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Report of the External Auditor

Report of the External Auditor on the accounts of the United Nations Industrial Development Organization for the financial year 1 January to 31 December 2011*

Contents

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Dated: 21 May, 2012

The President of the Industrial Development Board
United Nations Industrial Development Organization
Vienna International Centre
P.O. Box 300
A-1400 Vienna
Austria

Excellency,

I have the honour to present to the 40th session of the Industrial Development Board, through the 28th session of the Programme and Budget Committee, my report and opinion on the Financial Statements of the United Nations Industrial Development Organization for the year ended 31 December 2011.

In transmitting my report I wish to advise that in accordance with the United Nations Industrial Development Organization's Financial Regulations, I have given the Director-General the opportunity to comment on my report. The response of the Director-General has appropriately been reflected in my report.

Yours sincerely,

[*Signed*]

(**Muhammad Akhtar Buland Rana)**

ACRONYMS/ABBREVIATIONS

BPR	Business Process Reengineering
COG	Cultural Operational Group
DG	Director-General
ERP	Enterprise Resource Planning
EVA	Evaluation Group
GC	General Conference
HRM	Human Resource Management
IAEA	International Atomic Energy Agency
IAS	International Accounting Standard
ICM	Information and Communication Management
ICT	Information and Communication Technology
IDB	Industrial Development Board
INTOSAI	International Organization of Supreme Audit Institutions
IOS	Internal Oversight Services
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISSAI	International Standards for Supreme Audit Institutions
JIU	Joint Inspection Unit
MD	Managing Director
MRS	Management Response Sheet
OCOR	Office for Change and Organizational Renewal
OSL	Bureau for Organizational Strategy and Learning
PCOR	Programme for Change and Organizational Renewal
PPE	Property, Plant and Equipment
PPM	Project and Portfolio Management
RBM	Result Based Management
SOP	Statement of Position
TC	Technical Cooperation
UNIDO	United Nations Industrial Development Organization
UNOV	United Nations Office at Vienna
UR	UNIDO Representative
VIC	Vienna International Centre
WCF	Working Capital Fund

I. INTRODUCTION

Scope of the Audit

1. The Financial Statements of the United Nations Industrial Development Organization (hereinafter UNIDO) for the year ended 31 December 2011 were examined in accordance with Article XI of UNIDO's Financial Regulations and Rules, and the Additional Terms of Reference Governing External Audit as (Annexed to UNIDO's Financial Regulations and Rules). The Financial Statements included the following:

- Statement 1: Statement of Financial Position as at 31 December 2011
- Statement 2: Statement of Financial Performance for year ended 31 December 2011
- Statement 3: Statement of Changes in Net Assets for year ended 31 December 2011
- Statement 4: Cash Flow Statement for year ended 31 December 2011
- Statement 5: Statement of Comparison of Budget and Actual Amounts for year ended 31 December 2011
- Notes to the Financial Statements

Audit Objectives

2. The main objectives of the audit were to enable me to form an opinion as to whether the expenditure recorded in the year 2011 had been incurred for the purposes approved by the General Conference (GC); whether income and expenditure were properly classified and recorded in accordance with UNIDO's Financial Regulations and Rules; and whether the Financial Statements presented fairly the financial position as at 31 December 2011. The correctness of year-end balances of all UNIDO Funds was also ascertained. The UNIDO management had adopted the IPSAS as the basis of accounting from the financial year 2010, and had applied transitional provisions available under IPSAS 17 and 23. Therefore, another audit objective was to review progress towards full implementation of the aforesaid Standards.

3. My report also includes specific observations and recommendations directed at improving UNIDO's financial management and control, in accordance with the Additional Terms of Reference Governing External Audit annexed to the Financial Regulations and Rules.

Auditing Standards

4. The External Audit of the UNIDO Financial Statements for the year 2011 was carried out in accordance with the International Standards on Auditing (ISA), and where applicable, according to the International Standards for Supreme Audit Institutions (ISSAIs), which are the INTOSAI prescribed auditing standards for the Supreme Audit Institutions.

Audit Methodology

5. For achieving the audit objectives the External Audit adopted the system based approach to auditing under which the audit teams:

- examined the financial and accounting procedures followed in UNIDO, in the light of their Financial Regulations and Rules and other relevant documentation
- assessed the internal control system regulating the financial operations of UNIDO and carried out compliance testing for determining the extent of control operation during 2011
- conducted substantive testing of selected transactions
- matched the receipts with bank statements and conducted an analysis of the assessed contributions, and

- carried out the analytical review of a number of contracts and substantial transactions related to creation of assets and liabilities.

6. My audit included a substantive examination of the year-end balances in UNIDO Funds.

7. The audit was conducted by various audit teams including the teams that carried out compliance with authority audits of UNIDO field offices.

Reporting

8. My audit teams held discussions with the relevant UNIDO staff in the Headquarters and the field offices. The audit teams interacted with the staff nominated as focal persons for audit, and issued queries to the concerned Branches. The audit findings take into account the management's viewpoint as communicated to the audit teams. In accordance with normal practice, my audit teams also provided UNIDO with a Management Letter, setting out the detailed findings arising from their examination at the UNIDO Headquarters and the field offices. UNIDO's response to the Management Letter has been appropriately reflected in my report. I have noted UNIDO's response to the audit findings regarding the operations in the field offices of UNIDO for subsequent monitoring.

9. Observations on matters, which in my opinion, should be brought to the attention of the Member States, are set out in the following paragraphs of this report.

Overall results

10. My report includes a number of observations and recommendations. My audit teams recorded additional findings in the Management Letters to the management. None of these matters materially affected my audit opinion on the UNIDO's Financial Statements; and, notwithstanding the observations in this report, my audit revealed no weaknesses or errors that I considered material to the accuracy, completeness and validity of the Financial Statements as a whole. Accordingly I have placed an unqualified opinion on UNIDO's Financial Statements for the period ended 31 December 2011.

II. AUDIT FINDINGS AND RECOMMENDATIONS

Internal Controls

11. As a result of the compliance testing of the internal controls, the External Audit concluded that a reasonably designed internal control system was in place in UNIDO to ensure completeness, occurrence, measurement, regularity and disclosure in the Financial Statements for the year 2011.

Presentation of Financial Statements

12. The year 2011 was the second year after the implementation of International Public Sector Accounting Standards (IPSAS) in 2010. Accordingly, the Financial Statements for 2011 were also presented on the IPSAS format and provided comparative figures for the two years. The working results for UNIDO are given in the following table:

Table 1
€ in 000

Description	**31 December 2011**	**Percentage Increase/(decrease)**	**31 December 2010**
Income / Revenue			
Assessed contribution	78,304.6	_	78,304.6
Voluntary contribution	193,048.3	11.00	173,923.8
Investment revenue	846.5	53.70	551.0
Other items of revenue	1,408.2	(43.44)	2,490.0
Total Revenue	**273,607.6**	**7.20**	**255,269.4**
Expenditure			
Salaries & employee benefits	109,551.7	(2.59)	112,472.4
Operational costs	25,242.2	13.91	22,159.2
Contractual services	33,660.3	28.00	26,301.2
TC equipment expensed	18,513.5	17.80	15,714.8
Currency translation differences	(12,473.0)	(32.60)	(18,503.7)
Other items of expenditure	15,597.9	17.68	13,254.3
Total Expenditure	**190,092.6**	**10.91**	**171,398.2**
Surplus for the year	**83,515.0**	(0.42)	**83,871.2**

13. An analysis of key financial and operational performance indicators is given in the following paragraphs:

14. In 2011 operating surplus, the excess of total revenue over total expenditure during a financial year, remained stagnant at 2010's level. Though the total revenue increased by 7.2 per cent in 2011, an almost 11 per cent rise in the total expenditure caused a slight decline in the operating surplus in 2011 as compared to 2010.

15. The increase in total revenue was mainly attributable to an 11 per cent rise in voluntary contributions. Voluntary contributions accounted for 71 per cent and 68 per cent of the total revenue in 2011 and 2010 respectively. In case of total expenditure, while salaries and employee benefits - the largest component of expenditure- registered a decline of 2.59 per cent, substantial increases in contractual services (28 per cent), the TC equipment expensed (17.8 per cent) and operational costs (13.91 per cent) led to a considerable increase in expenditure. Another contributory factor to this effect was 32.60 per cent reduction in net gains resulting from currency translation in 2011 as compared to that in 2010.

Fund Balances

16. Fund Balances represent the unexpended portion of contributions that are intended to be used in future operational requirements of UNIDO, except where conditions apply (Technical Cooperation fund). The Fund Balances are UNIDO's residual interest in the assets after subtracting all its liabilities. The organization's Fund Balances stood at €303,835.0 thousand as on 31 December 2011 as compared to €240,004.3 thousand as on 31 December 2010 registering an increase of 26.60 per cent over the previous year.

17. UNIDO's total commitments (note 20) which included purchase orders and contracts, contracted but not delivered as at year-end, were €109,184.9 thousand as at 31 December 2011 as compared to €85,974.6 thousand

as at 31 December 2010 showing an increase of 27 per cent over the previous year. Although commitments are not recognized as expense in IPSAS compliant financial statements, they do reflect potential claims of outsiders on the resources of the organization. The above figures show that commitments swelled to over one-third of the Fund Balances in 2011 from a little over quarter of the same in 2010. A part of these commitments pertaining to Regular Budget can be attributed to increased activity owing to the close of biennium in 2011. The bulk of the commitments, accounting for over 90 per cent of the total, relates to the Technical Cooperation (TC) fund and the sharp rise reflects gearing up of the project activity.

Cash and Cash Equivalents

18. The total cash and cash equivalents increased to €454,437.0 thousand as at 31 December 2011 from €392,681.7 thousand as at 31 December 2010, registering a considerable increase of 15.73 per cent. Cash and cash equivalents included short term investment in the form of term deposits with original maturity of less than three months. Term deposits increased to €418,462.2 thousand at 31 December 2011 from €351,707.2 thousand at 31 December 2010, an increase of 19 per cent. The annual average interest rate earned on interest bearing accounts and term deposits was 1.17 per cent and 0.33 per cent for Euro and US Dollar respectively in 2011 as compared to 0.53 per cent and 0.24 per cent for Euro and US Dollar respectively in 2010. The combined effect of increased level of term deposits and higher yield led to an increase in investment revenue to €846.5 thousand in 2011 from €551.0 thousand in 2010, increasing by more than half, that is, by 53.7 per cent.

Accounts Receivables from non-exchange transactions

19. Accounts receivable (current) from non-exchange transactions before allowance for doubtful debts rose to €212,998.1 thousand as at 31 December 2011 from €174,763.0 thousand as at 31 December 2010, recording an increase of 22 per cent.

20. Assessed contributions receivable (current) due from the Member States remained almost at the same level in 2011 (€99,278.4 thousand) as in 2010 (€97,757.7 thousand). However, the non-current portion of the outstanding contributions reduced to €10,200.4 thousand as at 31 December 2011 from €15,339.8 thousand as at 31 December 2010.

21. Voluntary contributions receivable from the Member States shot up by 50 per cent to €110,981.3 thousand as at 31 December 2011from €74,048.0 thousand as at 31 December 2010.

22. The delay in receipt of voluntary contributions may adversely affect the pace of implementation of the TC projects. UNIDO would need the support of the Member States to improve the recovery position of outstanding contributions.

Overall Comment on the Financial Statements

23. Figures in the first draft Financial Statements, provided to the External Auditor as scheduled on 15 March 2012, were generally accurate except for an omission of €10,710.2 thousand under the "Transfers payable-Due to the Member States". The management has made necessary corrections in the final Financial Statements.

Employee Benefits Liabilities

24. The long-term employee benefits liabilities went up to €137,200.0 thousand as at 31 December 2011 from €123,100.0 thousand as at 31 December 2010, registering an increase of 11.45 per cent. As a result, the negative Regular Budget general fund balance stood at €106,551.9 thousand as at 31 December 2011 as compared to negative balance of €83,002.8 thousand as at 31 December 2010, showing a further erosion of general fund balance by 28 per cent.

25. In the last Audit Report (2010), the External Audit had drawn attention of the Industrial Development Board (IDB) and the management towards the issue of unfunded employee benefits liabilities of UNIDO, recommending consideration of options available to generate funds to meet the liabilities. In the 39th session of

the IDB the management highlighted the External Auditor's recommendation to the Member States. As a result of the consideration of the subject, the Member States adopted decision IDB.39/Dec.2, Report of the External Auditor for the year 2010, with the following relevant text:

> "(c) Further took note of the External Auditors proposal to look for options available to generate funds for financing the UNIDO employee benefit liabilities, and decided to study the feasibility of appropriate financing of a liability system to be addressed in a comprehensive manner by the informal working group that would provide guidance on the future liabilities of the Organization;"

26. The management informed the External Audit that the informal working group, mentioned in the decision, had held several meetings since its inception. However its agenda did not allow it to produce the guidance prescribed by the IDB. The management may facilitate the work of the informal working group and keep the External Audit informed about any development in this regard.

IPSAS Implementation

Transitional Provisions under IPSAS 17 and 23

27. UNIDO had invoked the following transitional provisions in 2010, permitted on first time adopting IPSAS:

- Five-year transitional period, allowed under IPSAS 17 Property, plant and equipment (PPE) for recognizing the PPE class "Buildings" and for TC PPE;
- Three-year transitional provision, allowed under IPSAS 23 Revenue from non-exchange transactions for measuring revenue for pre-2010 voluntary contributions.

The management was asked to provide an update on progress made in respect of the above mentioned items.

Buildings

28. The management informed that in reference to the UN IPSAS task force group discussion outcomes in summer 2011 and in reference to face-to-face meeting with United Nations Office in Vienna (UNOV) finance representatives on 5 December 2011 in Vienna, UNIDO as well as International Atomic Energy Agency (IAEA) would exercise use of transitional provision for asset class "Buildings" in 2011. The management further informed that the position of IAEA and UNIDO conveyed to UNOV was that unless near future would prove otherwise (e.g. treatment of UNDP/UNOPS/UNFPA building in Copenhagen), both were ready to capitalize the Vienna International Centre (VIC) building in their books. IAEA already made valuation of the VIC building for 2011 and was aiming to finalize this issue soon in order to use the current valuation results.

Technical Cooperation PPE

29. The management informed that UNIDO was in the process of implementing the new Enterprise Resource Planning (ERP) system, where the full recognition of all PPE, including the TC PPE that UNIDO had control over, was envisaged from 01 January 2013. All the TC PPE procured prior to 01 January, 2013 and still remaining under the control of UNIDO would be capitalized at the end of the transitional period.

Revenue from Non Exchange Transactions

30. The management stated that UNIDO was recognizing revenue from donors' agreement in line with IPSAS 23 for agreements signed from 01 January 2010 onwards. Any existing pre-2010 agreements, in the year of expiration of the transitional provision starting 01 January 2013 would be reviewed and recognized accordingly. The management further informed that a solution to retrospective recognition of those agreements (if any) into the new ERP system from 01 January 2013 would need to be considered as part of the system design and migration strategy.

31. The three year transitional period availed by UNIDO for recognizing revenue from pre-2010 non-exchange transactions would expire on 31 December 2012. The External Audit requested the management to intimate the number of existing pre-2010 agreements from which revenue would need to be recognized after the end of the transitional period. The management stated "this info is not available now, but shall be ready for grants data migration at 1 Jan 2013". The External Audit expects that the management would complete collecting all necessary information in time to ensure compliance of the Standard after the transitional period expires.

IPSAS 24 Presentation of Budget Information in Financial Statements

32. IPSAS 24 requires that when the Financial Statements and the budget are not prepared on a comparable basis, a statement comparing budget and actual amounts be prepared .The Statement 5 of the Financial Statements of UNIDO compares budget and actual amounts of the financial period under report. In the Statement 5 the actual amounts are presented on a comparable basis to the budget and are reconciled to the actual amounts presented in the main Financial Statements, separately identifying any accounting basis, timing and entity differences as explained in note 18 to the Financial Statements.

33. UNIDO prepares the Statement 5 for the total budget, combining both the Regular and the Operational Budgets. However, UNIDO's budget is prepared, approved and presented on a format that separately identifies the Regular Budget from other budgets. Since the Regular Budget of UNIDO is financed through the assessed contributions from the Member States, there is a need to report the utilization and results of their contributions distinctively. The External Audit is of the opinion that the current presentation of the Statement 5 does not facilitate comparison of the actual amounts with the Regular Budget authorized by the GC.

34. **The External Audit recommends that the management may revise the format of the Statement 5, from the next financial year (Financial Statements 2012) as per the revised format suggested at Annex-A.**

Management's Response

35. *While the Financial Statements were presented in compliance with IPSAS, information on detailed budget utilization was continued to be presented on modified cash basis in the same format and content as in previous biennium's presentations, disclosing separately Regular Budget and Operational Budget utilization, in Annex I to the Financial Statements. This approach allowed the Member States to assess budget development consistently in comparison with previous biennia. The budget comparison statement under IPSAS, Statement 5 provided a consolidated view on both Regular and Operational budgets, which better reflected the overall business situation of UNIDO.*

36. *However, if after having considered the above explanation, the External Auditor still preferred a revised presentation of Statement 5, the management would accept the audit recommendation and would change the format for future statements.*

37. **The External Audit maintains that to facilitate comparison of the actual amounts to the Regular Budget authorized by the GC, the management may revise the format of Statement 5 from the next financial year as suggested.**

IPSAS 31 Intangible Assets

38. UNIDO has implemented the Accounting Standard IPSAS 31 from 01 January 2011, whereas the Standard was effective from April 2011. Before adopting IPSAS 31, UNIDO was following the International Accounting Standard (IAS) 38 for the accounting treatment of intangible assets. Since there was no substantive difference between the treatment of intangible assets under the IPSAS 31 and the IAS 38, there was no effect on the opening balance of the assets on the first time application of IPSAS 31.

39. Since specific guidance on the accounting treatment of internally developed software was not provided in IPSAS 31, UNIDO has adopted the "Statement of Position (SOP) 98-1 *Accounting for the Costs of Computer*

Software Developed or Obtained for Internal Use" (US Generally Accepted Accounting Principles) as recommended by the UN Task Force on Accounting Standards . The SOP divides software development into three stages namely, preliminary software stage, application development stage, and post implementation /operation stage. The SOP requires that only those costs which relate to application development stage be capitalized, except the costs of purging or cleansing of existing data, reconciliation or balancing of the old data in the new system, creation of new/additional data, and conversion of old data to the new system. The costs pertaining to the other two stages are required to be expensed as incurred. The External Audit considers the recommendation of the UN Task Force to be appropriate.

Status of Budget Utilization

40. In 2011, which was the second year of IPSAS implementation in UNIDO, the External Audit carried out an analysis of the budget utilization by the organization. Transition to the IPSAS basis of accounting required annual preparation of accounts, while the budget of UNIDO was authorized for a biennium. Although UNIDO divided its budget in almost equal parts for each year of the biennium, there was no meaningful insight to be gained by comparing the budget with the actual amounts of the two years of the biennium separately. Hence it was decided by the External Audit to comment on the budgetary performance of UNIDO with reference to the authorization period of the budget. The following paragraphs deals with the financial performance of UNIDO with reference to budget authorization by the GC.

41. The status of budget utilization for the biennium 2010-11 compared with that for 2008-09 was as under:

Comparison of Budget Utilization: Biennium 2010-11 & 2008-09

Table 2
€ in 000

	2010-11			**2008-09**		
	Gross Budget	**Total Expenditure**	**Unutilized amount** (Per cent)	**Gross Budget**	**Total Expenditure**	**Unutilized amount** (Per cent)
Staff costs	131,304.7	121,411.8	9,892.9 (7.53)	130,031.4	114,199.5	15,831.9 (12.19)
Office travel	3,704.6	3,421.2	283.4 (7.65)	3,525.9	3,398.0	127.9 (3.63)
Operating costs	29,287.7	27,375.0	1,912.7 (6.53)	28,310.8	26,167.1	2,143.7 (7.57)
Information and communication technology	5,401.1	4,760.7	640.4 (11.86)	5,719.7	5,384.0	335.7 (6.00)
Regular programme of technical co-operation, and special resources of Africa	14,928.5	14,628.8	299.7 (2.01)	14,809.4	14,326.7	482.7 (3.26)
Total	184,626.6	171,597.5	13,029.1 (7.06)	182,397.2	163,475.3	18,921.9 (10.37)

42. From the above table it can be observed that the overall budget utilization improved in the biennium 2010-11 as compared to that in 2008-09. During 2010-11 the unutilized budget decreased to €13,029.1 thousand from €18,921.9 thousand in 2008-09. The staff costs were the largest cost component of the budgets in both biennia (71.12 per cent in 2010-11 and 71.29 in 2008-09). The improvement in overall budget utilization was mainly due to better utilization of budgeted staff costs in 2010-11 as compared to that in 2008-09.

43. While the External Audit appreciates the improvement in the rate of the budget utilization in 2010-11, it needs to be noted that there was still a significant underutilization of staff costs to the tune of €9,892.9 thousand. The underutilization of staff costs becomes even more significant when during the same period certain important organizational units like Internal Oversight (IOS) remained under staffed due to non-availability of resources. It would be pertinent to mention that the underutilized amount could possibly finance the staff costs of a number of employees in professional and general category.

