstanding leases qualifying as finance leases at the reporting date. Lease payments recognised as expense in the period are USD 23,687 (2014 USD 62,461).

129. Other commitments relate to the acquisition of goods and services contracted for, but not delivered, as at 31 December 2015 amount to USD 1,002,307 (2014 USD 591,175).

130. There are no contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to UNCCD.

**Note 21: In-kind contributions of services**

131. 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 22: Fund Accounting**

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

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

- Trust fund for the Core Budget of UNCCD financed from assessed 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.
- Trust Fund for voluntary financing of Global Mechanism.
- 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.

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

## UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

## Statement I - Statement of Financial Position by Fund

as at 31 December 2015

|  | TRUST FUND FOR THE<br>CORE BUDGET OF THE<br>UNCCD (UXA) |                     | TRUST FUND FOR<br>PARTICIPATION OF<br>REPRESENTATIVES<br>OF STATE PARTIES IN<br>THE SESSION OF THE<br>UNCCD<br>CONFERENCE(UVA) |                        | TRUST FUND FOR<br>VOLUNTARY<br>FINANCING OF<br>ACTIVITIES UNDER<br>THE UNCCD (UWA) |                        | TRUST FUND FOR<br>CONVENTION<br>EVENTS<br>ORGANIZED BY<br>THE UNCCD<br>SECRETARIAT<br>(BMA) |                        | SPECIAL ACCOUNT<br>FOR UNCCD<br>PROGRAMME<br>SUPPORT COST<br>(ZQA) |                        | UNCCD COST<br>RECOVERY UNDER<br>HCA (ZHC) |                        | TRUST FUND FOR<br>VOLUNTARY<br>FINANCING OF THE<br>UNCCD GLOBAL<br>MECHANISM (GMZ) |                        |
|--|---|---------------------|--|------------------------|--|------------------------|---|------------------------|--|------------------------|---|------------------------|--|------------------------|
|  | 31 December<br>2015                                     | 31 December<br>2014 | 31<br>December<br>2015   | 31<br>December<br>2014 | 31<br>December<br>2015   | 31<br>December<br>2014 | 31<br>December<br>2015  | 31<br>December<br>2014 | 31<br>December<br>2015   | 31<br>December<br>2014 | 31<br>December<br>2015                    | 31<br>December<br>2014 | 31<br>December<br>2015   | 31<br>December<br>2014 |
| <b>Assets</b>                          |   |                     |  |                        |  |                        |   |                        |  |                        |   |                        |  |                        |
| <b>Current Assets</b>                  |   |                     |  |                        |  |                        |   |                        |  |                        |   |                        |  |                        |
| Cash and cash equivalents              | 336 318   | 1 782 894           | 275 608  | 111 774                | 900 544  | 1 810 131              | 79 788  | 205 971                | 403 106  | 484 179                | 155 810                                   | 134 783                | 932 765  | 1 688 911              |
| Short-term investments                 | 1 823 041   | 3 536 234           | 847 075  | 222 384                | 2 767 767  | 3 601 411              | 245 232   | 409 798                | 449 571  | 963 315                | 478 860                                   | 268 163                | 2 866 705  | 3 360 233              |
| Indicative contributions<br>receivable | 2 374 101   | 1 910 353           | -  | -                      | -  | -                      | -   | -                      | -  | -                      | -   | -                      | -  | -                      |
| Other accounts receivable              | 39 405  | 25 866              | 2 714  | -                      | 1 362 022  | 109 772                | 786   | -                      | 1 441  | 1 856                  | 1 568                                     | -                      | 230 044  | 786                    |
| Other current assets                   | 1 095 050   | 94 433              | -  | -                      | 18 204   | 91 052                 | -   | -                      | 1 609  | 47 871                 | 2 978                                     | -                      | 14 732   | -                      |
| <b>Total current Assets</b>            | <b>5 667 915</b>  | <b>7 349 780</b>    | <b>1 125 397</b>   | <b>334 158</b>         | <b>5 048 537</b>   | <b>5 612 366</b>       | <b>325 806</b>  | <b>615 769</b>         | <b>855 727</b>   | <b>1 497 221</b>       | <b>639 216</b>                            | <b>402 946</b>         | <b>4 044 246</b>   | <b>5 049 930</b>       |
| <b>Non-Current Assets</b>              |   |                     |  |                        |  |                        |   |                        |  |                        |   |                        |  |                        |
| Intangible assets                      | 28 815  | 63 798              | -  | -                      | -  | -                      | -   | -                      | -  | -                      | -   | -                      | -  | -                      |
| Equipment                              | 38 395  | -                   | -  | -                      | -  | -                      | -   | -                      | -  | -                      | -   | -                      | -  | -                      |
| Long-term investments                  | 1 227 134   | -                   | 570 186  | -                      | 1 863 045  | -                      | 165 072   | -                      | 302 614  | -                      | 322 329                                   | -                      | 1 929 634  | -                      |
| <b>Total Non-Current Assets</b>        | <b>1 294 344</b>  | <b>63 798</b>       | <b>570 186</b>   | <b>-</b>               | <b>1 863 045</b>   | <b>-</b>               | <b>165 072</b>  | <b>-</b>               | <b>302 614</b>   | <b>-</b>               | <b>322 329</b>                            | <b>-</b>               | <b>1 929 634</b>   | <b>-</b>               |
| <b>Total Assets</b>                    | <b>6 962 259</b>  | <b>7 413 578</b>    | <b>1 695 583</b>   | <b>334 158</b>         | <b>6 911 582</b>   | <b>5 612 366</b>       | <b>490 878</b>  | <b>615 769</b>         | <b>1 158 341</b>   | <b>1 497 221</b>       | <b>961 545</b>                            | <b>402 946</b>         | <b>5 973 880</b>   | <b>5 049 930</b>       |

