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Financial situation of UNIDO

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Item 4 of the provisional agenda

Financial situation of UNIDO

Unutilized balances of appropriations

Note by the Secretariat

Provides historical and current information concerning unutilized balances of appropriations.

I. Introduction

1. This document serves the purpose of recalling the actions taken concerning the unutilized balances of appropriations in the history of UNIDO as well as to inform the governing bodies on the regulations pertaining to this issue and current status of the unutilized balances.
2. Unutilized balances of appropriations are defined as the differences between regular budget appropriations and actual expenditures. They are mainly caused by non-payment or delayed payment of assessed contributions by Member States, resulting in the underimplementation of the approved programme.

II. Constitutional provisions and financial regulations

3. Articles 8.3 (a), (c) and (f) of the UNIDO Constitution stipulate that “the Conference shall determine the guiding principles and the policies of the Organization; approve the programme of work, the regular budget and the operational budget of the Organization in accordance with Article 14, establish the

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scale of assessment in accordance with Article 15, approve the financial regulations of the Organization and supervise the effective utilization of the financial resources of the Organization; take any other appropriate action to enable the Organization to further its objectives and carry out its functions.”

4. According to financial regulations 4.2 (b) and (c), the unutilized balances of appropriations shall be credited to Member States in proportion to their assessed contributions (i.e. in accordance with the respective scale of assessments). Amounts become due when assessed contributions collected exceed the amount of actual expenditures for a specific biennium. Only those Member States that have fully paid their assessed contributions for the biennium to which the credit amounts relate are eligible to receive the credits.

5. Since the inception of UNIDO in 1986, amounts were distributed in accordance with the above-mentioned financial regulations. However, the General Conference had repeatedly decided in the past to either suspend the financial regulations to allow retention of the balances due for various purposes, or invited Member States to voluntarily renounce their respective share for either general or specific purposes.

III. Estimated balances becoming available for distribution

6. Balances due to Member States in 2012 (status as of 31 March 2011):

<i>Balances</i>	<i>Amount (€ million)</i>
Unutilized balances arising from biennium 2008-2009:	€6.7
Azerbaijan and Brazil payment plan instalments received in 2010:	€6.0
<i>Subtotal:</i>	<i>€12.7</i>
Azerbaijan and Brazil expected 2011 instalments as per payment plan:	€5.9
<i>Total estimated balances becoming available for distribution:</i>	<i>€18.6</i>

7. In addition, to encourage Member States to make timely payments, the so-called “S”-curve mathematical formula is applied over the interest earned on the investment of cash in excess of budgetary estimates of a given year. The incentive amounts are relatively higher for payments received early in the year and less for those paying in the second half of the year. Under this mechanism, the interest earned on the investment of cash is distributed to Member States in accordance with a spread of incentive points on the basis of timing and amount of contributions paid. For the biennium 2008-2009 the amount for incentive payments is €667,400.

8. Additional amounts might become available during the course of 2011, depending on collection of outstanding contributions related to past bienniums. Member States will be informed on any further developments in this regard.