Management's Response

44. *The underutilization of the Regular Budget mainly stemmed from the fact that UNIDO must continually manage its expenditure levels to ensure that the final expenditure for the biennium did not exceed the collection of the assessed contributions.*

45. **The External Audit observed that with UNIDO's transition to IPSAS, the assessed contributions represent accrued income of the organization against which expenditures need to be planned. The External Audit further observed that the GC vide its decision GC.2/Dec 27 established the Working Capital Fund (WCF) for the purpose of financing budgetary appropriations pending the receipt of contributions or unforeseen and extraordinary expenditure. In view of the above, the External Audit considers it appropriate to plan expenditures against the assessed contributions and the temporary shortfalls in the assessed contributions during a financial period can be legitimately met from the WCF as provided in the Financial Regulation 5.1(b).**

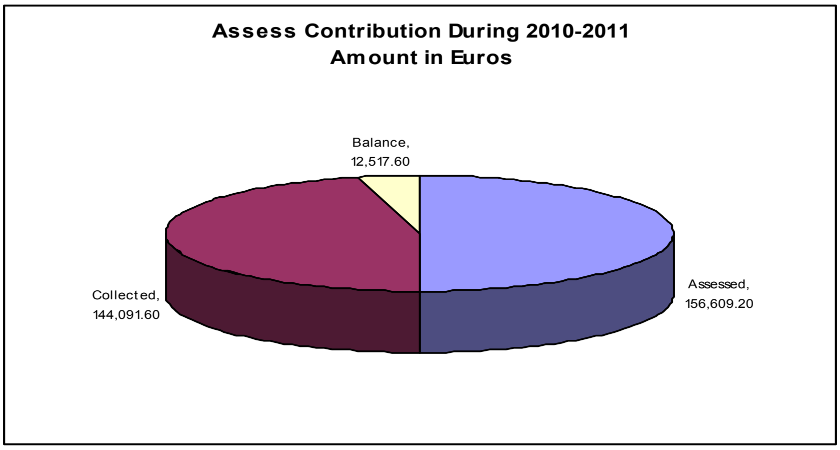
Contributions from the Member States

46. The following table indicates the assessed and collected contributions during the biennium 2010-2011:

Table 3
€ in 000

	Biennium 2010-2011	Year 2011	Year 2010
Contributions assessed	156,609.2	78,304.6	78,304.6
Contributions collected	144,091.6	71,069.3	73,022.3
Balance	12,517.6	7,235.3	5,282.3

47. The following graph depicts the position of contributions assessed, collected and outstanding:



48. The contributions outstanding at the end of the biennium 2010-2011 were €109,478.9 thousand. This figure was €113,097.6 thousand at the end of the year 2010 and €115,783 thousand at the end of the biennium 2008-2009.

49. Contributions amounting to €109,478.9 thousand outstanding at the end of the biennium 2010-2011 were due from 89 Member States. The amount due from two former Member States[1] was €71,150.4 thousand which came to 65% of the total outstanding amount. Thirty four Member States owed more than €100,000 each to UNIDO and the total outstanding amount against these Member States was €108,298.5 thousand, which was 99% of the total outstanding contributions. Leaving aside the static outstanding contributions against the two former Member States, recovery against the remaining outstanding contributions improved during the year 2011.

Verification of Amounts Due to the Member States

50. According to the Financial Regulation 4.2, "the unencumbered balance of the appropriations at the end of a fiscal period shall be surrendered to the Members at the end of the first calendar year following the fiscal period after deducting there from any contributions from Members relating to that fiscal period which remain unpaid, and shall be credited to the Members in proportion to their assessed contributions in accordance with the provisions of the Financial Regulations 4.2 (c) and 5.2 (d)".

51. The surplus available for distribution representing the unspent balances of collections, the assessed collections received for the prior biennia together with the receipts from the new Member States are set aside in the "accounts payable", pending receipt of the Member States' instructions. The unencumbered balance due to the Member States as on 31 December 2010 was €11,765.4 thousand. The External Audit verified the balance due to the Member States as on 31 December 2011 as follows:

		€ in 000
Unencumbered balance brought forward 01 January 2011		11,765.4
Add: Collection of contributions from previous period		10,710.2
	Distribution of Cash Surplus from 2008-09	5,293.6
Less:		
	Applied to assessments, retained for TC activities or refunded to Member States	(986.1)
Balance due to Member States as on 31 December 2011		**26,783.1**

[1] USA and Yugoslavia (former)

Programme for Change and Organizational Renewal (PCOR)

52. The Programme for Change and Organizational Renewal (PCOR), an organization-wide three year programme, was launched in 2010. The PCOR aims at improving the way UNIDO did business by restructuring its internal processes, capacity development, the implementation of an ERP system and a change in the working culture. The External Audit reviewed the programme during the audit for the year 2010 and identified the need for devolving powers to the field offices for institutionalizing the concept of decentralization. The External Audit also pointed out certain weaknesses in the areas of technical cooperation project monitoring and training.

53. The External Audit continued to review the progress of the PCOR against its financial and implementation targets. The following paragraphs deal with the performance of the PCOR in 2011.

PCOR Expenditure Profile

54. The total estimated cost of the PCOR was €13,000 thousand. The funds for the PCOR were secured in late November 2010 and the implementation started in December 2010. The overall implementation is to be completed by December, 2013. The following table depicts the expenditure plan spread over the programme life.

PCOR Expenditure Plan

Table 4
€ in 000

PCOR Component	**Total Budget**	**Actual Expenditure** (Percentage of the component)			**Planned Expenditure** (Percentage of the component)	
		2010	**2011**	**Total**	**2012**	**2013**
Implementation Partner (SAP)	6,400	-	2,126.740 *(33.23)*	2,126.740 (33.23)	3,298.500 *(51.54)*	974.760 *(15.23)*
Training and Rollout	1,000	-	223.669 *(22.37)*	223.669 *(22.37)*	154.200 *(15.42)*	622.131 *(62.21)*
Software (SAP)	3,100	1,505.160 *(48.55)*	372.571 *(12.02)*	1877.731 *(60.57)*	858.685 *(27.70)*	363.585 *(11.73)*
Hardware/Infrastr ucture	600	-	204.750 *(34.13)*	204.750 *(34.13)*	111.000 *(18.50)*	284.250 *(47.38)*
Other Costs	1,900	273.594 *(14.40)*	251.676 *(13.25)*	525.270 *(27.65)*	566.730 *(29.83)*	808.000 *(42.53)*
Total	**13,000**	**1,778.754**	**3,179.406**	**4, 958.160**	**4,989.115**	**3,052.726**
Percentage of Total Expenditure		13.68	24.46	38.1	38.38	23.48

55. By the end of the year 2011 a total expenditure of €4,958.16 thousand, which comprises 38.1 per cent of the total estimated cost, had been incurred on the programme. The expenditure during the year 2011 was €3,179.406 thousand which constituted 24.5 per cent of the total estimated cost.

PCOR Implementation Status

56. By the end of the year 2011, the PCOR had completed one year of programme preparation and the first year of the ERP implementation. The following table shows the timelines for the PCOR and the implementation status for the year 2011:

Table 5

Main areas under PCOR	Timeline	Progress Status
1-People and Culture		
Culture Operational Group (COG): • Creating a culture of 'One UNIDO' • Managing for Results and Accountability • Cross Organizational knowledge sharing • Effective teamwork and collaboration • Effective communication • Staff development	31 December, 2011	Ongoing
ERP Culture: • Analysis of cultural changes triggered and required by the system, possible actions and timelines.	31 August, 2011	Done
2-ERP Implementation		
Release 1: Core Business (Portfolio and Project Management)	1(a) July 2011 1(b) October 2011	Done

57. The table depicts that activities under 'People and Culture' lagged behind the planned schedule. UNIDO constituted the Cultural Operational Group (COG) in March, 2011 with the objective that it would execute the cultural change actions resulting from the implementation of the SAP. Therefore, it was required to prepare an implementation plan to move from the "As-Is" to the "To-Be" by July 2011. However, the COG was yet to develop a comprehensive action plan to move from the "As-Is" to the "To-Be". Upon inquiry, the management informed that a retreat on COG was conducted in October 2011 and some quick wins were identified for implementation. However, the Office for Change and Organizational Renewal (OCOR) and the COG had yet to finalize the plan for implementation of these quick wins.

58. The External Audit is of the view that the implementation of various phases of the SAP must be in sync with the action plans of the COG otherwise it would undermine the effective and timely implementation of the SAP.

59. **The management replied that** *the COG was established to carry forward changes to UNIDO's working culture. The desired culture of UNIDO as well as the culture change framework was defined during the retreat conducted in October 2011. In January 2012, a management decision was taken that culture change would be carried forward under the OCOR to ensure coherence and a holistic approach and the COG ceased to exist. Considering this, as well as the fact that culture change was an overall element of PCOR and a continuous process the timeline was changed to December 2013.*

60. **Considering the change of timeline to December 2013 and dissolution of COG the External Audit will review the progress under the revised strategy of assigning the cultural change aspect to OCOR.**

Human Resource Requirement for the SAP Implementation

61. The PCOR envisaged addressing the management objectives through an organization wide computer system and required major Business Process Re-engineering (BPR). When the External Audit ascertained the adequacy of the in-house human resources deployed during the implementation of the ERP, the External Audit was informed in November 2011 that the project was grossly understaffed and the planned number of experts could not be hired. The following table presents the position provided to audit regarding the in-house resources deployed for the SAP implementation:

Table 6

Resources	BASIS Expert	ABAP Expert	HCM Expert	Financial Module Expert	PPM Module Expert	DB Expert
Available	1.5	None	0	0	0	0
Required	2	Not required	3	3	2	0.5

Subsequently, the External Audit was informed that there was a paradigm shift in the concept of human resource deployment for the SAP implementation. Accordingly, non-expert resources were deployed for various jobs for which originally SAP experts were to be deployed. It is difficult to understand how the need for the expertise was obviated. Either the original human resource planning, which continued for the two initial years of implementation, exaggerated the requirements for SAP experts or a stop gap arrangement has now been resorted to for expediency. The management may like to assure the External Audit that the human resource planning had been revised keeping in view the critical human resource requirements.

62. As regards understaffing, the External Audit observed that the implementation of the SAP would automate all aspects of organization wide management resulting in a significant increase in the involvement of IT experts. This increased requirement of the IT staff notwithstanding, the number of the Information and Communication Management (ICM) staff had actually reduced to 18 for the year of 2011from 21 for the year 2010.

63. The External Audit is of the view that the number of ICM staff needs to be increased in proportion to the additional Information and Communication Technology (ICT) work that would result from the implementation of the ERP. This would go a long way in resolving issues during operational phase of the ERP otherwise cost of operations would increase because of frequent outsourcing of the problem resolution.

64. **The management replied that** *as per industry best practices, building up internal IT expertise to support an ERP system was not always the most effective approach. Therefore, UNIDO would continue to assess an approach of outsourcing certain activities and, in addition, would establish a SAP Competency Center. This SAP Competency Center would comprise of a small number of key staff having a good knowledge of the business requirements as well as the SAP solution. Taking into account the above, ICM's role and staffing needs were being analysed and redefined.*

65. **The External Audit has observed that the implementation strategy and HCM staffing policy has been modified a number of times during the implementation of the PCOR. Keeping in view the fact that full SAP rollout is planned by January 2013, the management needs to firm up the role of the ICM and its staffing needs at the earliest in order that ICM gets re-oriented and develops capacity according to its new role during the implementation phase of the SAP.**

66. **The External Audit recommends that:**

I. The management may like to ensure that the progress of cultural change matches the progress of other aspects of PCOR implementation.

II. The role and staffing level of ICM staff may be redefined keeping in view the requirements of the ERP implementation/operations and industry best practices.

Management's Response

67. *The management agreed with the recommendations of the External Audit.*

UNIDO ICT Policy 2011

68. The External Audit reviewed the ICT management during the audit for the year 2010 and identified certain weaknesses regarding documentation necessary for ICT management. The management agreed with the External Audit's recommendations which included the revision of the ICT Policy. The revised ICT Policy was implemented in October 2011. The External Audit reviewed the ICT systems with reference to the revised ICT Policy during the audit for the year 2011.

69. Keeping in view the experience of ERP implementation in country-wide scenarios and implementation in large organizations the management may like to address the following as soon as possible:

I. The related paragraph[2] of UNIDO ICT Policy 2011 stipulates, "All computer accounts shall be set to expire the day after the expiration date of the user's current assignment. Where applicable, the expiration date shall be updated automatically from the Human Resources database on a daily basis." The External Audit observed that out of a sample of 200 active user accounts for Agresso, 29 active user accounts belonged to employees who had separated from UNIDO. Two of these user accounts were related to the employees who had separated as early as 2008. A 'guest' account was also detected in Agresso, which was not in conformity with the ICT Policy 2011 (ACC.1) requiring that "All login accounts for computer systems, except for mandatory system accounts and those required for automated functions, shall identify individual, natural persons". Formal approvals were also not available for the privileged user accounts (root users, administrator level accounts, power user accounts.

II. Many of the end users' computers were found running unapproved applications. The shared drive "PROG (P:)" was found to have some executable shares from hazardous and copyright infringing sources like, Warez and Keygens. Warez forums were organized communities that distributed pirated software. Keygens were softwares that illegally generated unlimited number of serial keys for copyright protected software.

III. The firewall policies had not been reviewed. UNIDO had tasked the review to the ICT Security Officer in 2010 but the task was still pending. Neither firewall audits nor penetration tests were carried out. Also, the scope and frequency of penetration tests were not determined.

IV. The backed up data (disk to disk and disk to tape backups) was not subjected to scheduled data restoration tests. UNIDO used to restore only partial data on need basis which did not provide the assurance regarding restorability of the entire backed up data in case of an accident.

V. UNIDO had not developed formal procedures for timely monitoring, testing and deploying security patches, hot fixes, Operating System updates and other applications updates. Consequently, several

[2] ACC.9: 'Mandatory Account Expiration'

servers were running outdated operating systems. For example, Server “gorm” was running Fedora Core Linux 4 which had reached its end of life on August 7, 2006.

VI. Formal log management procedures were not in place in UNIDO. Logs were not being subjected to regular reviews and risk analysis had not been performed to prioritize logging. Log-rotation and log-retention requirements had not been identified. Web-server logs were only reviewed after a security incident had taken place instead of regular reviews of logs. Power users’ activities were not being logged at all.

70. **The management replied that:**

I. *Domain access of separating staff was deactivated upon mandatory clearance of the HRM P.35 form and without Domain access, Agresso access was not possible. The privileged accounts in question were by virtue of functional necessity and, where named, based on functional job requirements as documented in job descriptions.*

II. *UNIDO did not endorse the use of pirated software or copyright infringement and had removed one illicit program placed on “PROG (P:)” by a former consultant.*

III. *Pending tasks such as review of firewall policies, firewall audits and penetration tests would be outsourced to an external service provider.*

IV. *There was not enough capacity to restore entire backed up data and until such time restoring partial data on need basis must suffice.*

V. *Servers in question would be upgraded to the standardized system platform RedHat Enterprise Linux/CentOS v6 in the ongoing virtualization/consolidation project.*

VI. *Due to budgetary constraints, there was currently inadequate staff for log review and log management.*

71. **The External Audit recommends that :**

I. The management develops a procedure to effectively remove logical access at all levels for the separating staff because working accounts of the separated staff have potential security implications even without domain access. The External Audit also maintains that all privileged accounts should follow a documented approval process, given the sensitive nature of these accounts.

II. Network landscape for copyright infringing software may be scanned and unapproved applications, if any, may be removed. Users may be made aware of the dangers of using and distributing software from such sources.

III. The management completes the review of firewall policies, firewall audits and penetration tests at the earliest.

IV. ‘Scheduled’ data restoration exercises and not ‘need basis’ restoration of partial data may be undertaken till capacity issues are resolved.

V. The management may poll all the production servers on regular intervals to ensure that all production servers receive latest updates. Subsequent audit teams shall monitor progress.

VI. The minimum log review requirements may be identified after risk analysis and bare minimum log management may be initiated till the capacity constraints are addressed.

Management's Response

72. *The ICT Policy related recommendations were generally accepted. Several important steps had already been taken in this direction including institution of stronger password requirements, new central security authorization, etc. Indeed, the bulk of the weaknesses identified were attributable to the legacy systems, such as Agresso. The new SAP systems, by design, would have fewer weaknesses, security issues, etc.*

73. **Subsequent External Audit teams will continue to review progress in this regard.**

Progress of TC Projects' Delivery during 2011

74. With a view to having an overview on the status of the projects completed by UNIDO during the year 2011, the External Audit ascertained from the Management the number of projects planned to be completed during the year 2011, their completion dates and the thematic areas to which they belonged.

75. According to the data[3] provided by the management a total of 409 TC projects/PADs were planned to be operationally completed during 2011. An amount of USD 136,460.82 thousand was spent on these 409 projects against the total allotment of USD 149,528.711 thousand till the end of 2011, which was 8.73% less than the total allotted amount.

76. The External Audit observed that 177 projects/PADs were completed, 58 projects/PADs were closed and one project was financially closed on their respective planned operational completion date. However, 173 projects/PADs could not be completed as per their planned dates of completion. The break-up of these projects with respect to their status is given in the table below:

Status of TC Projects Planned to be Completed in 2011

Table 7

	Not Completed	**Completed**		
Total Number of Projects	Ongoing 'O'	Operationally Completed 'C'	Closed 'G'	Financially Closed 'F'
409	173	177	58	1
100%	42.3%	43.3%	14.2%	0.2%

77. As per the Technical Cooperation Guidelines PR 04.03.04 'Operational completion', all projects are automatically closed six months after the original completion date. The External Audit observed that 67 projects were not automatically closed after six months of their completion date.

78. It can be seen from the above table that during 2011 the completion rate for the projects was only 58%, which means additional efforts may be required to achieve the value for money contributed by the Member States. The External Audit will continue to monitor the implementation efficiency of TC delivery in UNIDO.

Management's Response

79. *Management takes note of the analysis done by the External Auditor concerning the closure of projects and will aim to ensure that projects, or rather PADs, are declared operationally completed on time.*

80. **Subsequent External Audit teams will continue to review the status of the TC project delivery.**

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[3] E mail received from 'Audit Support' dated 10 April 2012, Ticket No. 136705

Project & Programme Evaluation

81. The External Audit has been continuously reviewing the Project and Portfolio Management (PPM) function with reference to monitoring the project implementation and presenting its findings in Audit Reports. During 2011, the External Audit focussed on the effectiveness of the evaluation process to see its impact on project and programme. While the TC Guidelines provide broad contours/outline of the process, a more detailed explanation of the evaluation process is spelled out in UNIDO‘s Evaluation Policy issued vide UNIDO/DGB (M).98 dated 22 May 2006.

82. The Evaluation Policy defines evaluation as "… an assessment, as systematic and impartial as possible, of a project, programme or entire strand of activities under a single thematic or institutional heading. An evaluation should provide evidence-based information that is credible, reliable and useful, thereby permitting the timely incorporation of findings, recommendations and lessons into the decision – making processes at the corporate, programme and project levels."

83. According to the Policy, project and programme evaluations may take two complementary forms: self-evaluations and independent evaluations. While self-evaluations are periodic progress reviews of projects or programmes carried out by those responsible for implementation, independent evaluations are the responsibility of the UNIDO Evaluation Group (EVA). They provide an independent view on a given entity under evaluation, such as a project, a programme or an entire strand of activities under a thematic or institutional heading. Independent evaluations might be internally led by members of the Evaluation Group or externally led by independent consultants and may take the form of midterm, terminal or ex-post evaluations. The Policy also refers to thematic evaluations, stating that such evaluations may cover regional, corporate or organizational issues. Thematic evaluations may be carried out at the request of UNIDO management and/or governing bodies. They may involve panels of independent evaluation or technical experts from other UN organizations or sources outside the UN system.

84 The EVA is a part of the Bureau for Organizational Strategy and Learning (OSL) while the OSL works under the Office of the Director General (ODG). The Director of the EVA is appointed by the Director-General. The Director is responsible to ensure that the evaluation function is carried out independently and impartially. The EVA's location is independent of any line management functions in the Divisions involved with project / programme development and implementation. It conducts different kinds of evaluations within UNIDO and monitors the management response to such evaluations.

85. The EVA prepares a biennial work program. The biennial work programme describes the future activities of EVA over a given UNIDO biennium. The EVA drafts the work programme at the beginning of the biennium in consultation with line management, project managers and team leaders, thereafter submitting it for approval to the Director-General and the Executive Board. EVA updates the biennial work programme each year in order to accommodate any necessary adjustments. The Policy requires the EVA to make sure that evaluations are chosen in a transparent and timely manner so that they provide decision makers timely and relevant information.