**Liabilities**

**Current liabilities**

|                                       |                  |                  |                |               |                  |                  |               |               |                |                |                |               |                |                |
|---------------------------------------|------------------|------------------|----------------|---------------|------------------|------------------|---------------|---------------|----------------|----------------|----------------|---------------|----------------|----------------|
| Accounts payable and accrued expenses | 1 012 221        | 242 822          | 573 377        | -             | 1 310 390        | 27 866           | 5 473         | -             | 13 296         | 63 770         | 226 408        | 47 146        | 422 158        | 50 319         |
| Advance receipts                      | 773 984          | 1 170 787        | -              | -             | 1 171 757        | 1 211 697        | -             | -             | -              | -              | -              | -             | 219 780        | -              |
| Employee benefit liability            | 349 473          | 350 676          | -              | -             | 17 538           | 18 331           | 25 226        | 20 923        | 128 166        | 180 626        | -              | -             | 17 671         | 15 692         |
| Other current liabilities             | -                | 424 641          | -              | 37 772        | -                | 535 229          | -             | 46 997        | -              | 184 609        | -              | 43 838        | -              | 650 131        |
| <b>Total Current Liabilities</b>      | <b>2 135 678</b> | <b>2 188 926</b> | <b>573 377</b> | <b>37 772</b> | <b>2 499 685</b> | <b>1 793 123</b> | <b>30 699</b> | <b>67 920</b> | <b>141 462</b> | <b>429 005</b> | <b>226 408</b> | <b>90 984</b> | <b>659 609</b> | <b>716 143</b> |

**Non-Current Liabilities**

|                                      |                   |                   |                |               |                  |                  |                |                  |                  |                  |                |               |                  |                  |
|--------------------------------------|-------------------|-------------------|----------------|---------------|------------------|------------------|----------------|------------------|------------------|------------------|----------------|---------------|------------------|------------------|
| Employee benefit liability           | 8 184 963         | 11 037 691        | -              | -             | 399 737          | 562 669          | 879 630        | 1 124 791        | 4 194 461        | 2 938 338        | -              | -             | 680 209          | 843 546          |
| <b>Total Non-Current Liabilities</b> | <b>8 184 963</b>  | <b>11 037 691</b> | <b>-</b>       | <b>-</b>      | <b>399 737</b>   | <b>562 669</b>   | <b>879 630</b> | <b>1 124 791</b> | <b>4 194 461</b> | <b>2 938 338</b> | <b>-</b>       | <b>-</b>      | <b>680 209</b>   | <b>843 546</b>   |
| <b>Total Liabilities</b>             | <b>10 320 641</b> | <b>13 226 617</b> | <b>573 377</b> | <b>37 772</b> | <b>2 899 422</b> | <b>2 355 792</b> | <b>910 329</b> | <b>1 192 711</b> | <b>4 335 923</b> | <b>3 367 343</b> | <b>226 408</b> | <b>90 984</b> | <b>1 339 818</b> | <b>1 559 689</b> |

|                   |                    |                    |                  |                |                  |                  |                  |                  |                    |                    |                |                |                  |                  |
|-------------------|--------------------|--------------------|------------------|----------------|------------------|------------------|------------------|------------------|--------------------|--------------------|----------------|----------------|------------------|------------------|
| <b>Net Assets</b> | <b>(3 358 382)</b> | <b>(5 813 039)</b> | <b>1 122 206</b> | <b>296 386</b> | <b>4 012 160</b> | <b>3 256 574</b> | <b>(419 451)</b> | <b>(576 942)</b> | <b>(3 177 582)</b> | <b>(1 870 122)</b> | <b>735 137</b> | <b>311 962</b> | <b>4 634 062</b> | <b>3 490 241</b> |
|-------------------|--------------------|--------------------|------------------|----------------|------------------|------------------|------------------|------------------|--------------------|--------------------|----------------|----------------|------------------|------------------|

