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FINANCIAL SITUATION OF UNIDO

Special accounts

Report by the Director-General

Provides information on special accounts for the Regular Programme of Technical Cooperation and Buildings Management Services arising from General Conference decision GC.9/Dec.14.

Introduction

1. At its ninth session, the General Conference decided to create a special account for certain activities under Buildings Management Services (BMS) and a special account for the Regular Programme of Technical Cooperation (RPTC) that would not be subject to financial regulations 4.2(b) and 4.2(c) (GC.9/Dec.14). In decision IDB.24/Dec.7, the Board requested the Director-General to submit to the General Conference at the end of each biennium, through the Industrial Development Board, a report on the status and balance of those accounts.

I. REGULAR PROGRAMME OF TECHNICAL COOPERATION

2. The report of the External Auditor on the biennium 2002-2003 (IDB.29/3-PBC.20/3) indicates that, out of the appropriation of €7,991,900, the RPTC indicated an expenditure of €5,523,804, including a small currency exchange adjustment, as at 31 December 2003. Despite every effort to utilize the funds budgeted for the biennium to the fullest extent possible, an amount of €2,468,096 was placed in the special account established for the purpose, representing the level of uncommitted but fully programmed appropriations

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(IDB.29/3-PBC.20/3, annex IV, note 2(g) to the financial statements). It was also noted that funds from cancellation of obligations, if any, would be retained in the special account for carrying out RPTC activities.

3. During 2004, the remaining approved activities under the RPTC projects that could not be completed or implemented during the biennium 2002-2003, were implemented to the fullest extent possible. Correspondingly, net expenditures recorded in 2004 for those continued activities amounted to €2,167,263 as at 31 December 2004, leaving a planned allocation of €300,833 unexpended, but retained in the special account in 2005 as programmable resources. This confirms the necessity and usefulness of the special account, when compared to the period prior to its establishment. At that time, full utilization under RPTC activities was not observed due to the artificial closing of projects at the end of a biennium, or for those projects that could not be completed due to the specific nature of activities.

II. BUILDINGS MANAGEMENT SERVICES

4. The special account for BMS was also reported and duly audited by the External Auditor, as shown in document IDB.29/3-PBC.20/3 (annex IV, note 3(b)(ii) to the financial statements). As at 31 December 2003, the accumulated balance on the special account was €8,443,792, including an account receivable of €5,146,319 due from other organizations in the Vienna International Centre (VIC), of which €4,617,457 was due from the International Atomic Energy Agency (IAEA) alone.

5. The primary reason for the accumulation of funds was the delay experienced in the removal of asbestos

from the VIC complex. Regular maintenance work (e.g. cable, carpet and lights replacement) is being carried out parallel to asbestos removal and the delay also impacted on those expenditures. However, the nature of these activities, i.e. the multi-year timeline entailing long-term planning and unpredictability of repair and maintenance work, is precisely the justification for the establishment of the special account.

6. The asbestos removal programme is now progressing in accordance with the revised timeline, and the accumulated funds on the BMS special account are being utilized in accordance with the original purpose. However, expenditures financed from the special account are limited to a level determined by the lowest contributor. Negotiations with IAEA are ongoing to achieve a regular payment pattern in accordance with the operating guidelines of the special account.

7. During 2004, the net expenditure of €1,134,005 was incurred against the 2002-2003 biennium balance, resulting in an unutilized balance of €7,309,787 as at 31 December 2004. This includes a receivable of 3,414,060 due from IAEA.

8. Both for the RPTC and BMS, the ongoing status report on the balances and utilization of the funds on the special account will be reported after the completion of the current biennium along with the report of the External Auditor.

III. ACTION REQUIRED OF THE COMMITTEE

9. The Committee may wish to take note of the information provided in the present document.