86. The EVA finalizes the terms of reference for an independent evaluation in accordance with the biennial evaluation plan as well as the standard terms of reference and in consultation with the team leader/project manager. Moreover, before starting an evaluation, if appropriate, the EVA assesses the feasibility of the exercise. This preliminary assessment is based on the information dossier submitted by the team leader/project managers and discussions between the latter and the evaluators. In case of insufficient information, an evaluation may be held in abeyance until the necessary information becomes available. The team that carries out an independent evaluation generally comprises of a representative of UNIDO and/or international consultants, donor representatives as required by donor policies, and an evaluator from the countries or regions concerned.

87. The evaluation team starts it work by analysing information available in the information dossier, conducting interviews at the UNIDO headquarters and in the field with UNIDO staff and stakeholders. The evaluation team shares its preliminary findings, conclusions and recommendations with all those concerned in field to validate the

initial findings. On returning from the field mission, the evaluation team holds meeting(s) at headquarters to present, discuss and clarify open issues on its findings, conclusions, recommendations and lessons learned.

88. Once an assignment is complete, the Director, EVA transmits the evaluation report together with a management response sheet (MRS). This sheet allows tracking, for each recommendation, the comments of acceptance or non-acceptance of evaluation recommendations, the deadlines and action taken by those responsible for follow-up. The line managers at their end ensure that those responsible for follow-up keep information in the MRS up-to-date. Since 2008, ODG/EVA reports annually on the follow-up to recommendations issued in the evaluations. The purpose of these annual reviews is to report on the progress made towards implementing recommendations and to share observations in connection with the management response system and its utility.

89. The year-wise break-up of total number of recommendations issued and those responded / not responded during the period 2008- 2011is presented in the following table:

Table 8

Year	**Total No of Recommendations** (A)	**Recommendations Responded** (B)	**Recommendations not responded** (C)	**Response Rate** (B/A)
2008	387	318	69	82
2009	382	261	121	68
2010	481	288	193	60
2011	317	114	203	36
Total	**1567**	**981**	**586**	**63**

Source: Office of the Director General (ODG) Evaluation Group (EVA)

90. The EVA issued a total of 1567 recommendations during the period 2008-2011. The management responded to 981 recommendations which was 63 per cent of the total. The highest number of recommendations responded was 318 in the year 2008, showing a response rate of 82 per cent. After 2008, the response rate started declining steadily. The rate became as low as 36 per cent in 2011, when, out of a total of 317, only 114 recommendations were responded to.

91. **The management replied that** *the response rate was not static but evolving. In 2011, many of the evaluation reports were issued late in the year and responses were still coming in. Typical reasons for not completing the MRSs were the high workload occasionally resulting in lesser priority, or that when there was a change in the assignment of project manager to a project the MRS was not handed over. An additional contributing factor for the relatively low 2011 response rate was related to the additional tasks of SAP implementation*.

92. *In order to provide a more complete picture, the management proposed to defer the discussion on response rates for the period 2008 to 2011 and to include this information in the 2013 ODG/EVA annual report on the follow-up on completed evaluations. Subsequent audits could then revisit the issue.*

93. **The External Audit is of the view that the lessons learnt in the evaluation exercise since its inception are likely to be useful for the projected ODG/EVA annual report 2013. Therefore, the EA will continue to monitor the progress on the response rates.**

94. The following table gives a comparison of the number of recommendations accepted, partially accepted or not accepted to the total number of recommendations issued:

Table 9

Year	Total Recommendations (A)	Accepted (B)	Partially accepted (C)	Not accepted / unclear response (D)	Acceptance Rate (B/A)
2008	387	252	54	12	65
2009	382	195	52	14	51
2010	481	219	41	28	46
2011	317	74	24	16	23
Total	**1567**	**740**	**171**	**70**	**47**

Source: Office of the Director General (ODG) Evaluation Group (EVA)

95. The total number of recommendations accepted during the four year period was only 47 per cent of the total recommendations issued over the same period. The acceptance rate, as evident from the table above, shows a similar trend as witnessed in the response rate. The highest number of recommendations accepted was 252 in the year 2008, which was 65 per cent of the total of 387 recommendations. From 2009 onwards, the acceptance rate declined at an increasing rate, resting at 23 per cent in the year 2011.

96. **The management responded** *by arguing that the acceptance rate was higher than indicated in Table 9 for the following reasons:*

I. *The acceptance rate should be calculated as a percentage of the responses received not of the total number of recommendations. The fact that managers had not entered data in the Management Response Sheet (MRS) should not be interpreted as a non-acceptance of recommendations.*

II. *Recommendations partially accepted should rather be considered accepted than rejected. ODG/EVA analysis indicated that the main reason for partial acceptance was that it was not certain if a follow-up project or phase would materialize or if there would be resources available to implement the recommendation (for instance additional staff at a certain office or service) but that there was acceptance in principle.*

97. *In view of the above, the management did not agree with the finding that the acceptance rate had gone down dramatically, rather the response rate that had gone down***.**

98. **The suggestion regarding calculation of acceptance rate as a percentage of responses received had been based on the argument that the calculation of the rate in Table 9 amounts to interpreting non entry of data by managers in MRS as non-acceptance of recommendations. The External Audit was of the considered opinion that in the absence of any concrete evidence in the form of MRS, it would be more appropriate to interpret non-responsiveness of managers as non-acceptance of recommendations rather than otherwise. However, the viewpoint of the management regarding partially accepted recommendations was acceptable. After modifying the calculation method accordingly, the acceptance rate calculated is as under:**

Table 10

Year	Total Recommendations (A)	Recommendations Accepted (B)			Acceptance Rate (B/A)
		Fully Accepted	Partially Accepted	Total	
2008	387	252	54	306	79
2009	382	195	52	247	65
2010	481	219	41	260	54
2011	317	74	24	98	31
Total	**1567**	**740**	**171**	**911**	**58**

99. **The acceptance rate of recommendations, even after modified calculation, shows a downward trend.**

100. Finally, the following table provides the implementation status of the recommendations responded to.

Table 11

Year	Total Recommendations responded (A)	Implemented (B)	Imp' in progress (C)	Not implemented (D)	Imp' Rate (B/A)
2008	318	48	78	192	15
2009	261	27	220	14	10
2010	288	31	62	195	11
2011	114	10	13	91	09
Total	**981**	**116**	**373**	**492**	**12**

Source: Office of the Director General (ODG) Evaluation Group (EVA)

101. The table shows that the implementation rate of recommendations is quite low when compared to the response and acceptance rates. At best, the implementation rate was 15 per cent in the year 2008, when out of 318 recommendations, 48 could be implemented. In the remaining three years, the implementation rate remained stagnated around 10 per cent while the overall rate for the four-year period was 12 per cent.

102. **The management replied that** *many recommendations were implemented but often beyond the 12 month period covered by the MRS. In fact, many new project and programme documents provided information on how recommendations of past evaluations had been reflected or considered. This showed that recommendations did have a learning purpose and that findings and recommendations were being considered in new phases, projects or programmes.*

103. *The management was of the view that the monitoring mechanism currently in use to determine the ultimate implementation rate of recommendations was inadequate and this needed attention.*

104. The picture that emerged from the above analysis required attention of the management. The evaluation process, when viewed in the light of the Evaluation Policy, appeared to be robust. From the description of the process, it seemed that a close link was established between the evaluators, the project implementing machinery and other stakeholders during an evaluation assignment, ruling out a disconnect among them. However, the response, acceptance and implementation rates indicated otherwise and therefore there was an urgent need to identify the main reasons for the same. It would not be an over statement to say that UNIDO was not fully benefitting from the evaluation exercise. UNIDO could derive more benefit if further attention was given to the implementation of the recommendations.

105. **The External Audit recommends that:**

I. **Response to independent evaluation reports issued by the EVA may be made mandatory for the project management staff.**

II. **The project management when accepting a recommendation of an evaluation report, should also give a definite time-frame for implementing the same.**

III. **The performance appraisal of project management staff may be linked with the implementation status of recommendations accepted by them.**

IV. **The management may make an in–depth review of the entire evaluation process to ascertain the reasons for declining rates of acceptance and implementation of recommendations by the project management.**

Management's Response

106. *The recommendation I was accepted as it was in line the UNIDO Evaluation Policy.*

107. *The recommendation II was accepted. However, many recommendations were dependent on new projects and phases or had resource implications that went beyond the control of project management and this needed to be considered.*

108. *The Organization had recently introduced a new staff performance appraisal system based on a modality that was deemed to have been verified to provide the best and most complete assessment of a staff member and his/her performance, by ensuring specific targets defined, directly in line with the defined management priorities. Moreover, the individual would also be assessed by subordinates and peers beside their direct reporting officers. This holistic approach should allow for the project manager's capabilities and performance to be appraised without specifically linking it to implementation of recommendations accepted.*

109. *The management contested that the acceptance rates were seriously declining. It was rather the response rates that were declining. The recommendation to UNIDO management to review the implementation of recommendations was accepted. Moreover, UNIDO would also review, in the future, its current evaluation process to bring it in line with the new possibilities the ERP system introduced as well as the new procedures for management of independent project evaluations introduced in 2012.*

110. **The management has accepted recommendations I & II and partially accepted recommendation IV. Regarding recommendation III, management has taken the position that the new staff performance appraisal system, which follows a holistic approach, would assess the performance of project managers without specifically linking it to implementation of recommendations accepted.**

111. **Subsequent External Audit teams will review the implementation of the recommendations fully or partially accepted by the management. The effects that are envisaged from the new performance appraisal system on attaining objectives of the project evaluation exercise will also be reviewed.**

Internal Oversight Services (IOS)

112. The External Audit continued to review the work of IOS as required under paragraph 1(d) of the Annex to the Financial Regulations: 'Additional Terms of Reference Governing the Audit of the United Nations Industrial Development Organization' and International Standards of Auditing, focusing on the internal audit assurance activities during 2011. A comparison of the assurance activities planned as per the Work Plan 2011 and the status of the implementation during the year, as per the Activity Report 2011 is presented in the following table:

Table 12

Work	Planned	Status
Internal Audit	1. UNIDO's Process for Vacancy Announcements	Audit completed and report issued
	2. Country office China	Audit in progress
	3. Country office Sudan	Audit not carried out due to shortage of staff
	4. Major Repairs and Replacement Fund	Audit completed and report issued
	5. Drafting audit process description	Procedures prepared and put into practice
	6. Ad-hoc audit of the contract for travel arrangements with the provider	Audit completed and report issued

113. The External Audit noted with appreciation the implementation of the IOS Work Plan 2011 with respect to the internal audit activities.

114. The IOS prepares its work plan, in accordance with the IOS Charter, Para 27 based upon an audit risk assessment methodology which is applied in the preparation of the internal audit work plan. Beside the internal audit activities, the work plan also covers other core areas of the IOS, i.e. the investigative activities, the Joint Inspection Unit (JIU) coordination, the IOS strategic management, and other issues.

115. The risk assessment methodology, revised in 2011, divides the audit universe into two parts; the geographical entities and the functions/processes. The risk assessment for the geographical entities distinguishes between the *impact* and the *likelihood*, the former defined by the financial flows and the later by factors such as *perceived state of internal control system, specific country situation, corruption index, last audit/review performed etc.* The process related risks are captured by management's responses in the Deloitte Risk Management Workshop (2009), the results of 24 interviews IOS carried out with the management in 2011 and the IOS' own assessment.

116. The risk assessment for geographical activities carried out in 2011, identified ten country offices with high risk scores and four country offices with the highest scores were considered for internal audit. Of these four offices, one had already been audited by the External Audit in 2010 while one country office was being served by the UNDP and looked after by a UNIDO Representative stationed in another country, hence not considered for audit due to likely complications in coordination. As such, two country offices were selected by the IOS. However, internal audit of only one country could be conducted due to the lack of the IOS capacity.

117. The External Audit, during audit of 2011 accounts of UNIDO field offices in Turkey and Uruguay, observed that these entities had never been audited by internal or external auditors since their inception. The field office Turkey was established in 1967 and the Uruguay office, which covers Argentina, Brazil, Chile and Paraguay, was set up in 1999.

118. Overall, there were 189 auditable entities, which included country offices and project locations dispersed over 127 countries. As per the information obtained from the management regarding internal audit of UNIDO's field offices during the last five years, the position that emerged is given in the table below:

Table 13

Year	Number of Field Offices Audited by the IOS					
	Compliance	Value for Money	Financial	Reporting	IT Systems	Total
2007	1	-	-	-	-	1
2008	-	-	-	-	-	-
2009	-	-	-	-	-	-
2010	-	-	-	-	-	-
2011	1	-	-	-	-	1
Total	**2**	**-**	**-**	**-**	**-**	**2**

119. The External Audit considered that internal assurance of only two field offices (Italy and China) during the last five years and that too restricted only to the compliance with authority audit was grossly insufficient. The management stated that vacancies in IOS and utilization of available resources to conduct investigations were the primary reasons for not being able to undertake field offices' audits regularly. It was further stated that IOS intended to overcome this deficiency in internal audit activities by planning to undertake at least two field office audits each year, to the extent of available resources.

120. The External Audit also reviewed the status of implementation of the recommendations of the IOS by the management. The following table depicts the implementation status of IOS recommendations as on 31 December 2011:

Table 14

Year	Rec.	Closed			Pending – Partially Implemented	Pending
		Implemented	Mgmt Accepts Risk	Obsolete		
2004	05	1	4	0	0	0
2005	22	8	5	6	3	0
2006	46	9	0	2	34	1
2007	01	0	1	0	0	0
2008	81	36	6	0	39	0
2009	0	0	0	0	0	0
2010	41	8	0	9	17	07
2011	20	1	0	0	3	16
Total	216	63	16	17	96	24
Share		44%			45%	11%

Source: IOS Activity Report 2011

121. As evident from the above table, 20 new recommendations were made by the IOS, increasing the total recommendations made during 2004-2011 period to 216. Out of these, 44 per cent of recommendations were closed while 56 per cent were still pending.

122. During the year 2011, IOS received 103 new allegations which were previously called complaints, in addition to the 19 outstanding allegations carried over from the prior period. Out of the total 122 allegations, 89 were closed after evaluation while two were closed after a fully-fledged investigation. As such, there were 31 allegations outstanding as at 31 December 2011.

123. **The External Audit recommends that:**

I. **Adequate resources may be provided to IOS to carry out its internal assurance and other core activities.**

II. **Internal audit of UNIDO field offices which remained a neglected area in the past may be given more importance and the IOS ensures implementation of its plan to conduct internal audit of at least two field offices each year in coordination with the External Audit.**

Management's Response

124. *Management accepted the recommendations of the External Auditor.*

125. **Subsequent External Audit teams will review the progress with reference to the management's acceptance of the recommendations.**

Operations in the Field

126. To review the working of the UNIDO Field Offices, the External Audit teams visited two selected Offices of UNIDO i.e. UNIDO Regional Office, Uruguay and UNIDO Centre for Regional Cooperation, Turkey. The following are some of the issues noticed in the field offices during audit which require attention of the management:

I. Annual Report for a country or region of coverage was required on the prescribed format which included industry sector review, work plan implementation, results achieved during reporting year, implementation constraints and problems, funds mobilization and work plan for the succeeding year as per Chapter XI- Items 11.1.1 and 11.1.4 of the Field Office Operational Manual. The report was not being prepared by one office.

II. Valid Declarations of Responsibility from every regular and short-term staff to whom items had been issued (loaned), required under the Rule 109.1.8 of the Financial Regulations and Rules and the Property Survey Board recommendations, were not secured in one regional office from the staff to whom items like mobile phones and laptops were issued.

III. As per Rule 107.1.9 (c) of the Financial Regulations and Rules, the authorized bank signatories were not allowed to exercise approving functions on the same transactions, unless a division of duties was not practicable. While it was possible to segregate the duties, the authorized bank signatories in a regional office performed approving functions on the same transactions.

IV. In terms of Rule 107.1.11 of the Financial Regulations and Rules, 'Every month, unless the Director-General authorizes an exception, officials having no actual part in the receipt or disbursement of the funds shall perform reconciliation of bank accounts'. However, the official actually dealing with receipt and disbursement of the funds at a regional office also performed the reconciliation of the bank accounts.

Management's Response

127. *The management agreed to review the level of compliance as well as access and availability of information in the field offices in relation to the applicable Rules and Regulations as well as those on the Field Office Operational Manual and provide possible banking system solutions by 2013.*

128. **Subsequent External Audit teams will continue to review progress in this regard.**

Human Resource Management (HRM)

129. The External Audit reviewed the position of the gender balance within UNIDO with reference to paragraph 11 (a) and 12 (b) of the section '(A) Selection Procedure' of the Director General's Administrative Instruction No 14 Human Resource Management Framework dated 05 June 2001 and the Administrative Instruction dated 25 May 2010 on HRM. Paragraph 29 of the section '(c) Recruitment' of the later Instruction states that: "Special attention shall be given with respect to reaching the goal of 50/50 gender balance within the Organization in the Professional and higher categories." The data relevant to the above criterion is given in the following table:

Table 15

	D1 and D2 (%)		P1 to P5 (%)		Total (%)	
	Female	Male	Female	Male	Female	Male
2002	11	89	24	76	22	78
2003	14	86	24	76	22	78
2004	18	82	24	76	23	77
2005	28	72	24	76	25	75
2006	22	78	24	76	24	76
2007	24	76	25	75	25	75
2008	22	78	25	75	24	76
2009	25	75	29	71	29	71
2010	24	76	30	70	29	71
2011	23	77	32	68	30	70

Source: UNIDO Intranet

130. The above figures showed that the gender balance improved by 8 per cent in favour of female representation over the last ten years, from 22 per cent in 2002 to 30 per cent in 2011. On average, therefore, the improvement had been less than one per cent per year. In D1-D2 category, female representation at lowly 11 per cent in 2002 jumped to 28 per cent in 2005 but started declining in the coming years. In the professional category, the female ratio was 24 per cent in 2002, more than the double when compared to that in the higher category in the same year, but could not improve significantly in the later years. The overall female representation in professional and higher categories at 30 per cent was considerably below the desired gender balance of 50/50.

131. **The External Audit recommends that greater efforts need to be made to further improve gender balance with respect to the female representation in the professional and higher categories.**

Management's Response

132. *The management agreed to the External Auditor's recommendation that greater efforts needed to be made to further improve gender balance with respect to the female representation in the professional and higher categories. The management agreed with the recommendation fully, however, noted that the organizational efforts in this regard were contingent on the number of professional level positions, which were open for external recruitment.*

133. **Subsequent External Audit teams will continue to review progress in this regard.**

Procurement

134. During 2011 the External Audit conducted a contract review to ascertain the efficacy of the centralized procurement process. For this purpose a sample of contracts was randomly selected. The External Audit scrutinized the contracts to determine whether or not the following procurement processes/requirements/stages were in accordance with the UNIDO's Procurement Manual:

I. Advertisement / invitation for bid

II. Bidding documents

III. Specification of goods and services required

IV. Terms and conditions of contract

V. Suppliers participation in bidding

VI. Evaluation of bids

VII. Award of contract

VIII. Administration/execution/completion of contract

135. The External Audit noted that the above referred requirements of the Procurement Manual were complied with by the management in all the sampled cases. However, in five cases the delivery of the goods / services procured was behind the contract schedule. While responding to the audit assertions about the said delays, the management attributed the pointed out delays to:

I. Consignment clearance difficulties , particularly in Customs clearance

II. Erroneous delivery dates in Agresso System

III. Non-availability of the original contracted item and time taken in accepting the alternative

IV. Situation beyond the control of management (political turmoil in Libya)

V. Connectivity/ access problems in communication with the supplier

136. For future, the management proposed to engage the involvement of professional freight forwarding services company/ies, to ensure the country specific Customs clearance issues managed in SAP.

137. **The External Audit recommends that:**

I. Workable delivery dates may be indicated in the purchase order/ contract.

II. Consignment clearance, specially custom handling may be streamlined.

Management's Response

138. *Management took note of the External Auditor's observations.*

139. **Subsequent External Audit teams will review progress with reference to the management's acceptance of the recommendations.**

Verification of Physical Assets

140. The External Audit carried out a sample based physical verification of the PPE at the UNIDO Headquarters. The items sampled by the External Audit for physical verification were found to be located at their respective places, except one item, which was located at a different place than the place mentioned in the management records. The management in this regard agreed to correct the record. The External Audit noted that the management had carried out the physical verification of the sampled PPE as required under paragraph 4.9.1 of UNIDO Property Management Manual.

Management's Response

141. *Management took note of the External Auditor's observations.*

Fraud and Cash Write-Offs

142. Management reported to the External Audit cases of assets write off amounting to €3,664 during the year 2011.

Ex-Gratia Payments

143. In terms of UNIDO Financial Regulation 9.3, the Director-General may make such ex gratia payments as he deems to be necessary in the interest of the Organization. A statement of such payments shall be submitted with the final and interim accounts.

144. The management reported that during 2011 no ex-gratia payment was made.

Compliance of the External Audit Report for the Year 2010

145. Our review of the compliance of the External Audit Report for the year 2010 is at Annex-B.

Acknowledgement

146. The External Audit is thankful to the management and the staff of UNIDO for their cooperation and assistance during audit.