**Net Assets/Equity**

|  |                    |                    |                  |                |                  |                  |                  |                  |                    |                    |                |                |                  |                  |
|--|--------------------|--------------------|------------------|----------------|------------------|------------------|------------------|------------------|--------------------|--------------------|----------------|----------------|------------------|------------------|
| Accumulated surpluses/(deficits)               | (5 810 711)        | (4 436 596)        | 906 529          | 80 709         | 3 524 502        | 2 987 703        | (514 585)        | (343 896)        | (1 559 037)        | (1 335 103)        | 735 137        | 311 962        | 4 590 060        | 3 665 026        |
| Actuarial gain (loss) recognized in net assets | 1 498 311          | (2 330 461)        | -                | -              | 102 264          | (116 523)        | 95 134           | (233 046)        | (2 015 711)        | (932 185)          | -              | -              | 44 002           | (174 785)        |
| Operating reserves                             | 954 018            | 954 018            | 215 677          | 215 677        | 385 394          | 385 394          | -                | -                | 397 166            | 397 166            | -              | -              | -                | -                |
| <b>Total Fund Balances and Reserves</b>        | <b>(3 358 382)</b> | <b>(5 813 039)</b> | <b>1 122 206</b> | <b>296 386</b> | <b>4 012 160</b> | <b>3 256 574</b> | <b>(419 451)</b> | <b>(576 942)</b> | <b>(3 177 582)</b> | <b>(1 870 122)</b> | <b>735 137</b> | <b>311 962</b> | <b>4 634 062</b> | <b>3 490 241</b> |

## STATEMENT II

## UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Statement of Financial Performance for the period 1 January to 31 December 2015 by fund