[Signed]

(Muhammad Akhtar Buland Rana)
Auditor-General of Pakistan
External Auditor

21 May 2012

ANNEX A

Statement of Comparison of Budget and Actual amounts for year ended 31 December 2012
€ in ‘000’

	Budget and Actual on Comparable Basis												
	Note	Regular				Operational				Regular and Operational			
Cost component		Original	Final	Actual	Difference	Original	Final	Actual	Difference	Original	Final	Actual	Difference
Staff costs													
Official travel													
Operating costs													
Information and communication technology													
Regular Programme of technical cooperation, and special resources for Africa													
Total													

ANNEX B

FOLLOW-UP OF THE RECOMMENDATIONS MADE IN THE PREVIOUS EXTERNAL AUDIT REPORT (External Audit Report for the Fiscal Period 2011)

S. No.	Recommendation	Reference	Compliance status as of 19 April 2012	Further Audit Comments
External Audit Report for the Biennium 2006-2007 (PBC.24/3)				
1	Procurement: Procurement plans were incomplete and the organization could enhance their use as management and monitoring tools. Procurement plans were finalized. However, difficulty was still experienced in collecting the necessary inputs from all users in order to use these plans effectively as a management and monitoring tool. The benefits from effective management and monitoring of procurement are yet to be realized.	Annex 1	The Blueprint is being finalized and soon the realization phase will start. PRS will work closely with SAP in order to ensure functionality allows ease in collecting data from the users as well as ease in using the same data by PRS.	No further comments.
2	Environmental Policy and Management Strategy UNIDO has not developed and implemented a formal environmental policy and management strategy. The matter remains under review until such time as the organization formally develops and implements a comprehensive environmental policy and management strategy.	Annex 1	UNIDO has contacted the last focal point who was responsible for the policy management and we are closely following up UN wide discussions on the subject, especially through the HLCM Framework for advancing Environmental and Social Sustainability in the UN System (Madrid 15-16 March 2012 Session was attended by the Director, PSM/OSS).	-do-
3	End-of-service and after-service health insurance liabilities: Budgetary provision has not been made to cover the estimated costs of contingent liabilities for end-of-service payments to staff. Similarly, liabilities in respect of after-service health insurance have not been fully funded. The matter remains under review.	Annex 1	The Industrial Development Board at its thirty-ninth session adopted decision IDB.39/Dec.2, concerning the report of the External Auditor for the year 2010, with the following relevant text: “(c) Further took note of the External Auditor’s proposal to look for options available to generate funds for financing the UNIDO employee benefit	-do-

S. No.	Recommendation	Reference	Compliance status as of 19 April 2012	Further Audit Comments
	No progress has been made.		liabilities, and decided to study the feasibility of appropriate financing of a liability system to be addressed in a comprehensive manner by the informal working group that would provide guidance on the future liabilities of the Organization." The informal working group, mentioned in the above decision, has not yet delivered the above guidance due to its heavy agenda. Furthermore, UNIDO can only move its budgeting methodology to accrual basis in synchron with the UN system, in a similar fashion like IPSAS was introduced. The System is studying this possibility.	
Interim Audit Report 2008 (PCB.25/8)				
4	An audit committee may be formed to examine the internal audit and investigative reports and monitor the implementation of recommendations of the IOS.	2.9 (i)	The development of a framework for establishing an audit committee is in progress with the draft TORs being submitted to the external auditor, seeking their input. However, IOS wishes to reiterate that the final decision rests with the governing bodies, including provision of funding.	No further comments.
5	Annual Procurement Plan may be prepared and approved within the time limit stipulated in the Procurement Manual.	3.7 (i)	No change on status. The blueprint is being finalized and will include this functionality.	-do-
6	Procurement function may be computerized with a centralized database for all procurement activities. It may also be linked with Agresso throughout the process. System of electronic approvals during the procurement process also needs to be institutionalized.	3.7 (ii)	No change on status. The blueprint is being finalized and will include this functionality.	-do-
7	Procedures in the Procurement Manual need to be geared to limit the discretion of Procurement	3.7 (vi)	No change on status. The blueprint is being finalized and will include this control functionality. In addition,	-do-

S. No.	Recommendation	Reference	Compliance status as of 19 April 2012	Further Audit Comments
	Officers in defining the number of suppliers for - Request for Quotation, and for the finalization of the list of suppliers, in case of limited solicitation.		Procurement Manual will be revised to reflect SAP functionalities.	
8	If a contract is to be awarded that involves future phases as well, this fact should be clearly mentioned in the solicitation documents to ensure equal opportunity and level playing field for all bidders.	3.7 (vii)	No change on status. The blueprint is being finalized and this fact will be included in the bidding documents where future phases are foreseen.	-do-
9	While implementing the decentralization initiative the operational requirements of the field offices may be kept in view so that speedy and effective implementation of projects and programmes is ensured.	7.8 (i)	The process of decentralizing the system to make operational the field offices is continuing. The previously selected offices were trained in December 2011 and other online as well as classroom based training is envisioned to continue in 2012. Moreover, the system itself is entering a subsequent phase of developing the reporting elements concerning TC. A number of offices are operational in the system and are interacting with the technical branches/project managers accordingly. As the auditors have noted, future audit teams will be informed as well on progress made.	-do-
10	For implementing such projects in future, it may be advisable to consider deployment of some resources as well as expertise, both indigenous and international, for identifying workable Human resource Development Strategy which is likely to be successful in the cultural and political milieu of the target country.	7.8 (ii)	The current status is similar of that noted under 7.8 (i) in as additional UDs will be involved in being trained and made operational to use them as part of the direct implementation process. Redeployment of UNIDO staff to offices continue to follow the strategy formulated around the field mobility policy, where over time we have seen former HUOs being recommended for international postings in capacity as URs.	-do-
External Audit Report for the Biennium 2008-2009 (PBC.25/8)				
11	Management may like to determine the extent and efficacy of the financial and human resources committed	41	The Portfolio and Project Management (PPM) module of the ERP system ("SAP") was rolled out to all staff in January	Subsequent audit teams will look into the result based reporting of projects under newly implemented PPM

S. No.	Recommendation	Reference	Compliance status as of 19 April 2012	Further Audit Comments
	for the (Result Based Management) RBM initiatives.		2012. Since then, managers are able to manage their portfolios and projects in the new system, e.g. enter resources, carry out budget revisions, monitor activities, etc. Currently, all project managers and their teams are ensuring that all ongoing projects have quality information in the system (e.g. logframe information: outcomes, outputs, activities, indicators, KPIs, risks, etc.) to allow for reporting on results in the future. Furthermore, management is currently in the process of defining monitoring requirements (dashboards, etc.) together with all main stakeholders.	Module of SAP.
12	There was no mechanism to capture the implementation status and outcome of the projects.	54	The PPM module allows the monitoring of projects based on the RBM approach, inter alia by progress towards the achievement of outcome and output indicators. An internal assessment of the reporting requirements has been finalized. This is the basis for the currently ongoing report design.	Subsequent audit teams will follow up progress.
13	Management may consider adding information regarding achievements against planned performance indicators and outcomes, in the End of the Year TC Delivery Report.	64 (i)	A RBM-based logframe, including specific indicators and KPIs, was developed and was built into the system to allow for effective RBM in the future.	-do-
14	Till the implementation of the Change Management Initiative, effective monitoring and evaluation of program results may be ensured.	64 (ii)	Management is currently in the process of defining monitoring requirements (dashboards, etc.) to be built into the PPM system (also see No. 16). The PPM module allows the monitoring of projects based on the RBM approach, inter alia by progress towards the achievement of outcome and output indicators.	-do-
15	Risk management including risk mitigation may be made an essential part of the project documentation.	64 (iii)	Risk management is an integral part of PCOR. The SAP PPM module includes UNIDO-specific risk management functionality, allowing for the systematic	-do-

S. No.	Recommendation	Reference	Compliance status as of 19 April 2012	Further Audit Comments
			identification, assessment, management and monitoring of project-related risks.	
16	Change Management effort needed to be carefully implemented, involving all stakeholders and going for comprehensive solutions to avoid any risks of failure.	75	All major stakeholders and a large number of staff from all parts of the Organization have continued to be involved in all major PCOR activities. Internal stakeholders: Over 100 staff are regularly working on PCOR with OCOR and the SAP team, e.g. during the design of the business blueprints, the realization of the system, user acceptance testing, etc. Furthermore, the key users have now become members of the internal SAP Support Centers, providing hands-on assistance to UNIDO users/staff at large who are already working with SAP. In addition, all UNIDO staff continued to be kept informed about all main developments through various communication channels, including newsletters, announcements, meetings, Town hall meetings, posters, Internet and Intranet pages, etc. External stakeholders: In addition to regular briefings to Member States and official documents that are being issued on PCOR, a dedicated Liaison Group of Member States with representatives of each Regional Group was established. Regular meetings with this Liaison Group are being held, in which they are briefed in detail about all PCOR progress. An independent review of the SAP implementation at UNIDO carried out in 2011 found Change Management to be operated in a professional manner.	No further comments.
17	It may be advisable at this stage to revaluate the cost estimates for the selected option for the Change Management Initiative.	76 (i)	PCOR continues to be implemented within the approved funds and timelines.	-do-

S. No.	Recommendation	Reference	Compliance status as of 19 April 2012	Further Audit Comments
18	Since ERP is by definition a centrally led solution, it should be ensured that the key personnel responsible for the ERP implementation are in place and properly trained.	76 (ii)	(Also see No. 16) OCOR continues to lead and manage the PCOR with the close involvement of all main stakeholders, including Functional Leads, Change Agents, Subject Matter Experts, etc. OCOR further reports to the Executive Board, the Committee for Change and Organizational Renewal, which includes 18 senior managers from all parts of the Organization, and the PCOR Project Board comprising of the Director of OCOR, two Managing-Directors, the Director of Financial Services and Chief, ODG. Regarding training, almost all staff and key consultants have already received SAP training. During 2011more than 180 staff members received SAP specialist training to become key users. As of October 2011, SAP training for staff at large at Headquarters commenced, following the Training Plan and Training Needs Analysis. In December 2011, more than 30 UNIDO Representatives and other field staff were brought to HQ for one week of focused SAP classroom training. In addition to that, UNIDO-specific comprehensive e-learning was developed in house and is available for HQ and field staff. Furthermore, as of April 2012, SAP webinars (interactive live online classroom trainings) held by experienced SAP-UNIDO trainers, are being offered for field staff. Training methodologies applied include classroom trainings, e-learning, webinars, guided hands-on session for users, help desk and support centers as well as UNIDO-specific help in the system.	Please refer to paragraph 51 of the Management Letter 2011.
19	Since various activities relating to RBM and	76 (iii)	Please see No. 11 and 13. The exercise of fine tuning of the	Subsequent audit teams will follow up progress.

S. No.	Recommendation	Reference	Compliance status as of 19 April 2012	Further Audit Comments
	Decentralization are foreseen to be carried out within the overall framework of the Change Management Initiative, it shouldbe ensured that the achievement of the objectives of RBM and Decentralization is supported.		data/information in the RBM-based logframe in the Portfolio and Project Management (PPM) system, to ensure results-based reporting in the future, is ongoing.	
20	The internal controls in the Field offices may be strengthened and segregation of duties of staff be ensured.	88 (i)	The previously reported status remains and the implementation of the new Global Banking System is progressing. It is hoped to be in place and operational on trial basis during latter half of 2012, and rolled-out as of January 2013.	-do-
21	The UNIDO Representatives (URs) may be given greater role in project implementation.	88 (ii)	The previously reported status remains as the new system is still being made operational in more field locations – training needs are to be satisfied. However, the HQ based review of TC delivery in 2012 (forecast) has already taken onboard the notion of field being assigned greater role in design, direct implementation, and monitoring. More and more project managers are engaged in finding ways of decentralizing full or parts of projects for field staff based implementation.	-do-
22	The Field offices may be asked to send the required reports for effective Monitoring and Evaluation.	88 (iii)	The reporting out of the new system is being designed. On-site monitoring of TC by field staff will be established and attempted to be made operational towards end of the 2nd quarter/beginning of 3rd quarter 2012. As stated previously reporting forms for such monitoring would be introduced.	-do-
23	Management may ensure that only authorized persons use the authority to incur expenditure.	88 (iv)	The previous comments and related status remains. Previous comments: As previously reported, authorizations are embedded in the financial system and will also be in the new ERP system for the TC cycle management aspects.	-do-
24	Review of the investigative reportsprepared and complaints disposed by IOS	94	Fraud awareness FAQs were placed on the Intranet in 2011. In 2012, IOS will support	No further comments.

S. No.	Recommendation	Reference	Compliance status as of 19 April 2012	Further Audit Comments
	indicated the need for strengthening the existing control framework for prevention of fraud, wrong-doings, conflict of interest, particularly for project activities like procurement of goods and services, recruitment and project execution.		management in the revision of the existing Fraud Prevention and Awareness Policy as well as fraud prevention awareness measures for staff at large.	
25	The IT systems need to be dovetailed with the change management initiative.	112 (ii)	No additional comments. Status remains the same.	-do-
26	Management may arrange an independent assessment of the system integrity.	112 (iii)	No additional comments. Status remains the same.	The UNIDO management is advised to carry out independent assessment of the system as advised by External Audit.
External Audit Report for the 2010				
27	Measurable performance indicators for all the activities may be documented for the PCOR and the implementation may be monitored with reference to these indicators.	53 (I)	The KPIs for PCOR have already been shared with the External Audit team.	No further comments.
28	A training need assessment of each category of employees of UNIDO may be made and the training schedule for the Revised Business Processes, being managed through the ERP, be finalized at the earliest to ensure that the targets of the PCOR Implementation Plan are met.	53 (II)	(See also No. 18) Almost all staff and key consultants have already received SAP training. During 2011 more than 180 staff members received SAP specialist training to become key users. As of October 2011, SAP training for staff at large at Headquarters commenced, following the Training Plan and Training Needs Analysis. In December 2011, more than 30 UNIDO Representatives and other field staff were brought to HQ for one week of focused SAP classroom training. In addition to that, UNIDO-specific comprehensive e-learning was developed in house and is available for HQ and field staff. Furthermore, as of April 2012, SAP webinars (interactive live online classroom trainings) held by experienced SAP-UNIDO trainers, are being offered for	-do-

S. No.	Recommendation	Reference	Compliance status as of 19 April 2012	Further Audit Comments
			field staff. Training methodologies applied include classroom trainings, e-learning, webinars, guided hands-on session for users, help desk and support centers as well as UNIDO-specific help in the system.	
29	The External Audit is of the view that the availability of functionality through the ERP may not necessarily devolve the required powers to the field offices as envisaged in the Decentralization Initiative. Formal devolution of powers was therefore required.	56	One of the major benefits of the new system is that all information contained in the system is globally accessible. This enables UNIDO staff to carry out tasks/processes from the field which at the moment could only be carried out from Headquarters. Field Staff now have full access to all stages of the project cycle through SAP PPM; this means that field staff can play a greater role in the identification and design of projects. Furthermore, project managers can fully manage their projects from the field. As an example, it will be possible to recruit both national and international consultants from the field without the involvement from Headquarters. Similarly, it will be possible to organize international travels from the field without any involvement of Headquarters. Also, once the Procurement Module has gone live in 2013, field will be able to procure goods and services within the delegated authority. Field staff also have full access to all information and documents stored in the SAP system, which is expected to contribute to better knowledge and information sharing and allow for effective monitoring from the field. To ensure that field staff are able to make best use of the new functionalities, UNIDO Representatives and other field staff are being trained through various means, such as classroom trainings, regular webinars (interactive online live trainings)	Subsequent audit teams will follow up progress.

S. No.	Recommendation	Reference	Compliance status as of 19 April 2012	Further Audit Comments
			held by experienced UNIDO-SAP trainers, e-learning, etc.	
30	The management may ensure that the IT risk management is implemented as part of the PCOR.	85 (I)	Based on the work already carried out at the project level, a comprehensive Risk Management system will be implemented during 2012/13 which shall support the systematic management of risks at all levels.	-do-
31	Detailed SOPs may be developed to implement the ICT Policy.	85 (II)	No additional comments. Status remains the same.	No further comments.
32	A strong authentication mechanism such as two factor authentication (e.g. Digital Certificates) may be used at critical points. Encryption may be used in communicating critical financial data.	85 (III)	No further Action.	-do-
33	It may be ensured that the ICT Policy update of 2011 covers security issues regarding confidentiality, integrity and availability of information.	85 (IV)	Noted.	-do-
34	A specific ICM Business Continuity Plan needs to be formulated to address issues like recovery strategies and business impact analysis.	85 (V)	Noted.	Subsequent audit teams will follow up progress.
35	The IT strategy document may be updated and approved as IT is playing a major role in achieving the objectives of UNIDO.	85 (VI)	Noted.	-do-
36	A mechanism may be devised to ensure that all the projects submit their progress reports in a timely manner. This factor could be made a part of the appraisal of the Project Managers. A dedicated section may monitor and report on submission records of progress reports.	106 (I)	Project progress reports are an integral part of the overall PPM design and it will be possible to trigger them at any given time; various reporting designs can be incorporated to allow these reports at different portfolio level.	-do-
37	Coordination meetings, as envisaged in the TC Guidelines, may be held regularly.	106 (II)	No further action is required.	-do-
38	In the case of the LDCs, a multidisciplinary approach for the programmes and projects may be adopted to ensure	106 (III)	The PPM module allows projects to be designed as multi-disciplinary services (not only limited to LDCs).	-do-

S. No.	Recommendation	Reference	Compliance status as of 19 April 2012	Further Audit Comments
	synergy for better results.			
39	The management may introduce a mechanism, for the interim period, till the full functioning of the ERP, to evaluate the implementation and outcome of UNIDO's project/ programme portfolio.	106 (IV)	An internal assessment of the reporting requirements has been finalized. This is the basis for the currently ongoing report design.	-do-
40	The follow up mechanism may be reviewed and strengthened to ensure timely implementation of the IOS recommendations.	120 (I)	Follow up of implementation of recommendations is on-going; executive management is taking a special interest in the present follow up exercise to ensure implementation. IOS plans to implement e-tracking in 2012.	No further comments.
41	The risk assessment and the work plan for 2011 may be finalized on priority basis.	120 (II)	Risk assessment and the work plan for 2012 have been completed.	-do-
42	The management may consider including ethics and accountability in its priorities for 2011.	130 (I)	No further action required. Although the recommendation was in respect of 2011 Management still included ethics and accountability responsibilities as part of the priorities for 2012.	-do-
43	UNIDO may launch a fraud awareness campaign for all its staff and employees regarding issues related with anti-corruption, ethics, and integrity in general and UNIDO ethics related policies in particular.	130 (II)	This is still ongoing and some aspects are being covered in regular trainings offered on ethics. All staff members are expected to undertake the training.	Subsequent audit teams will follow up progress.
44	Training courses may be developed and conducted for UNIDO staff and employees for filing FD and DI statements.	130 (III)	An online and user friendly briefing is in the intranet to assist staff members fill the FD and DI statements has been installed in the intranet.	No further comments.
45	The idea of holding an ethics and accountability retreat for the senior management may be considered.	130 (IV)	UNIDO Representatives at P5 and director's level were covered by training on ethics that took place in 2011.The remaining senior management staff will undergo similar training in 2012 and beyond.	-do-
46	Pending finalization of the new ERP, the procurement planning system for TC projects available on the intranet may be utilized to prepare procurement plans.	142 (I)	No change on status. The blueprint is being finalized and will include this functionality.	Subsequent audit teams will follow up progress.
47	The Authorized Officials may be advised to ensure that	142 (II)	The Knowledge Management System will allow for access of	-do-

S. No.	Recommendation	Reference	Compliance status as of 19 April 2012	Further Audit Comments
	periodic reports are submitted regularly.		information, reporting on all activities carried out by the Authorized Official.	
48	A strategy may be devised to limit the number of waivers to the minimum possible extent.	142 (III)	OSS rigorously reviews the justification for each waiver case before recommendation for approval by various bodies. Statistics on number, volume and recipient of the waivers are collected by OSS for monitoring and evaluation of waivers.	-do-
49	Information on signed contracts of € 70,000 or more may be placed on the UNIDO website in accordance with the Procurement Manual.	142 (IV)	The functionality has been developed and ready for use awaiting final review within PRS.	-do-
50	The new ERP may be configured in such a manner that the information on all the vital statistics of contracts, including information on advance payments, is easily available from the system.	142 (V)	No change on status. The blueprint is being finalized and will include this functionality.	-do-
51	The External Audit recommends that UNIDO may ensure maintaining the geographical equitable representation of the Member States according to the desirable ranges.	147 (I)	UNIDO continues its expanded efforts as reported in November 2011.	-do-
52	The management may design and implement a system of periodic reporting on BMS's achievements against the performance indicators laid down in the Programme and Budgets to measure the achievement of the programme outcomes.	158 (I)	No change/update from last response. The last response is still valid. Previous comments: As previously reported, authorizations are embedded in the financial system and will also be in the new ERP system for the TC cycle management aspects.	-do-
53	The management may analyse the necessity of all the budgeted posts in the BMS and abolish posts that are not considered necessary. The necessary posts lying vacant may be filled.	158 (II)	The recommendation will be addressed gradually. First, a BPR exercise is being carried out, to be followed by a plan on how to support BMS operations via the ERP system. This will feed into the preparation of the next budget for BMS, at which point the necessity of the continuation of each post will be examined.	No further comments.
54	The long-term portion of UNIDO'S employee benefit liabilities had increased to €	33 – 34 – Employee Benefit	Please refer to item 3.	-do-

S. No.	Recommendation	Reference	Compliance status as of 19 April 2012	Further Audit Comments
	123.116 million by 31 December 2010. Major portion of the benefits have been charged to the regular budget. An employee benefit liability of € 101.246 million appears on the statement of financial position for the Regular Budget Activities segment. Consequently, the regular budget segment has a negative equity of € 53.662 million. € 21.849 million appear on the statement of financial position for the Other Activities and Special Services segment as employee benefit liability. The management, in consultation with the Member States, needs to look for options available to generate funds for financing the liability.	Liabilities		

ANNEX C

OPINION OF THE EXTERNAL AUDITOR ON THE FINANCIAL STATEMENTS OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION FOR THE YEAR ENDED 31 DECEMBER 2011

To: The President of the Industrial Development Board

I have audited the appended Financial Statements comprising Statements 1 to 5 and Notes to the Financial Statements of the United Nations Industrial Development Organization (hereinafter, "UNIDO") for the financial period ended 31 December 2011.