| (in United States dollars)             | TRUST FUND FOR THE CORE BUDGET OF THE UNCCD (UXA) |                   | TRUST FUND FOR PARTICIPATION OF REPRESENTATIVES OF STATE PARTIES IN THE SESSION OF THE UNCCD CONFERENCE (UVA) |                 | TRUST FUND FOR VOLUNTARY FINANCING OF ACTIVITIES UNDER THE UNCCD (UWA) |                  | TRUST FUND FOR CONVENTION EVENTS ORGANIZED BY THE UNCCD SECRETARIAT (BMA) |                | SPECIAL ACCOUNT FOR UNCCD PROGRAMME SUPPORT COST (ZQA) |                  | UNCCD COST RECOVERY UNDER HCA (ZHC) |                 | TRUST FUND FOR VOLUNTARY FINANCING OF THE UNCCD GLOBAL MECHANISM (GMZ) |                    | ELIMINATIONS       |                    |
|--|---|-------------------|---|-----------------|--|------------------|---|----------------|--|------------------|-------------------------------------|-----------------|--|--------------------|--------------------|--------------------|
|  | 2015  | 2014              | 2015  | 2014            | 2015   | 2014             | 2015  | 2014           | 2015   | 2014             | 2015                                | 2014            | 2015   | 2014               | 2015               | 2014               |
| <b>REVENUE</b>                         |   |                   |   |                 |  |                  |   |                |  |                  |                                     |                 |  |                    |                    |                    |
| Indicative contributions               | 8 936 622   | 9 944 345         | -   | -               | -  | -                | -   | -              | -  | -                | -                                   | -               | -  | -                  | -                  | -                  |
| Voluntary contributions                | 541 050   | 660 136           | 2 135 188   | 1 239           | 3 219 232  | 4 334 738        | 348 402   | 660 136        | -  | -                | 1 411 900                           | -               | 5 013 534  | 3 186 299          | -                  | -                  |
| Fees for services rendered             | -   | -                 | -   | -               | -  | -                | -   | -              | 10 497   | 38 802           | -                                   | -               | -  | -                  | -                  | -                  |
| Interest Revenue                       | (1 191)   | 4 631             | (2 669)   | 324             | (7 679)  | 4 572            | (509)   | 424            | (1 075)  | 2 107            | (1 419)                             | 467             | (6 579)  | 6 719              | -                  | -                  |
| Programme support revenue              | -   | 9 379             | -   | -               | -  | 11 798           | -   | -              | 1 698 571  | 1 572 364        | -                                   | -               | -  | 7 475              | (1 698 571)        | (1 601 016)        |
| Gain on investments                    | -   | 2 199             | -   | 160             | -  | 1 915            | -   | 187            | -  | 1 276            | -                                   | 427             | -  | 1 929              | -                  | -                  |
| Other/miscellaneous revenue            | 11 459  | 9                 | -   | -               | -  | -                | -   | -              | -  | -                | -                                   | 96              | 3 191  | -                  | -                  | -                  |
| <b>TOTAL REVENUE</b>                   | <b>9 487 940</b>                                  | <b>10 620 699</b> | <b>2 132 519</b>  | <b>1 723</b>    | <b>3 211 553</b>   | <b>4 353 023</b> | <b>347 893</b>  | <b>660 747</b> | <b>1 707 993</b>                                       | <b>1 614 549</b> | <b>1 410 481</b>                    | <b>990</b>      | <b>5 010 146</b>   | <b>3 202 422</b>   | <b>(1 698 571)</b> | <b>(1 601 016)</b> |
| <b>EXPENSES</b>                        |   |                   |   |                 |  |                  |   |                |  |                  |                                     |                 |  |                    |                    |                    |
| Personnel expenditure                  | 6 107 513   | 6 372 325         | -   | -               | 744 805  | 393 743          | 391 682   | 402 836        | 1 753 950  | 2 279 119        | 141 305                             | (19 029)        | 729 089  | 440 303            | -                  | -                  |
| Travel                                 | 517 167   | 557 707           | 1 134 373   | -               | 153 895  | 122 515          | 6 443   | -              | -  | -                | 718 930                             | (33 944)        | 159 003  | 765 005            | -                  | -                  |
| Contractual services                   | 1 069 101   | 706 550           | -   | -               | 724 408  | 317 555          | 22 193  | -              | 8 768  | 1 283            | 13 411                              | -               | 2 174 917  | 782 939            | -                  | -                  |
| Operating expenses                     | 750 976   | 1 056 833         | -   | -               | 91 287   | 365 028          | -   | -              | 980  | 61 995           | 52 416                              | (12 146)        | (19 354)   | 1 570 372          | -                  | -                  |
| Supplies and materials                 | 162 998   | 27 288            | -   | -               | 4 082  | 449              | -   | -              | -  | -                | 1 194                               | -               | 3 826  | 1 441              | -                  | -                  |
| Fellowship grants                      | 17 597  | 123 438           | -   | -               | 105 280  | 926 289          | 1 000   | -              | -  | -                | -                                   | -               | -  | 3 826              | -                  | -                  |
| Programme support expense              | 1 044 503   | 1 003 172         | 155 720   | -               | 235 456  | 129 503          | 43 404  | 44 785         | -  | -                | -                                   | -               | 219 488  | 423 556            | (1 698 571)        | (1 601 016)        |
| Loss on investments                    | 211   | -                 | 15  | -               | 204  | -                | 19  | -              | 96   | -                | 21                                  | -               | 307  | -                  | -                  | -                  |
| Amortization of intangible assets      | 35 967  | 39 427            | -   | -               | -  | -                | -   | -              | -  | -                | -                                   | -               | -  | -                  | -                  | -                  |
| Change in provision for doubtful debts | (178 225)   | (301 460)         | -   | -               | -  | -                | -   | -              | -  | -                | -                                   | -               | -  | -                  | -                  | -                  |
| Loss on foreign exchange               | 1 334 245   | 1 255 710         | 66 434  | 41 625          | 565 495  | 590 448          | 53 841  | 52 510         | 168 134  | 228 014          | 60 029                              | 51 461          | 817 836  | 716 271            | -                  | -                  |
| <b>TOTAL EXPENSES</b>                  | <b>10 862 053</b>                                 | <b>10 840 990</b> | <b>1 356 542</b>  | <b>41 625</b>   | <b>2 624 912</b>   | <b>2 845 530</b> | <b>518 582</b>  | <b>500 131</b> | <b>1 931 928</b>                                       | <b>2 570 411</b> | <b>987 306</b>                      | <b>(13 658)</b> | <b>4 085 112</b>   | <b>4 703 713</b>   | <b>(1 698 571)</b> | <b>(1 601 016)</b> |
| <b>SURPLUS/DEFICIT FOR THE PERIOD</b>  | <b>(1 374 113)</b>                                | <b>(220 291)</b>  | <b>775 977</b>  | <b>(39 902)</b> | <b>586 641</b>   | <b>1 507 493</b> | <b>(170 689)</b>  | <b>160 616</b> | <b>(223 935)</b>                                       | <b>(955 862)</b> | <b>423 175</b>                      | <b>14 648</b>   | <b>925 034</b>   | <b>(1 501 291)</b> | <b>-</b>           | <b>-</b>           |

## **Acronyms**

|        |   |
|--------|---|
| ASHI   | After service health insurance                      |
| ICSC   | International Civil Service Commission              |
| IFAD   | International Fund for Agricultural Development     |
| IPSAS  | International Public Sector Accounting Standards    |
| PP&E   | Property, plant and equipment                       |
| UN     | United Nations                                      |
| UNCCD  | United Nations Convention to Combat Desertification |
| UNDP   | United Nations Development Programme                |
| 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                                |