The Director-General, in accordance with UNIDO's Financial Regulations, is responsible for preparing the Financial Statements. Under Article XI of the Financial Regulations, the External Auditor is required to express an opinion on these Financial Statements based on his audit.

I conducted my audit in accordance with International Standards on Auditing (ISA) and where applicable, according to the ISSAIs which are the INTOSAI prescribed auditing standards for the Supreme Audit Institutions. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

In my opinion, the Financial Statements, prepared on the International Public Sector Accounting Standards (IPSAS), present fairly, in all material respects, the financial position of UNIDO as of 31 December 2011 and its financial performance, cash flows and status of appropriations for the year then ended in accordance with UNIDO's Financial Regulations and Legislative Authority.

In accordance with Article XI of the UNIDO's Financial Regulations, I have also issued a long-form report.

[*Signed*]
(Muhammad Akhtar Buland Rana)
Auditor-General of Pakistan
External Auditor

Date: 21 May 2012
Islamabad, Pakistan

ANNEX I

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Report by the Director-General

International Public Sector Accounting Standards

1. The General Conference, at its twelfth session, approved the adoption of the International Public Sector Accounting Standards (IPSAS) by UNIDO effective 1 January 2010, as part of the United Nations system-wide adoption of these Standards (GC.12/Dec.14 refers). Accordingly, I am pleased to present the second set of financial statements prepared under IPSAS and in accordance with Article X of the financial regulations, for the year 2011. Transition to IPSAS at UNIDO was a major achievement for which the preparatory work already commenced in 2007. UNIDO is one of eight United Nations organizations that have adopted IPSAS as originally planned by 1 January 2010.

2. Adoption of IPSAS has enhanced the transparency, accountability, consistency and comparability of the financial statements, which are now are prepared and audited on an annual basis. In compliance with IPSAS, some of the major disclosures made in the Organization's financial statements are summarized below.

3. Accrual basis of accounting requires that revenues and expenses be recognized when they occur in the financial statements in the period to which they relate. The other elements recognized under accrual accounting are assets, liabilities and net assets/equity.

4. Expenses arising from the purchase of goods and services are recognized at the point when the supplier has performed its contractual obligations, which is when the goods and services are delivered to and accepted by the Organization. Also, all other expenses resulting from a consumption of assets or incurrence of liabilities that result in decreases in net assets/equity during the reporting period are recognized. Accordingly, outstanding commitments issued against budgetary allocations that do not meet the recognition criteria of expenses under the principle outlined above are not recognized as expenses.

5. Revenue from voluntary contributions that does not include specific conditions on their use is recognized upon the signing of a binding agreement between the Organization and the donor providing the contribution. Revenue from voluntary contributions that include conditions on their use, including obligation to return of funds to the contributing entity if such conditions are not met, is recognized as the conditions are satisfied. In previous years the revenue was recognized on receipt of cash by the Organization.

6. Property, plant and equipment (PPE) and intangible assets (IA) are capitalized on receipt. All PPE and IA above set thresholds are recognized in the financial statements. The gross value of PPE and IA at headquarters and field offices recognized in 2011 amounts to €12.5 million (2010: €11.6 million) with a net value of €4.4 million (2010: €3.4 million) after providing for amortization and depreciation. In line with IPSAS 17, Property, Plant and Equipment, which allows for a grace period of up to five years prior to full recognition of capitalized tangible assets, the Organization has invoked this transitional provision for recognition of PPE related to technical cooperation projects and the asset class "buildings". However, for management and control of these PPE items, they continued to be recorded in the fixed asset register.

7. Liabilities are accrued for both short and long-term employee benefits as and when services are rendered by employees as opposed to the cash basis followed prior to implementation of IPSAS. Accordingly, employee benefits liabilities for After-Service Health Insurance (ASHI), Repatriation Grants along with costs related to separation entitlements for travel, shipment of household effects, and End of Service Allowances and accrued annual leave are recognized in the financial statements. These liabilities are determined by independent actuarial valuations. At year end the total of employee benefits liabilities amounted to €137.2 million (2010: €123.1 million). Though the liabilities are now fully accrued in the statements they remain unfunded and continue to be serviced on the pay-as-you-go basis. The Industrial Development Board at its thirty-ninth session

adopted decision IDB.39/Dec.2, concerning the report of the External Auditor for the year 2010, with the following relevant text:

> "(c) Further took note of the External Auditor's proposal to look for options available to generate funds for financing the UNIDO employee benefit liabilities, and decided to study the feasibility of appropriate financing of a liability system to be addressed in a comprehensive manner by the informal working group that would provide guidance on the future liabilities of the Organization."

The informal working group, mentioned in the above decision, has not yet delivered the above guidance due to its heavy agenda.

8. The enclosed statements 1 to 4 have been presented on a consolidated basis for the Organization as a whole. Notes to the financial statements (note 19 — Segment reporting) provide details of the Organization's three major distinguishable activities under regular budget, technical cooperation and other special services.

9. The key management personnel of the Organization are composed of the Director-General, the Deputy to the Director-General and the Managing Directors, who have the authority and responsibility for planning, directing and controlling the activities of the Organization and influencing its strategic direction. Remuneration of key management personnel is considered a related party transaction and is disclosed in the financial statements.

Assessed contributions

10. The financial implementation of the approved programme and budgets is dependent on the actual level of cash resources available during the year, including the timing of payment of assessed contributions. Actual assessed contributions received and the amounts assessed in accordance with General Conference decisions with comparative figures for the previous years are shown below in millions of euros.

	2011		**2010**		**2009**		**2008**	
	€	%	€	%	€	%	€	%
Assessed contributions receivable	78.3	100.0	78.3	100.0	77.3	100.0	77.3	100.0
Assessed contributions received	69.9	89.3	74.2	94.7	73.4	94.9	75.8	98.1
Shortfall in collections	8.4	10.7	4.1	5.3	3.9	5.1	1.5	1.9

11. The rate of collection of assessed contributions for the year 2011 was 89.3 per cent, which is lower than for the year 2010 (94.7 per cent). The accumulated outstanding assessed contribution at year-end was €38.3 million, excluding an amount of €71.2 million due from former Member States, leading to a decrease from 2010 (€42.0 million). Annex I (b) provides details of assessed contribution collections and outstanding. Three Member States are making timely payments under payment plan agreements. One of them, Brazil, has already made two instalments under the five-year payment plan, reducing the amount of its outstanding contributions from €25 million to €16.4 million. Two additional Member States have signed payment plans with UNIDO and will start paying their instalments in the year 2012. Mexico made a commitment to UNIDO to pay its outstanding contributions in the amount of €11.7 million in three instalments. The first instalment in the amount of €4.6 million was received in October 2011, the remaining amount is expected at the beginning of 2012. The number of Member States without voting rights was 36 in December 2011 whereas in December 2010 it was 39. I would strongly encourage those Member States having difficulties in meeting their obligations to contact the Secretariat to enter into payment plan negotiations.

Performance based on budget basis

12. The adoption of IPSAS has changed the basis of preparing the Organization's financial statements to full accrual; however, in the United Nations system as a whole there has been no change to the programme and budget preparation methodology. Consequently, IPSAS 24, Presentation of Budget Information, requires that a

Statement of Comparison of Budget and Actual amounts (Statement 5) is included in the financial statements, based on budget basis.

13. Further, to provide the readers of financial statements information on budget basis, a separate section has been included and the following paragraphs describe the financial highlights for the year 2011.

14. The comparison is based on the programme and budgets 2010-2011, as adopted by the General Conference at its thirteenth session (decision GC.13/Dec.14), consisting of biennial gross expenditures of €161,819,688, to be financed from assessed contributions in the amount of €156,609,188 and other income of €5,210,500. The assessment for 2011 was €78,304,594.

15. On budget basis the actual regular budget expenditures during the biennium 2010-2011 amounted to €151.0 million (€ 78.4 million for year 2011) or 93.34 per cent (95.30 per cent for year 2011) relative utilization of the €161.8 million (€82.3 million for 2011) gross approved expenditure budget. Actual collection of budgeted income for 2010-11 biennium amounted to €0.5 million (€0.3 million in 2011) from government contribution to the cost of the field office network and €0.9 million (€0.6 million in 2011) under miscellaneous income against a budgeted amount of €2.1 million and €3.1 million, respectively. After taking into account the miscellaneous income not estimated in decision GC.13/Dec.14, the total net expenditures of €147.3 million represent 94.10 per cent of the net regular budget appropriations of €156.6 million. The resulting balance of net appropriations at 31 December 2011 amounted to €9.3 million (refer to Annex I(a) and I(b)).

16. Expenditures under the regular budget were very close to the cash resources available. Variations were mainly due to under-spending of staff costs because of a higher than budgeted vacancy level that prevailed during the biennium. Total recorded operating costs were also lower than anticipated, mostly due to reduced requirements for documents production and lower overall costs in the Buildings Management Service as well as savings in supplies and materials.

17. In the operational budget, in the year 2011, reimbursement for programme support costs amounted to €11.9 million during the year. Expenditures were recorded in the amount of €10.9 million, resulting in an excess of income over expenditure in the amount of €1.1 million. Consequently, the closing balance of the special account for programme support costs, i.e. the level of the operating reserve, including reserve for unfunded post-employment benefits of (€5.9) million, was €5.1 million as compared to the opening balance of €4.0 million.

18. Technical cooperation delivery continued to record increased levels during the year 2011 with an amount of US$175.0 million expenditure. This represents an increase of US$10.4 million, or 6.3 per cent over the previous year. This is the highest delivery figure recorded in the Organization since it became a specialized agency in 1986, except for the year 1990.

19. The Organization continues to show a healthy financial situation, as evidenced by the increase in the overall cash balance at 31 December 2011 to €454.4 million from €392.7 million at previous year-end. This, in combination with increased technical cooperation delivery, higher utilization of regular budget appropriations and high collection rate of assessed contributions, augurs well for the Organization's financial stability and its future programmes.

Results-based management

20. As prescribed in the Constitution, UNIDO has three policymaking organs, namely the General Conference, the Industrial Development Board and the Programme and Budget Committee. The Member States of UNIDO meet once every two years at the General Conference, the supreme policymaking organ of the Organization. The Conference determines the guiding principles and policies, approves the budget and work programme of UNIDO. As the chief administrative officer of the Organization, I have the overall responsibility and authority to direct the work of the Organization. The increasing level of the application of results-based management (RBM) as a management tool enables the Organization to ensure that all its activities contribute towards the achievement of its strategic objectives and that results of activities are systematically assessed against objectives by performance

indicators. The RBM principles were applied comprehensively while preparing the 2010-2011 programme and budgets approved by the Member States in decision GC.13/Dec.14. RBM is a key principle of UNIDO's business model and is being operationalized during the implementation of the enterprise resource planning (ERP) system under the Programme for Change and Organizational Renewal (PCOR).

Programme for Change and Organizational Renewal (PCOR)

21. The Programme for Change and Organizational Renewal (PCOR) is an organization-wide change initiative to make UNIDO "fit for the future", thus enabling the Organization to achieve its mission of Growth with Quality and Delivering as One UNIDO. The three-year programme looks at ways to further improve UNIDO's role as a partner for prosperity by better delivering to recipients' needs, better meeting donors' and Member States' expectations, and enhancing an efficient and proactive working environment. Steps taken include a reengineering of the Organization's business processes and the introduction of an enterprise resource planning (ERP) system. Throughout the process, PCOR aims at institutionalizing results-based management, risk and knowledge management as well as staff development and improvements in the working culture.

22. Since 2010, major changes have been introduced to bring about greater efficiency and effectiveness: the introduction of electronic workflows and electronic approvals, for example, not only simplifies processes and procedures, but also empowers staff both at headquarters and in the field. The global access to the system will, inter alia, facilitate decentralization. Major efficiency gains are expected to be achieved in the areas of portfolio and project management, consultants/experts management, travel management, financial management and procurement.

23. Following a great deal of work in 2011, the new system for portfolio and project management (PPM) in the ERP system was rolled out to all project managers and their teams. It enables the Organization to manage its entire project cycle from identification of a request, through project design, implementation and monitoring to assessment, reporting and sharing of lessons learned within a globally accessible single system. Managing the entirety of UNIDO projects in the PPM system will allow for the systematic management of project risks as well as effective results-based management and better reporting on results. At the same time, a number of Human Capital Management (HCM) modules are ready to become operational in January 2012. The processes for payroll, e-recruitment, personnel administration, and performance management, inter alia, were streamlined and are now carried out in a single, fully integrated system. The new systems for finance, procurement and logistics will become operational in January 2013. By then, all main UNIDO operations will be streamlined and supported by the ERP system.

24. The high level of commitment and hard work of staff from all parts of the Organization enabled the timely achievement of all milestones for 2011. Staff have been working jointly on changing the way of working. These joint efforts have significantly improved teamwork, communication and knowledge-sharing — a positive change that is expected to continue throughout the implementation process. Finally, major efforts are made to communicate the ongoing changes to all internal and external stakeholders through various communication channels, including numerous briefings, meetings, newsletters and regular updates on the Intranet, Extranet and UNIDO website, found under www.unido.org/changemanagement.

Ethics and accountability

25. As reported previously, the Organization took a major stride in entrenching ethics and accountability functions with the introduction of three related policies in 2010, namely,

- Code of Ethical Conduct, which reiterated the guiding ethical principles and values of the Organization and its personnel and the provision of specific guidelines to assist personnel in achieving the Organization's mission, in accordance with the purposes of the United Nations Charter and the UNIDO Constitution.

- Protection from Retaliation for Reporting Misconduct or Cooperating with Audits or Investigations. This policy established the framework and procedures for the protection of those individuals working for the Organization who report misconduct, provide information in good faith on alleged wrongdoing, or cooperate with an audit or investigation, and

- Policy for Financial Disclosure and Declaration of Interests which ensures that, in the best interests of the Organization, actual, perceived or potential conflicts of interest arising from staff members' or employees' official position and duties on behalf of UNIDO, on the one hand, and their personal financial or other related interests on the other, can be timely identified, reviewed, managed and resolved.

26. The Office of the Focal Point for Ethics and Accountability was established and a focal point was also appointed. The website has been launched and an initial awareness campaign conducted. In 2011 the first submission of Financial Disclosure and Declaration of Interests documents was successfully completed.

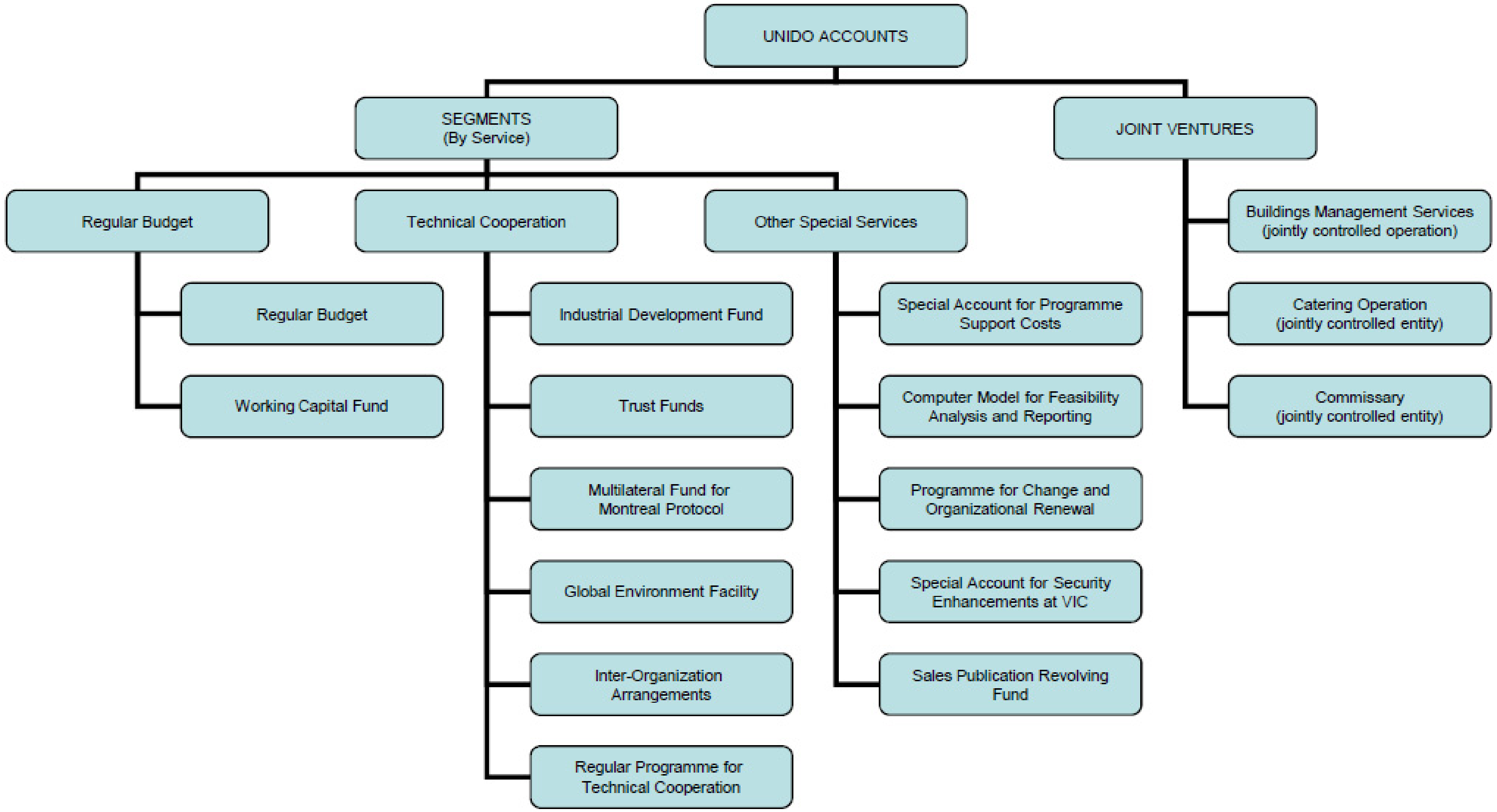
Conclusion

27. In every aspect, 2011 was a successful year for UNIDO. Despite the financial turbulences in the world, I am confident that the Organization is looking at a bright future. In this spirit, I wish to take this opportunity to express my appreciation to Member States and to donors for their financial support, and to all UNIDO staff for their contribution to the work of the Organization.

[*Signed*]
Kandeh K. Yumkella
Director-General

Major segments and joint venture consolidation chart for the year 2011

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION
FINANCIAL STATEMENTS CONSOLIDATION



UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Responsibility for financial statements and certification

The Director-General of the United Nations Industrial Development Organization is responsible for the preparation and integrity of the financial statements and the External Auditor's responsibility is to express an opinion on the statements.

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards and Article X of the Financial Regulations of UNIDO and have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and Management's best estimates.

The Organization maintains systems of internal accounting controls, policies and procedures to manage risks and ensure the reliability of financial information, the safeguarding of assets and to identify possible irregularities.

The internal control systems and financial records are subject to reviews by the Office of Internal Oversight Services and the External Auditor during their respective audits and the Management objectively reviews the recommendations made by them for further improving the internal control framework of the Organization.

All material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements and accompanying notes. The statements disclose with reasonable accuracy the financial position of the Organization and of funds held in trust by it, the results of their operations and the changes in their financial position.

[*Signed*]
Peter Ulbrich
Director, Financial Services Branch

[*Signed*]
Kandeh K. Yumkella
Director-General

Vienna, 31 March 2012

Statement 1: Statement of financial position as at 31 December 2011

(*Thousands of euros*)

	Note	31 December 2011	31 December 2010
		€ '000	*€ '000*
ASSETS			
Current assets			
Cash and cash equivalents	*2*	454,437.0	392,681.7
Accounts receivable (non-exchange transactions)	*3*	120,354.2	82,159.6
Receivables from exchange transactions	*3*	9,588.4	9,799.6
Inventory	*4*	1,111.8	1,099.3
Other current assets	*5*	37,757.0	67,816.0
Total current assets		**623,248.4**	**553,556.2**
Non-current assets			
Accounts receivable (non-exchange transactions)	*3*	4,045.1	4,613.3
Share in net assets/equity of joint ventures accounted for using the equity method	*6*	1,132.9	984.9
Property, plant and equipment	*7*	1,920.1	1,755.5
Intangible assets	*8*	2,516.9	1,682.1
Other non-current assets	*9*	932.8	935.9
Total non-current assets		**10,547.8**	**9,971.7**
TOTAL ASSETS		**633,796.2**	**563,527.9**
LIABILITIES			
Current liabilities			
Accounts payable (exchange transactions)	*10*	418.8	333.0
Employee benefits	*11*	803.4	514.6
Transfers payable (non-exchange transactions)	*10*	41,438.5	26,942.6
Advance receipts	*12*	90,077.3	76,516.0
Other current and financial liabilities	*13*	41,572.7	71,819.5
Total current liabilities		**174,310.7**	**176,125.7**
Non-current liabilities			
Employee benefits	*11*	137,171.5	123,115.5
Other non-current liabilities	*13*	126.3	129.4
Total non-current liabilities		**137,297.8**	**123,244.9**
TOTAL LIABILITIES		**311,608.5**	**299,370.6**
NET ASSETS/EQUITY			
Accumulated surpluses/(deficits) and fund balances	*14*	303,835.0	240,004.3
Reserves	*15*	18,352.7	24,153.0
TOTAL NET ASSETS/EQUITY		**322,187.7**	**264,157.3**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**633,796.2**	**563,527.9**

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

Statement 2: Statement of financial performance for year ended 31 December 2011
(*Thousands of euros*)

	Note	31 December 2011	31 December 2010
		€ '000	*€ '000*
INCOME/REVENUE			
Assessed contributions	*16*	78,304.6	78,304.6
Voluntary contributions	*16*	193,048.3	173,923.8
Investment revenue	*16*	846.5	551.0
Revenue producing activities	*16*	205.2	536.9
Share of surplus/ (deficit) of joint ventures	*16*	148.0	472.4
Others	*16*	1,055.0	1,480.7
TOTAL REVENUE		**273,607.6**	**255,269.4**
EXPENDITURE			
Salaries and employee benefits	*17*	109,551.7	112,472.4
Operational costs	*17*	25,242.2	22,159.2
Contractual services	*17*	33,660.3	26,301.2
Office supplies and consumables	*17*	326.9	292.0
TC equipment expensed	*17*	18,513.5	15,714.8
Depreciation and amortization	*17*	886.4	601.8
Currency translation differences	*17*	(12,473.0)	(18,503.7)
Other expenses	*17*	14,384.6	12,360.5
TOTAL EXPENDITURE		**190,092.6**	**171,398.2**
SURPLUS FOR THE FINANCIAL PERIOD		**83,515.0**	**83,871.2**

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

Statement 3: Statement of changes in net assets for year ended 31 December 2011
(*Thousands of euros*)

	Note	Accumulated surplus/ (deficit)	Reserves	Total net assets/ equity
			€ '000	
Net assets/equity at the beginning of the year		**240,004.3**	**24,153.0**	**264,157.3**
Movements during the year				
Actuarial valuation gains/(losses) on employee benefit liabilities	11,14	(8,208.5)	-	(8,208.5)
Transfer from provision for delayed contribution	14	4,530.7	-	4,530.7
Transfer from reserves	15	-	(5,990.1)	(5,990.1)
Other movements recognized directly in net assets/equity	14	(8.3)	189.8	181.5
Net movements recognized directly in net assets/equity	14,15	**(3,686.1)**	**(5,800.3)**	**(9,486.4)**
Credits to Member States	14,15	(15,998.2)	-	(15,998.2)
				-
Net surplus/(deficit) for the year		83,515.0	-	83,515.0
Total movement during the year		**63,830.7**	**(5,800.3)**	**58,030.4**
Net assets/equity at the end of the year		**303,835.0**	**18,352.7**	**322,187.7**

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

Statement 4: Cash flow statement for year ended 31 December 2011
(*Thousands of euros*)

	Note	31 December 2011	31 December 2010
		€ '000	*€ '000*
Cash flows from operating activities			
Surplus/(deficit) for the period		**83,515.0**	**83,871.2**
Foreign-exchange holding (gains)/losses on cash and cash equivalents		(8,767.9)	(16,474.8)
Depreciation and amortization	7,8	886.4	601.8
Increase/(decrease) in provision for delay in collection of contributions	3	(4,530.7)	(3,190.9)
Valuation gains/(losses) on employee benefit liabilities	11	(8,208.5)	(18,037.1)
(Increase)/decrease in inventories	4	(12.5)	(55.3)
(Increase)/decrease in receivables	3	(32,884.5)	(37,757.0)
(Increase)/decrease in other assets	5	30,062.4	(5,183.1)
Increase/(decrease) in advance receipts	12	13,561.3	23,333.4
Increase/(decrease) in accounts payable	10	14,581.7	(11,836.9)
Increase/(decrease) in employee benefits	11	14,344.8	25,519.5
Increase/(decrease) in other liabilities and provisions	13	(30,249.9)	8,823.2
(Gains)/losses on sale of property, plant and equipment	7	232.3	69.2
(Investment/Interest income)	6,16	(994.5)	(1,023.4)
Movements in reserves and provisions	14,15	(1,269.6)	2,744.3
Other movements		(8.3)	(22.3)
Net cash flows from operating activities		**70,257.5**	**51,381.8**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)	7	(946.7)	(663.0)
Purchase of intangible assets	8	(1,171.6)	(1,522.7)
Proceeds from sale of PPE	7	-	4.1
Cash flow from investments interest	16	846.4	551.0
Net cash flows from investing activities		**(1,271.9)**	**(1,630.6)**
Cash flows from financing activities:			
Credits to Member States	14	(15,998.2)	(7,818.5)
Net cash flows from financing activities		**(15,998.2)**	**(7,818.5)**
Net increase/(decrease) in cash and cash equivalents		**52,987.4**	**41,932.7**
Cash and cash equivalents at beginning of the financial period		392,681.7	334,274.2
Foreign-exchange holding gains/(losses) on cash and cash equivalents		8,767.9	16,474.8
Cash and cash equivalents at end of the financial period	2	**454,437.0**	**392,681.7**

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

Statement 5: Statement of comparison of budget and actual amounts for year ended 31 December 2011

(*Thousands of euros*)

Cost component	*Note*	Original budget	Final budget	Actuals on comparable basis	Difference
		€ '000			
Staff costs		66,482.4	71,074.1	61,182.1	9,892.0
Official travel		1,825.1	2,097.1	1,813.7	283.4
Operating costs		15,021.9	16,888.9	14,976.2	1,912.7
Information and communication technology		2,715.8	3,227.8	2,587.4	640.4
Regular programme of technical cooperation, and special resources for Africa		7,853.2	9,215.0	8,915.4	299.6
Total	18	**93,898.4**	**102,502.9**	**89,474.8**	**13,028.1**

Note: Includes regular and operational budgets.

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

Notes to the financial statements

Note 1: Accounting policies

Reporting entity

1.1 The United Nations Industrial Development Organization (UNIDO) was established in 1966 by United Nations General Assembly resolution 2152 (XXI) and became a specialized agency of the United Nations in 1985 with the entering into force of its Constitution. The primary objective of the Organization is the promotion of sustainable industrial development in developing countries and countries with economies in transition. The Organization currently has 174 Member States.

1.2 The governing bodies of UNIDO are based on their predecessors that were effective prior to UNIDO becoming a specialized agency in 1985. UNIDO has three governing bodies: the General Conference, the Industrial Development Board and the Programme and Budget Committee. All three are anchored in the Constitution of the Organization, which was adopted in 1979.

1.3 The General Conference, which comprises all Member States of UNIDO, determines the guiding principles and policies of the Organization, and approves its budget and work programme. Every four years, the General Conference appoints the Director-General. The General Conference also elects the members of the Industrial Development Board and of the Programme and Budget Committee.

1.4 The Industrial Development Board, which comprises 53 members, reviews the implementation of the work programme, the regular and operational budgets, and makes recommendations on policy matters, including the appointment of the Director-General. The Board meets once per year (decision IDB.39/Dec.7(f)).

1.5 The Programme and Budget Committee consisting of 27 members is a subsidiary organ of the Board, and meets once a year. The Committee assists the Board in the preparation and examination of the work programme, the budget and other financial matters.

1.6 UNIDO channels its technical cooperation activities into three thematic priority areas — poverty reduction through productive activities, trade capacity-building and environment and energy. In addition, it engages in a number of cross-cutting activities, especially in promoting South-South cooperation for industrial development, partnerships with international financial institutions and the private sector, special programme for the least developed countries and strategic industrial research and statistical services.

1.7 The segments sections in the notes provide further details on how these core activities are managed and financed.

Basis of preparation

1.8 The financial statements of UNIDO are maintained in accordance with Article X of the Financial Regulations of UNIDO, as adopted by the General Conference and in conformity with the International Public Sector Accounting Standards (IPSAS). Accordingly, the financial statements are prepared on the accrual basis of accounting. Where IPSAS is silent concerning any specific matter, the appropriate International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) are applied.

1.9 UNIDO senior management has made an assessment of the entity's ability to continue as a going concern and it notes no material uncertainties related to events or conditions which may cast significant doubt. The going-concern concept in accounting is an assumption that a business will continue to exist for the foreseeable future. Therefore, these financial statements are prepared on a going-concern basis, and the accounting policies have been applied consistently throughout the reporting period.

1.10 These consolidated financial statements include financial statements of UNIDO and joint venture entities of Catering and Commissary and joint venture operations of Building Management Services and other common services.

Measurement basis

1.11 The financial statements are prepared using the historic cost convention except for certain investments and assets, which are carried at fair value according to the requirement of the applicable IPSAS standards.

Reporting period

1.12 The financial period for the preparation of annual financial statements in accordance with IPSAS is the calendar year starting from 1 January 2011 and ending on 31 December 2011.

Currency and basis for conversion

1.13 The functional and presentation currency of UNIDO is euro. All values in the financial statements are in thousands of euro (€'000), unless stated otherwise.

Translation and conversion of currencies

1.14 Transactions, including non-monetary items, in currencies other than euro are converted to euros using the applicable United Nations Operational Rates of Exchange (UNORE) at the deemed date of the transaction.

1.15 Monetary assets and liabilities denominated in foreign currencies are converted into euro at the period end UNORE.

1.16 Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance.

Use of estimates

1.17 The financial statements necessarily include amounts based on estimates and assumptions by management's best knowledge of current events and actions. Estimates include, but are not limited to: fair value of donated goods, defined benefit pension and other post-employment benefit obligations, amounts for litigations, financial risk on accounts receivable, accrued charges, contingent assets and liabilities; and degree of impairment on inventories, property, plant and equipment, and intangibles. Actual results could differ from those estimates. Material changes in estimates are reflected in the period in which they become known.

Transitional provisions

1.18 As permitted on first time adoption of IPSAS, the following transitional provisions allowed under IPSAS have been applied.

(i) Five-year transitional period, allowed under IPSAS 17 for recognizing property, plant and equipment, for project PPE (Technical Cooperation PPE) and for the PPE class "Buildings";

(ii) Three-year transitional provision, allowed under IPSAS 23 for measuring revenue from non-exchange transactions for pre-2010 voluntary contributions.

1.19 The Accounting Standard IPSAS 31: Intangible Assets has been adopted prior to its required implementation date and replaced IAS 38 Intangible Assets. There was no effect on net assets on the opening balance due to early adoption of IPSAS 31.

1.20 UNIDO has not applied the following new IPSAS that have been issued, but are not yet effective: IPSAS 28 - Financial Instruments: Presentation, IPSAS 29 - Financial Instruments: Recognition and Measurement and IPSAS 30 - Financial Instruments: Disclosures. The Standards on Financial Instruments will replace IPSAS 15: Financial Instruments: Disclosure and Presentation; they establish principles for recognizing and measuring financial assets and financial liabilities, principles for presenting financial instruments as liabilities or net asset/equity, principles for off-setting financial assets and financial liabilities, and requirements for disclosure. The Standards are required for application for reporting periods beginning on or after 1 January 2013. On initial application of the Standards, the expected impact on financial statements is minimal, due to limited usage of financial instruments by UNIDO.

Revenue

Exchange revenue

1.21 Revenue from the sale of goods, such as sales of publications and the Computer Model for Feasibility Analysis and Reporting (COMFAR) is recognized when the significant risks and rewards of ownership of the goods are transferred to the purchaser.

1.22 Revenue from the provision of services is recognized in the financial period, in which the service is rendered according to the estimated stage of completion of that service, provided that the outcome can be estimated reliably.

Interest revenue

1.23 Interest income is recognized on a time-proportion basis as it accrues, taking into account the effective yield on the asset.

Non-exchange revenue

Assessed contributions

1.24 Revenue from assessed contributions from Member States to the regular budget is recognized at the beginning of the year to which the assessment relates. The revenue amount is determined based on programme and budgets and billed to Member States according to scale of assessment approved by the General Conference.

Voluntary contributions

1.25 Revenue from voluntary contributions that include restrictions on their use is recognized upon the signing of a binding agreement between UNIDO and the donor providing the contribution. Revenue from voluntary contributions that include conditions on their use, including obligation to return of funds to the contributing entity if such conditions are not met, is recognized as the conditions are satisfied. Until such conditions are met, present obligation is recognized as a liability.

1.26 Voluntary contributions and other revenue, which are not supported by binding agreements, are recognized as revenue when received.

Goods-in-kind

1.27 Goods-in-kind contributions are recognized at their fair value and goods and corresponding revenue is recognized immediately if no condition is attached. If conditions are attached, a liability is recognized, until such conditions are met and present obligation is satisfied. Revenue is recognized at fair value, measured as of the date the donated assets are acquired.

Services-in-kind

1.28 Services-in-kind contributions will not be recognized in the financial statements as revenue. The nature and type of services will be disclosed in the notes to the financial statements.

Expenses

1.29 Expenses arising from the purchase of goods and services are recognized at the point that the supplier has performed its contractual obligations, which is when the goods and services are received and accepted by UNIDO. This process may occur in stages for some service contracts. Also, all other expenses resulting from a consumption of assets or incurrence of liabilities that result in decreases in net assets/equity during the reporting period are recognized.

Assets

Cash and cash equivalents

1.30 Cash and cash equivalents are held at nominal value and include cash on hand and short-term highly liquid time deposits held with financial institutions.

Receivables and advances

1.31 Receivables and advances are recognized initially at nominal value. Allowances for estimated irrecoverable amounts are recognized for receivables and advances when there is objective evidence that the asset is impaired, whereby the impairment losses are recognized in the statement of financial performance.

Financial instruments

1.32 UNIDO uses only non-derivative financial instruments as part of its normal operations. These financial instruments consist mainly of bank accounts, time deposits, call accounts, accounts receivable and accounts payable.

1.33 All financial instruments are recognized in the statement of financial position at their fair values. The historical cost-carrying amount of receivables and payables subject to normal trade credit terms, approximates the fair value of the transaction.

Financial risks

1.34 UNIDO has instituted prudent risk management policies and procedures in accordance with its financial regulations and rules. UNIDO may make both short- and long-term investments of moneys not needed for immediate requirements. All long-term investments must receive recommendation of an Investment Committee before such investments are made. In the normal course of business, UNIDO is exposed to a variety of financial risks, such as market risk (foreign currency exchange and interest rate), and counterparty risks. UNIDO does not use any hedging instruments to hedge risk exposures.

- **Currency risk:** UNIDO receives contributions from member countries and donors partly in currencies other than the currency of the expenditures and is therefore exposed to foreign currency exchange risk arising from fluctuations of currency exchange rates.
- **Interest rate risk:** UNIDO deposits its funds only in short-term fixed interest accounts, and therefore has no significant interest rate risk exposure.
- **Credit risk:** UNIDO has no significant exposure to credit risk because its contributing member countries and donors are generally of high credit standing.

- **Counter-party risk:** UNIDO has its cash deposited with various banks and is therefore exposed to the risk that a bank defaults in its obligation towards the Organization. However, UNIDO has policies that limit the amount of exposure to any one financial institution.

Inventories

1.35 Inventories are stated at cost, except where inventories are acquired through a non-exchange transaction, where their cost is measured at their fair value as at the date of acquisition. Costs are assigned using the first-in, first-out (FIFO) basis for interchangeable items of inventory, and using specific identification for non-interchangeable items of inventory. A provision for impairment is recorded in the statement of financial performance in the year in which the inventory is determined to be impaired.

1.36 As the value of office supplies, publications and reference material used are not material; they are expensed on purchase in the statement of financial performance.

Property, plant and equipment

1.37 Initial recognition of regular budget PPE, including Buildings Management and Catering Services assets, are stated at cost as at the date of acquisition for each asset class. Subsequent carrying amount of PPE is at cost less accumulated depreciation and any recognized impairment losses. A capitalization threshold of €600 has been set for PPE.

1.38 Donated assets are valued at fair value as at the date of acquisition. Heritage assets are not recognized.

1.39 Impairment reviews are undertaken for PPE on a yearly basis.

1.40 Straight-line depreciation method is applied over the asset's estimated useful life to determine the annual depreciation charge, which is recognized in the statement of financial performance.

The estimated useful lives for each class of PPE are as follows:

Class	**Estimated useful lives (years)**
Vehicles	3-10
Communications and IT equipment	3-7
Furniture and fixtures	5-12
Machinery	4-15
Buildings	5-50
Land	No depreciation
Leasehold improvements	shorter of lease term or useful life

Intangible assets

1.41 Intangible assets are stated at cost less accumulated amortization and any impairment loss. Intangible assets in UNIDO comprise mainly of software.

1.42 Where an intangible asset is acquired at no cost (gift, donation) or for nominal cost, the fair value of the asset as of the date of acquisition is used.

1.43 The following criteria shall also be met for an item to be recognized as an intangible asset: (a) An estimated useful life of more than one year; and (b) cost of the asset exceeding €1,700, except for internally developed software where a minimum development cost is set at €25,000, excluding research and maintenance costs, which are expensed when incurred.

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

Class	Estimated useful life (years)
Software acquired externally	6
Software internally developed	6
Copyrights	3

Leases

1.45 Lease agreements entered into in field offices are classified as operating leases and the lease payments made are charged to the statement of financial performance as expense, on a straight-line basis over the period of the lease.

Interests in joint ventures

1.46 A joint venture is a contractual arrangement whereby UNIDO and one or more parties undertake an economic activity that is subject to joint control. Joint venture activities are classified into three different forms:

(i) For jointly controlled operations where UNIDO is the operator, UNIDO recognizes in its financial statements the assets it controls, the liabilities and expenses it incurs. Where another organization is the operator, the expense and liability recognition of UNIDO is limited to the agreed billing arrangements;

(ii) For jointly controlled assets, UNIDO recognizes its share of the asset and any associated depreciation;

(iii) For jointly controlled entities, UNIDO applies the equity method of accounting. The investment in the jointly controlled entity is initially recognized at cost, and the carrying amount is increased or decreased to recognize the UNIDO share of the surplus or deficit of the jointly controlled entity for each reporting period. The UNIDO share of that surplus or deficit of the jointly controlled entity is recognized in the statement of financial performance of UNIDO.

1.47 These general purpose financial statements include applicable share of the joint ventures, entities and operations established by a memorandum of understanding concerning the allocation of the common services at Vienna International Centre (VIC) entered into by the Vienna-based organizations in 1977. The common services include Catering, Buildings Management, Commissary and other services. UNIDO is party to a joint venture arrangement with the United Nations (UN), International Atomic Energy Agency (IAEA) and Preparatory Commission for the Comprehensive Nuclear Test-Ban-Treaty Organization (CTBTO) on the VIC premises and common service activities.

Liabilities

Accounts payable and other financial liabilities

1.48 Accounts payable and other financial liabilities are recognized initially at nominal value, that best estimates the amount required to settle the obligation at the reporting date.

Employee benefit liabilities

Short-term employee benefits

1.49 Short-term employee benefits comprise wages, salaries, allowances, paid sick leave and maternity leave. Short-term employee benefits are due to be settled within 12 months after the end of the period in which the employees render the related service and are measured at their nominal value based on accrued entitlements at current rates of pay.

Post-employment benefits

1.50 Post-employment benefits are employee benefits (other than termination benefits) that are payable after completion of employment.

1.51 Post-employment benefits at UNIDO comprise defined benefit plans, comprising of pension plan - United Nations Joint Staff Pension Fund (UNJSPF), After-Service Health Insurance (ASHI), repatriation grants and end-of-service allowances, along with costs related to separation entitlements for travel and shipment of household effects.

1.52 The post-employment benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the obligation is determined by discounting the estimated future payment required to settle the obligation resulting from employee service rendered in the current and prior periods, using interest rates of high quality corporate bonds for the corresponding maturity years.

1.53 Actuarial gains and losses are recognized on the reserve method in the period in which they occur, and shown as a separate item in the statement of changes in net assets/equity.

Other long-term employee benefits

1.54 Other long-term employee benefits that are largely payable beyond 12 months, such as commutation of annual leave are calculated on the same actuarial basis as post-employment benefits and actuarial gains and losses are recognized immediately.

United Nations Joint Staff Pension Fund

1.55 UNIDO is a member organization participating in the UNJSPF, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits. The UNJSPF is a multi-employer funded, defined benefit plan.

1.56 As one of the participating organizations, UNIDO is not in a position to identify its share of the underlying financial position and performance of the plan on an IPSAS 25 basis with sufficient reliability for accounting purposes and will therefore, like all the other member entities following IPSAS, account for this plan as a defined contribution plan.

Provisions and contingent liabilities

1.57 Provisions are recognized for contingent liabilities when UNIDO has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle that obligation, and the amount can be reliably estimated. The amount of the provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. The estimate is discounted where the effect of the time value of money is material.

1.58 Contingent liabilities for which the possible obligation is uncertain, or yet to be confirmed whether UNIDO has a present obligation that could lead to an outflow of resources, or obligations that do not meet recognition criteria of IPSAS 19 are disclosed.

Fund accounting and segment reporting

1.59 The financial statements are prepared on a “fund accounting” basis. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts. Fund balances represent the accumulated residual of revenue and expenses.

1.60 UNIDO sources of funds reflect distinguishable types of services that UNIDO provides to achieve its overall objective. The General Conference or the Director-General may establish separate funds for general or special purposes. Accordingly, segment reporting information is presented on the basis of source of funds and categorizes all its activities into three distinct service segments namely: (i) regular budget activities, (ii) technical cooperation activities and (iii) other activities and special services.

These three segments represent distinguishable service activities in following ways:

(a) *Regular budget activities* — provide core services, such as the Organization's governance, policy development, strategic direction, research, administration and support services (e.g., financial management, human resource management, etc.), as well as services to support Member States' decision-making and provide core support to the achievement of the primary objective of UNIDO according to its Constitution, i.e., the promotion and acceleration of industrial development in the developing countries.

(b) *Technical cooperation (TC) activities* — implement projects and deliver services directly to the beneficiaries. Those services bring direct benefit to the beneficiary in a wide range of areas, from agriculture to environment to trade, involving technology transfer, capacity-building, improvement of production processes, etc. These services are distinguishably different from those provided under regular budget financed activities, as specified above.

(c) *Other activities and special services* — are "peripheral activities" in supporting the services of (a) and (b) above. This last group of other services and special services refer to services such as, sales publication, buildings management and COMFAR, which are supplementary to the Organization's mainstream activities, but are in line with and relevant to the general objective of the Organization.

Budget comparison

1.61 The biennial programme and budgets of the regular and operational budgets are prepared on the modified cash basis rather than on full accrual basis. Due to the different bases of preparing budgets and financial statements, statement 5: Comparison of budget and actual amounts as required under IPSAS 24 are presented on the same basis of accounting, classification and period as the approved budget.

1.62 The comparison statement includes: the original and final budget amounts; the actual amounts on the same basis as the corresponding budgetary amounts and an explanation of material differences between the budget and actual amounts.

1.63 Note 18 provides a reconciliation of actual amounts presented on the same basis to the budget with the actual amounts of net cash flows from operating activities, investing activities and financing activities presented in the financial statements, identifying separately any basis, timing and entity differences.

Related party disclosures

1.64 Related parties that have the ability to control, or exercise significant influence over UNIDO in making financial and operating decisions, as well as transactions with such parties, unless occurring within a normal relationship and on arms-length terms and conditions, or if such transactions are consistent with normal operating relationships between such entities, will be disclosed. In addition, UNIDO will disclose specific transactions with key management personnel and family members.

1.65 The key management personnel of UNIDO are the Director-General, the Deputy to the Director-General and the Managing Directors, who have the authority and responsibility for planning, directing and controlling the activities of UNIDO and influencing its strategic direction. Remuneration of key management personnel will be considered a related party transaction.

Note 2: Cash and cash equivalents

	31 December 2011	31 December 2010
	€ '000	
Cash and cash equivalents		
Cash at bank and on hand	32,867.5	38,353.7
Term deposits with original maturity of less than 3 months	418,462.2	351,707.2
Cash and cash equivalents held in field offices	3,107.3	2,620.8
Total cash and cash equivalents	**454,437.0**	**392,681.7**

2.1 Cash and cash equivalents contain restrictions on their availability for use depending upon the fund they relate to - further information on cash and cash equivalents by major activities is provided in note 19(A).

2.2 Cash and cash equivalents include cash and term deposits equivalent to €283,203,025 (2010: €224,959,723) held in currencies other than euro.

2.3 Some cash is held in currencies, which are either legally restricted or not readily convertible to euro and used exclusively for local expenses at the respective countries. At period end, the euro equivalent of these currencies is €758,391 (2010: €527,402) based on the respective closing United Nations Operational Rates of Exchange.

2.4 Interest bearing bank accounts and term deposits yielded interest at an annual average rate of 1.17 per cent and 0.33 per cent for euro and US$ respectively (2010: 0.53 per cent and 0.24 per cent).

2.5 Cash in field offices are held in imprest bank accounts for the purpose of meeting financial needs at field locations.

Note 3: Accounts receivable

Current	31 December 2011	31 December 2010
	€ '000	
Receivable from non-exchange transactions		
Due from Member States – assessed contribution	99,278.4	97,757.7
Due from Member States – other	96.6	96.6
Voluntary contributions receivable	110,981.3	74,048.0
VAT and other taxes recoverable	2,641.8	2,860.7
Total accounts receivable before allowance	**212,998.1**	**174,763.0**
Allowance for doubtful accounts	(92,643.9)	(92,603.4)
Net accounts receivable from non-exchange transactions	**120,354.2**	**82,159.6**
Receivable from exchange transactions		
Receivables from VIC-based organizations	4,125.5	5,628.8
Receivables – other	6,186.7	4,894.6

Current	31 December 2011	31 December 2010
	€ '000	
Allowance for doubtful accounts	(723.8)	(723.8)
Net accounts receivable from exchange transactions	**9,588.4**	**9,799.6**

Non-current	31 December 2011	31 December 2010
	€ '000	
Receivable from non-exchange transactions		
Due from Member States – assessed contribution	10,200.4	15,339.8
Allowance for doubtful accounts	(6,155.3)	(10,726.5)
Total receivable from non-exchange transactions	**4,045.1**	**4,613.3**

3.1 Accounts receivable are shown net of adjustments related to doubtful accounts. Allowance for uncollected assessed contributions is based on historical experience and is estimated at the following percentages of outstanding contributions receivable. No allowance has been made for voluntary contributions receivable.

Assessed contributions outstanding for:	2011	2010
	%	%
More than 6 years	100	100
Between 4 and 6 years	80	80
Between 2 and 4 years	60	60
Between 1 and 2 years	30	30

3.2 Changes in allowance for uncollected assessed contributions were as follows:

	31 December 2011	31 December 2010
	€ '000	
Allowance for bad and doubtful account at beginning of the year	**102,171.5**	**105,362.4**
Release against Member States balances	(4,530.7)	(3,190.9)
Allowance for bad and doubtful account at the end of the year	**97,640.8**	**102,171.5**

3.3 Total allowances for bad and doubtful accounts of €99,523,005 (2010: €104,053,698), consist of €97,640,791 (2010: €102,171,484) against assessed contributions receivable and €1,882,214 against other receivables (2010: €1,882,214).

3.4 Non-current contribution receivables are for confirmed contributions from Member States due after more than one year from the reporting date in accordance with agreed payment plans amounting to €10,200,443 (2010: €15,339,842).

3.5 An increase in voluntary contributions receivable is mainly due to the increased volume of projects approvals of the Global Environment Facility (GEF) segment, reflected accordingly in reported GEF income during 2011 of €45,333,913 (2010: €27,210,317).

3.6 Annex I (e), status of assessed contributions, provides details of outstanding assessed contributions and the following table illustrates a summary of contributions receivable by age:

	31 December 2011		31 December 2010	
	€ ‘000	%	*€ ‘000*	%
Age				
1-2 years	12,518.1	11.4	9,386.4	8.3
3-4 years	5,416.3	4.9	8,654.4	7.7
5-6 years	4,544.4	4.2	4,469.3	4.0
7 years and more	87,000.1	79.5	90,587.5	80.0
Total contributions receivable before allowance	**109,478.9**	**100.0**	**113,097.6**	**100.0**

Note 4: Inventories

	31 December 2011	31 December 2010
	€ ‘000	
Supplies for maintenance of premises	1,074.0	1,062.4
Sanitation and cleaning material	10.9	12.0
Uniforms	23.7	21.7
Miscellaneous supplies	3.2	3.2
Total inventories	**1,111.8**	**1,099.3**

Inventory reconciliation	Supplies for maintenance of premises	Sanitation and cleaning material	Uniforms	Miscellaneous supplies	31 December 2011
			€ ‘000		
Opening inventory	1,062.4	12.1	21.6	3.2	1,099.3
Purchased in 2011	201.0	16.1	14.4	0.1	231.6
Total inventory available	**1,263.4**	**28.2**	**36.0**	**3.3**	**1,330.9**
Less: Consumption	(183.4)	(17.2)	(12.1)	(0.1)	(212.8)
Less: Write-down	(6.0)	(0.1)	(0.2)	-	(6.3)
Total inventories at 31 December 2011	**1,074.0**	**10.9**	**23.7**	**3.2**	**1,111.8**

4.1 Inventories' physical quantities, derived from UNIDO's Inventory Management System are validated by physical stock counts and are valued on first-in-first-out (FIFO) basis.

4.2 Inventories are valued net of any impairments or obsolescence. During 2011, UNIDO wrote down inventories by an amount of €6,236 (2010: €26,209) on account of obsolescence and other losses.

Note 5: Other current assets

	31 December 2011	31 December 2010
	€ '000	
Advances to vendors	3,872.2	3,430.4
Advances to staff	2,176.7	1,687.6
Accrued interest	327.5	181.9
E-IOV items (see para.5.3)	2,759.4	1,387.7
Inter-fund transactions	28,047.9	60,403.0
Other current assets	573.3	725.4
Total other assets	**37,757.0**	**67,816.0**

5.1 Advances to vendors are payments made in advance of goods and service delivery on submission of shipping documents and initial payments released on signing of the contract documents.

5.2 Advances to staff are for education grants, rental subsidies, travel and other staff entitlements.

5.3 E-IOV items are comprised of unprocessed field inter-office vouchers for December 2011 and amounts held in suspense and rejected items due to insufficient information.

5.4 Inter-fund balances represent amounts due from other funds (see note 13 for contra liability). These balances arise from maintenance of bank accounts at specific general fund level.

Note 6: Share in net assets/equity of joint ventures accounted for using the equity method

	31 December 2011	31 December 2010
	€ '000	
Investment in Commissary	954.3	814.5
Investment in Catering services	178.6	170.4
Total share in net assets/equity in joint ventures	**1,132.9**	**984.9**

6.1 The United Nations Vienna-based organizations have an agreement that the costs, in excess of any external income, of common services rendered by each organization such as catering, commissary, security and medical services and buildings management are shared according to established cost-sharing ratios.

6.2 The ratios vary to reflect key factors such as number of employees, total space occupied. Each year ratios derived from the VBO agreed tabulation, once approved, become effective to apportion cost. These cost sharing arrangements are reviewed from time to time by management. The consolidation of all UNIDO joint ventures is based on the cost-sharing ratios applicable to the corresponding reporting periods.

Cost-sharing ratios for UNIDO were as follows:

2011	2010
15.561%	15.604%

6.3 Catering Service: The Catering Service is an entity that is jointly controlled by UNIDO and other Vienna International Centre based international organizations (VBOs). The Catering Service sells food, beverages and services to staff members of the VBOs and other specified groups of individuals, within the VIC premises through a contractor on a cost recovery basis.

6.4 On dissolution, any residual net equity will be distributed to the Staff Welfare Funds of UNIDO and other VBOs. While UNIDO has a potential ownership interest in its Staff Welfare Fund, it is not recognized as an asset.

6.5 The Catering Service has no legal personality of its own, its assets and liabilities are held in the legal name of UNIDO. Therefore, UNIDO, along with other VBOs, is potentially exposed to any residual liabilities of the Catering Service.

Summary financial information is provided below.

The Catering Service **Summary financial information**	**31 December 2011** ***€ '000***	**31 December 2010** ***€ '000***
Revenue	5,934.3	5,859.9
Cost of sales	2,364.7	2,171.2
Net operating expense	3,517.4	3,589.5
Assets current	1,805.8	1,755.4
Assets non-current	478.7	542.1
Liabilities current	1,138.2	1,203.4
Reserves and fund balance	1,146.3	1,094.1

6.6 Commissary: The Commissary is an entity that is jointly controlled by the IAEA and other Vienna International Centre based international organizations (VBOs). The Commissary sells tax-free household items for personal consumption to staff members of (VBOs) and other specified groups of individuals on a cost recovery basis.

6.7 On dissolution, any residual net equity is distributed to the Staff Welfare Funds of the IAEA and other VBOs based on the proportion of sales to respective VBOs' staff members over the five years preceding dissolution. While the IAEA has a potential ownership interest in its Staff Welfare fund, it is not recognized as an asset.

6.8 The Commissary has no legal personality of its own, its assets and liabilities are held in the legal name of the IAEA. The IAEA is therefore potentially exposed to any residual liabilities of the Commissary.

Summary financial information is provided below.

The Commissary Summary financial information	**31 December 2011 *€ '000***	**31 December 2010 *€ '000***
Revenue	28,007.6	27,914.8
Cost of sales	23,152.9	22,971.4
Net operating expense	3,955.8	2,014.9
Assets current	14,923.8	11,991.4
Assets non-current	457.3	451.8
Liabilities current	2,174.4	291.1
Liabilities non-current	7,084.4	6,928.7
Equity	6,122.3	5,223.3

6.9 Buildings Management Services: The buildings management services are responsible for the operation and management of the physical plant of the VIC premises. UNIDO is assigned to be the operating agency of the service with decision-making capacity over financial and operating policies resting with the Committee of Common Services comprising the respective representatives of UNIDO, IAEA, United Nations and CTBTO. Therefore the Service is considered as a joint operation with joint control shared among all VBOs. BMS has no legal status of its own. Its assets and liabilities are held in the name of UNIDO.

6.10 VBOs have been making annual contribution to the BMS fund according to the approved ratio as described in paragraph 6.1, with exceptions of reimbursement for ad hoc projects, which are of cost-recovery nature. While the residual interest of VBOs in BMS is not defined in any document and neither is the mode of distribution of such interest upon dissolution of the fund, since the operation is carried out in the principle of no-gain- no-loss basis, balances of VBOs' contributions net of expenses are recognized as deferral, pending release for services to be delivered in future (ref. to note 12.4).

Summary financial information is provided below.

The Buildings Management Services Summary financial information	**31 December 2011 *€ '000***	**31 December 2010 *€ '000***
Revenue	19,067.8	18,576.8
Expense	19,067.8	18,576.8
Assets current	50,374.8	41,778.6
Assets non-current	293.7	257.7
Liabilities current	35,865.8	28,247.7
Liabilities non-current	14,802.7	13,788.6
Equity	-	-

6.11 Costs related to other common services, such as security and medical services, are expensed on reimbursement basis. The amounts expensed during 2011 were €1,247,148 and €186,937 (2010: €1,757,808 and €211,573), respectively.

Note 7: Property, plant and equipment

	Furniture & fixtures	Communications & IT equipment	Vehicles	Machinery	Total
Cost					
At 31 December 2010	1,588.6	4,879.6	1,521.3	1,781.8	**9,771.3**
Additions	93.8	572.4	256.0	24.5	**946.7**
Disposals	(47.6)	(977.9)	(122.4)	(63.8)	**(1,211.7)**
At 31 December 2011	**1,634.8**	**4,474.1**	**1,654.9**	**1,742.5**	**9,506.3**
Accumulated depreciation					
At 31 December 2010	1,418.7	4,184.2	780.5	1,632.4	**8,015.8**
Depreciation charge during the year	41.1	361.5	170.0	(22.9)	**549.7**
Disposals	(16.9)	(879.1)	(80.4)	(2.9)	**(979.3)**
At 31 December 2011	**1,442.9**	**3,666.6**	**870.1**	**1,606.6**	**7,586.2**
Net book value					
At 1 January 2011	**169.9**	**695.4**	**740.8**	**149.4**	**1,755.5**
At 31 December 2011	**191.9**	**807.5**	**784.8**	**135.9**	**1,920.1**

7.1 PPE items are capitalized if their cost is greater or equal to the threshold limit set at €600. They are depreciated over the asset's estimated useful life using the straight-line method. The threshold level is reviewed periodically.

7.2 PPE items are reviewed annually to determine if there is any impairment in their value. During 2011, review of asset impairments indicated no impairments. The carrying amount of PPE retired from active use and held for disposal were as follows: (a) value at cost in the amount of €86,008 (2010: €293,400) for zero net book value PPE; and (b) value at cost in the amount of €41,360 (2010: €23,800) for PPE items with a net book value €23,109 (2010: €10,700).

7.3 The gross carrying amount (value at cost) of fully depreciated PPE still in use amounts to €6,423,323 (2010: €6,562,300) at the period-end.

Note 8: Intangible assets

	Capitalization in progress	Software externally acquired	Internally developed software	Total
		€ '000		
Cost				
At 31 December 2010	1,505.2	306.8	-	**1,812.0**
Additions	690.1	40.0	441.4	**1,171.5**
Transfers	(1,505.2)	-	1,505.2	-
At 31 December 2011	**690.1**	**346.8**	**1,946.6**	**2,983.5**
Accumulated amortization				
At 31 December 2010	-	129.9	-	**129.9**
Amortization charge during the year	-	50.0	286.8	**336.8**
At 31 December 2011	**-**	**179.9**	**286.8**	**466.7**
Net book value				
At 1 January 2011	**1,505.2**	**176.9**	**-**	**1,682.1**
At 31 December 2011	**690.1**	**166.9**	**1,659.8**	**2,516.8**

8.1 Intangible assets are capitalized if their cost exceeds the threshold of €1,700 except for internally developed software where the threshold is €25,000, excluding research and maintenance costs. Internally developed software represents development costs of the new enterprise resource planning (ERP) system.

8.2 Capitalization in progress includes payments for the licenses and other development costs for new ERP system that will be capitalized when the system is capable of operating in the manner intended by management.

Note 9: Non-current assets

	31 December 2011	31 December 2010
	€ '000	
Initial advance in Commissary	808.9	808.9
Rental deposits	123.9	127.0
Total non-current assets	**932.8**	**935.9**

9.1 Non-current contributions are due after more than one year in accordance with the terms of the agreements.

Note 10: Accounts payable

	31 December 2011	31 December 2010
	€ '000	
Due to Member States	26,783.1	11,765.4
Voluntary contribution liability – unspent balances	372.2	30.3
Interest on donor funds	14,234.7	15,107.2
Miscellaneous	467.3	372.7
Total accounts payables	**41,857.3**	**27,275.6**

	31 December 2011	31 December 2010
	€ '000	
Composition:		
Payables from non-exchange transactions	41,438.5	26,942.6
Payable from exchange transactions	418.8	333.0
Total accounts payables	**41,857.3**	**27,275.6**

10.1 Balances due to Member States represent unspent balance of collections, assessed contributions received for prior years and the excess interest over the budget estimate, pending distribution to eligible Member States or their instructions on its use.

10.2 Voluntary contribution liability represents balances due to donors on unspent contributions for closed projects pending refund or reprogramming.

10.3 The treatment of the interest income earned from the investment of donor funds, net of bank charges, exchange gains and losses is governed by agreements with the donors. The balance in accounts payable denotes the accumulated interest until instructions regarding its utilization are received from the donor.

Note 11: Employee benefits

	31 December 2011			Opening balance 1 January 2011
	Actuarial valuation	UNIDO valuation	Total	
	€ '000			
Short-term employee benefits	-	803.4	**803.4**	**514.6**
Post-employment benefits	132,290.5	-	**132,290.5**	**118,023.2**
Other long-term employee benefits	4,881.0	-	**4,881.0**	**5,092.3**
Total employee benefits liabilities	**137,171.5**	**803.4**	**137,974.9**	**123,630.1**

	31 December 2011	31 December 2010
	€ ‘000	
Composition:		
Current	803.4	514.6
Non-current	137,171.5	123,115.5
Total employee benefits liabilities	**137,974.9**	**123,630.1**

Valuation of employee benefit liabilities

11.1 Employee benefit liabilities are determined by professional actuaries or calculated by UNIDO based on personnel data and past payment experience. At 31 December 2011, total employee benefits liabilities amounted to €138.0 million (2010: €123.6 million), of which €137.2 million (2010: €123.1) million was calculated by the actuaries and €0.8 million (2010: €0.5 million) was calculated by UNIDO.

Short-term employee benefits

11.2 Short-term employee benefits relate to salaries, home leave travel and education grant.

Post-employment benefits

11.3 Post-employment benefits are defined benefit plans consisting of the After-Service Health Insurance (ASHI), repatriation grants and end-of-service allowances along with costs related to separation entitlements for travel and shipment of household effects.

11.4 After-Service Health Insurance is a plan that allows eligible retirees and their eligible family members to participate in the Full Medical Insurance Plan, supplementary medical plans or the Austrian medical insurance plan Gebietskrankenkasse (GKK).

11.5 End-of-service allowance is a benefit payable to UNIDO General Service staff at the Vienna duty station upon separation from service, which is based on length of service and final salary.

11.6 Repatriation grant is an entitlement payable to Professional staff on separation together with related costs in travel and shipment of household effects.

Other long-term employee benefits

11.7 Other long-term employee benefits consist of accrued annual leave payable when staff separate from service.

Actuarial valuations of post-employment and other long-term employee benefits

11.8 The liabilities arising from post-employment benefits and other long-term employee benefits are determined by independent actuaries, with valuation conducted as at 31 December 2011. These employee benefits are established in accordance with UNIDO Staff Regulations and Rules for staff members in Professional and General Service categories.

Actuarial assumptions

11.9 The present value of the obligation is determined by discounting the estimated future payment required to settle the obligation resulting from employee service rendered in the current and prior periods, using interest rates of high quality corporate bonds for the corresponding maturity years together with a set of assumptions and methods.

11.10 The following assumptions and methods have been used to determine the value of post-employment and other long-term employee benefits liabilities at 31 December 2011.

- Actuarial method: Employee benefits obligations are computed using the projected unit credit method.
- Attribution periods: For ASHI, the attribution period is the entry on duty date to the full eligibility date. For repatriation benefits, the attribution period is from the entry on duty date to the earlier of years of continuous service away from home country and twelve years of service. After twelve years, obligations are affected only by future salary increases. The attribution period for annual leave is from the date of hire to the separation date, subject to a maximum eligibility of 60 days. For the end-of-service allowance, the attribution period is from the date of hire, which is the beginning of the credited service period to the date the incremental benefit is earned.
- Mortality: Mortality rates for pre- and post-retirement are based on 2007 actuarial valuation of the United Nations Joint Staff Pension Fund together with rates for withdrawal and retirement.
- Discount rate: 4.75 (2010: 5.00) per cent for ASHI, repatriation and annual leave benefit plans and 4.75 (2010: 4.75) per cent for end-of-service allowance plan.
- Medical cost trend rates: 6.00 per cent for 2010, 5.91 per cent for 2011, 5.82 per cent for 2012 and grading down to an ultimate rate of 4.5 per cent in 2027.
- Rate of salary increase: 3.00 per cent, but vary according to age, category and individual progression; thus the actual salary increase rate can be higher (2010: the weighted average salary increase 6.6 per cent).
- Repatriation grant: It is assumed that all Professional staff are eligible for repatriation benefits and will receive them upon separation from service.
- Repatriation travel costs: Annual decrease of 2.00 per cent (2010: increase of 4.00 per cent) in future years.
- Annual leave: It is assumed that all staff are eligible for these benefits and will receive them upon separation from service. Accumulation rates of leave balances vary with years of service.

11.11 Assumed medical cost trends have a significant effect on the amounts recognized in the statement of financial performance. A one percentage point change in assumed medical cost trend rates would have the following effects:

Effect on	**One percentage point increase**	**One percentage point decrease**
	€ '000	
Year-end accumulated ASHI benefit obligation	21,195.1	(16,778.5)
Combined service and interest cost	1,829.6	(1,386.0)

Reconciliation of defined benefit obligation

	After-Service Health Insurance	Repatriation benefits	Annual leave	End-of-service allowance	Total
			€ '000		
Defined benefit obligation at 31 December 2010	**94,065.8**	**12,870.4**	**5,092.3**	**11,087.0**	**123,115.5**
Service cost for 2011	2,780.9	786.3	565.4	533.6	**4,666.2**
Interest cost for 2011	4,638.2	599.9	231.2	498.2	**5,967.5**
Actual gross benefit payments in 2011	(2,270.6)	(892.9)	(752.4)	(1,093.8)	**(5,009.7)**
Actuarial losses	11,874.1	(2,249.9)	(372.5)	(1,043.2)	**8,208.5**
Actuarial losses of joint operation	544.8	(65.7)	117.0	(372.6)	**223.5**
Defined benefit obligation at 31 December 2011	**111,633.2**	**11,048.1**	**4,881.0**	**9,609.2**	**137,171.5**

Annual expense for year 2011

	After-Service Health Insurance	Repatriation benefits	Annual leave	End-of-service allowance	Total
			€ '000		
Service cost	2,780.9	786.3	565.4	533.6	**4,666.2**
Interest cost	4,638.2	599.9	231.2	498.2	**5,967.5**
Total expense recognized in 2011	**7,419.1**	**1,386.2**	**796.6**	**1,031.8**	**10,633.7**

United Nations Joint Staff Pension Fund

11.12 UNIDO 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. 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, which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

11.13 The UNJSPF conducts actuarial valuations of the Fund every two years. The actuarial method adopted for the UNJSPF is the open group aggregate method to determine whether the present and estimated future assets of the Fund will be sufficient to meet its present and estimated future liabilities, using various sets of assumptions as to future economic and demographic developments. A review of the 2011 annual report of the UNJSPF reveals that an actuarial valuation has been carried out every two years. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the United Nations General Assembly on the audit every two years. The most recent actuarial valuation carried out was at 31 December 2009.

11.14 The financial obligation of UNIDO to the UNJSPF consists of its mandated contribution, at the same uniform rate as specified by the Regulations of the Fund (7.9 per cent for participants and 15.8 per cent for member organizations) which is established by United Nations General Assembly, together with any share of any actuarial deficiency payments under Article 26 of the Regulation of the Pension Fund.

11.15 Such deficiency payments are payable only if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date. At the time of this report, the United Nations General Assembly had not invoked this provision.

11.16 The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets among other participating organizations in the plan. UNIDO, as well as other participating organizations, 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 accounted for this plan as if it were a defined contribution plan in line with IPSAS 25, Employee Benefits.

11.17 During 2011, total contributions paid to UNJSPF amounted to €14.1 million (2010: €16.3 million). No significant variance is expected in the contributions due in 2012.

Social security for consultants under special service agreements

11.18 UNIDO consultants under the special service agreements (SSAs) are entitled to social security based on local conditions and norms. UNIDO, however, has not undertaken any global arrangement for social security for consultants under SSAs. Social security arrangements can either be obtained from a national security system, private local schemes or as cash compensation for own scheme. The provision of proper social security in line with local labour legislation and practice is a key requirement of the SSA. SSA holders are not UNIDO staff members and are not covered by the United Nations Staff Rules and Regulations.

Note 12: Advance receipts

	31 December 2011	31 December 2010
	€ '000	
Assessed contributions in advance	1,397.4	3,113.5
Voluntary contributions in advance	23,068.7	20,155.7
Advances from VIC-based organizations	9,248.7	7,274.4
Balances with other UN agencies	4,877.8	4,489.9
BMS deferral	30,889.9	25,389.9
Performance obligation for voluntary contributions	20,594.8	16,092.6
Total advance receipts	**90,077.3**	**76,516.0**

	31 December 2011	31 December 2010
	€ '000	
Composition:		
Advances from non-exchange transactions	49,938.7	43,851.7
Advances from exchange transactions	40,138.6	32,664.3
Total advance receipts	**90,077.3**	**76,516.0**

12.1 Assessed contributions received from Member States against future year's assessment are reflected in advance receipts account. Voluntary contributions in advance represent funds received from donors awaiting programming for specific project activities.

12.2 Advance from VIC-based organizations include funds received for special work programmes carried out by BMS at the VIC.

12.3 Balances with other United Nations agencies include Service and Project Clearing Accounts held with UNDP and other United Nations related projects implemented by UNIDO.

12.4 The fund balances held in Buildings Management Services' special account, reclassified under IPSAS joint venture classification, are reflected in the BMS deferral account (ref. note 6).

12.5 Voluntary contributions received with conditions on their use are held in a liability account until the discharge of performance obligation, as stipulated in the agreements.

Note 13: Other liabilities

	31 December 2011	31 December 2010
	€ '000	
Unrealized exchange gain/loss	2,431.1	2,431.1
Accruals for goods/services received-but-not-paid	8,752.3	7,016.8
Inter-fund transactions	28,047.9	60,403.0
Other liabilities	2,341.4	1,968.6
Long-term guarantees – bank/rent deposit	126.3	129.4
Total other liabilities	**41,699.0**	**71,948.9**

	31 December 2011	31 December 2010
	€ '000	
Composition:		
Current	41,572.7	71,819.5
Non-current	126.3	129.4
Total other liabilities	**41,699.0**	**71,948.9**

13.1 Exchange gains represent the remaining balance of realized gains arising from the revaluation of euro denominated cash and term deposits held by trust funds, prior to the introduction of euro management of technical cooperation projects in 2004.

13.2 Accruals are liabilities for goods and services that have been received or provided to UNIDO during the period and which have not been invoiced or formally agreed with the suppliers.

13.3 Inter-fund balances represent amounts due to other funds (see note 5 for contra asset). These balances arise from maintenance of bank accounts at specific general fund level.

13.4 Other liabilities consist primarily of invoices payable to the United Nations Office in Vienna for conference, language, communication and translation services provided during 2011.

Note 14: Fund balances

	Note	Regular budget funds			Technical cooperation funds	Other funds	Total
		General fund	RPTC	Working Capital Fund			
		€ '000					
Opening fund balance 1 January 2011		(83,002.8)	6,103.6	7,423.1	300,606.4	8,874.0	**240,004.3**
Net surplus for the year		(590.9)	1,207.3	-	79,220.1	3,678.5	**83,515.0**
Subtotal		**(83,593.7)**	**7,310.9**	**7,423.1**	**379,826.5**	**12,552.5**	**323,519.3**
Movements during year							
Credits to Member States		(15,998.2)	-	-	-	-	**(15,998.2)**
Transfer (to)/from provision for delayed contribution		4,530.7	-	-	-	-	**4,530.7**
Actuarial gains/(losses)		(9,782.4)	27.6	-	(607.8)	2,154.1	**(8,208.5)**
Transfers between funds	14.7	(1,700.0)	-	-	-	1,700.0	**-**
Other adjustments		(8.3)	-	-	-	-	**(8.3)**
Total movements during year		**(22,958.2)**	**27.6**	**-**	**(607.8)**	**3,854.1**	**(19,684.3)**
Closing fund balance 31 December 2011		**(106,551.9)**	**7,338.5**	**7,423.1**	**379,218.7**	**16,406.6**	**303,835.0**

Regular budget general fund

14.1 The negative regular budget general fund balance is as a consequence of unfunded employee benefits amounting to €137.2 million as at 31 December 2011 (2010: €123.1 million).

Regular Programme of Technical Cooperation

14.2 In accordance with General Conference decision GC.9/Dec.14, a special account was established for fully programmable appropriations under the Regular Programme of Technical Cooperation (RPTC), not subject to financial regulations 4.2(b) and 4.2(c).

Working Capital Fund

14.3 General Conference decision GC.2/Dec.27 established the Working Capital Fund at $9 million for the purpose of financing budgetary appropriations pending the receipt of contributions or unforeseen and extraordinary expenditure. At subsequent sessions of the General Conference, the level of the Fund was progressively reduced to $6,610,000. With the introduction of euro assessment effective 1 January 2002, the amount was converted to euros in accordance with decision GC.9/Dec.15, resulting in a Working Capital Fund of €7,423,104. The General Conference (GC.13/Dec.11) decided to maintain the Fund at the same level for the biennium 2010-2011. The Fund is financed through advances paid by Member States based on the scale of assessments approved by the General Conference.

Technical cooperation

14.4 Fund balances under technical cooperation funds represent the unexpended portion of voluntary contributions that are intended to be utilized in future operational requirements of the project activities.

Other funds

Movements in other funds

	Note	1 January 2011	Other movements during 2011	Net surplus/deficit for the year	31 December 2011
			€ '000		
COMFAR funds		1,387.6	9.9	102.7	**1,500.2**
Operational budget	14.6	(1,167.1)	2,150.7	1,128.7	**2,112.3**
Fund for PCOR	14.7	5,031.6	1,693.5	2,803.4	**9,528.5**
Fund for TC activities	14.7	754.2		(372.9)	**381.3**
Regular budget supplementary appropriation – VIC security	14.8	793.6	-	(83.5)	**710.1**
Sales publications revolving fund	14.9	280.3	-	(47.9)	**232.4**
Commissary	6	1,623.3	-	139.9	**1,763.2**
Catering	6	170.5	-	8.1	**178.6**
Total		**8,874.0**	**3,854.1**	**3,678.5**	**16,406.6**

14.5 Other funds primarily consist of balances under special accounts established for programme support costs, security enhancements at the VIC, the UNIDO change management initiative, which was later renamed Programme for Change and Organizational Renewal (PCOR), and technical cooperation activities earmarked for food security and renewable energy, together with Computer Model for Feasibility Analysis and Reporting (COMFAR) and sales publication revolving fund.

14.6 Income from programme support costs, charged in respect of programme expenditure under extrabudgetary technical cooperation activities, is recognized earlier of the establishment of obligations or on disbursements and is credited to the special account for financing the operational budget.

14.7 The General Conference decision GC.13/Dec.15(h) established the special accounts from the unutilized balances of appropriations due to Member States in 2010 for financing the change management initiative and technical cooperation activities aimed at (i) increased food security through agribusiness and agro-industry promotion and, (ii) renewable energy for productive activities. The fund balances on these two activities at 31 December 2011 amounted to €9,528,414 and €381,286 (2010: €5,031,640 and €754,186) respectively. In 2011, further to decision GC.13/Dec.15, the Board (IDB.38/Dec.4) authorized the utilization of budgetary savings to the extent of €1.7 million and the progressive withdrawal of €5.5 million from the reserve for exchange rate fluctuations for further funding of PCOR (see note 15.6). In 2011 an amount of €5,272,160 was withdrawn.

14.8 The General Conference at its eleventh session established a special account with effect from year 2006, for the purpose of financing the UNIDO share of the security enhancements at the VIC (decision GC.11/Dec.15). The special account is not subject to financial regulations 4.2(b) and 4.2(c). Due to the specific purpose of the special account, it is classified under the segment other activities in the financial statements.

14.9 The sales publication revolving fund was established in the biennium 1998-1999 as contained in document GC.7/21 and pursuant to decision GC.7/Dec.16 to support longer range planning of publication activities, including promotion, marketing and re-printing of publications. The fund is credited with one-half of the income generated from sale of publications and charged with the full costs related to promotions, marketing and publication activities.

Note 15: Reserves

	Note	1 January 2011	Movement during 2011	31 December 2011
			€ '000	
Project personnel separation reserve	15.1	1,468.9	(0.4)	**1,468.5**
Insurance of project equipment		72.5	0.2	**72.7**
Statutory operating reserves	15.2/3	3,448.6	-	**3,448.6**
Separation indemnity reserve	15.4	5,499.3	-	**5,499.3**
Appendix D – reserve for compensation	15.5	2,849.4	190.0	**3,039.4**
Reserve for exchange rate fluctuations	15.6	10,814.3	(5,990.1)	**4,824.2**
Total		**24,153.0**	**(5,800.3)**	**18,352.7**

Project personnel separation reserve

15.1 This reserve consists mainly of the provision made to meet repatriation grant entitlements for personnel financed by technical cooperation resources other than inter-organization arrangements and certain trust funds and are calculated on the basis of eight per cent of net base pay.

Statutory operating reserves

15.2 An operating reserve, established in respect of the special account for programme support costs in accordance with Programme and Budget Committee conclusion 1989/4 at $5,504,190 was reduced to $4,300,000 (€4,828,900) in accordance with Board decision IDB.14/Dec.12. By decision IDB.30/Dec.2, the Board reduced the level of the operating reserve to €3,030,000. The purpose of the reserve is primarily to protect against unforeseen shortfalls in technical cooperation delivery and the related support cost income, for inflation and currency adjustments and to liquidate legal obligations in the case of abrupt termination of operation budget activities.

15.3 The Industrial Development Board, in decision IDB.2/Dec.7, authorized the freezing of the operational reserve of the Industrial Development Fund at $550,000 (€418,550). The purpose of the reserve is to ensure the financial liquidity of the Fund and to compensate for uneven cash flows.

Separation indemnity reserve

15.4 Pursuant to decision GC.6/Dec.15, paragraph (e), the amount of $9,546,732 representing the balance of appropriations for the biennium 1992-1993, which was actually received by the Organization, was transferred to a separation indemnity reserve in 1995. Pursuant to General Conference decision GC.7/Dec.17, the amount of $13,900,000 was transferred from the unencumbered balance of appropriations for the biennium 1994-1995 for the funding of the separation indemnity reserve to meet the cost of staff separations resulting from the 1998-1999 programme and budgets. Unlike the previous allocation from the biennium 1992-1993, the allocation from the biennium 1994-1995 was not supported by actual cash, as large arrears for this biennium existed. The cumulative payments made during the period 1995 to 2001 from both reserves amounts to $18,546,191. The remaining balance of $4,900,541 was converted to euros on 1 January 2002 using the exchange rate approved by the General Conference (GC.9/Dec.15). Accordingly, the balances attributable to the above two decisions are €1,109,698 and €4,389,609, respectively.

Reserve for compensation payments

15.5 A provision is made to meet potential liabilities for compensation payments under appendix D to the Staff Rules for personnel financed by technical cooperation resources other than inter-organization arrangements and certain trust funds and are calculated on the basis of one per cent of net base pay.

Reserve for exchange rate fluctuations

15.6 The General Conference in decision GC.8/Dec.16 authorized the Director-General to establish a reserve, not subject to the provisions of financial regulations 4.2(b) and 4.2(c). Consequently, the reserve was established in the biennium 2002-2003 in order to protect the Organization from exchange rate fluctuations resulting from the introduction of the euro as a single currency for the preparation of the programme and budgets, appropriation and assessment, collection of contributions and advances, and currency of accounts. The amount transferred from the reserve in 2011 of €717,935 (2010: €1,064,440) is the difference between the euro value of actual dollars expended and the budgeted euro cost of those dollars. In addition, during 2011, further to GC.13/Dec.15, the Board (IDB.38/Dec. 4) authorized the progressive withdrawal of funds from the reserve for exchange rate fluctuations of up to €5.5 million for further funding of the Programme for Change and Organizational Renewal (PCOR) (in 2011 an amount of €5,272,160 was withdrawn), (see note 14.7).

Note 16: Revenue

	Note	31 December 2011	31 December 2010
		€ '000	
Assessed contributions	**16.1**	**78,304.6**	**78,304.6**
Voluntary contribution			
For technical cooperation		187,846.6	167,686.6
For support regular activities		5,201.7	6,237.2
Subtotal voluntary contributions	**16.2**	**193,048.3**	**173,923.8**
Investment revenue	**16.3**	**846.5**	**551.0**
Revenue producing activities			
Sales publication		83.0	91.3
COMFAR		122.2	374.4
Other sales			71.2
Subtotal revenue producing activities	**16.4**	**205.2**	**536.9**
Share of surplus/(deficit) of joint ventures			
Catering services		8.1	15.5
Commissary		139.9	456.9
Subtotal share of surplus/(deficit) of joint ventures	**16.5**	**148.0**	**472.4**
Miscellaneous income			
Transfer to/from reserve for exchange fluctuation	**16.6**	717.9	1,064.5
Others	**16.7**	337.1	416.2
Subtotal miscellaneous income		**1,055.0**	**1,480.7**
TOTAL REVENUE		**273,607.6**	**255,269.4**

16.1 The General Conference approved an amount of €156,609,188 for the regular budget for the biennium 2010-2011 (decision GC.13/Dec.14), which is financed from assessed contributions by Member States. Accordingly, €78,304,594 representing one-half of the amounts, was assessed both in 2011 and 2010. In accordance with financial regulation 5.5(c), payments made by a Member State are credited first to the Working Capital Fund and then to the contributions due, in the order in which the Member State was assessed.

16.2 Voluntary contributions are recognized upon the signing of a binding agreement between UNIDO and the donor, provided there are no conditions limiting the use of funds. It also includes voluntary renunciation of unencumbered balances for prior years, by Members States, in accordance with General Conference decision GC.13/Dec.15 and for financing PCOR and special accounts for technical cooperation activities.

16.3 Investment revenue represents interest earned and accrued on the short-term deposits held with financial institutions.

16.4 Income from revenue-producing activities consists of sales of publications and the Computer Model for Feasibility Analysis and Reporting (COMFAR) as well as cost recovery for technical services.

16.5 The UNIDO share of net surplus on the operations of Catering and Commissary is recognized based on the cost-sharing formula of the VBOs' for common services, as referred to in note 6.

16.6 This represents the amount transferred from the reserve for exchange rate fluctuations for 2011 due to a euro deficit on actual dollar spending against budgeted rate (see note 15.6).

16.7 Refunds of expenditure charged to previous fiscal periods, commissions from travel agents, CTBTO support costs and other sundry credits are treated as miscellaneous income.

Contributions in kind

16.8 Services in kind estimated at €1,179,163 (2010: €1,052,740) were received mainly from Member States in support of UNIDO projects and field office operations during the year. The amount is measured at fair value. They are not recognized in the face of the financial statements as UNIDO has elected as such in accordance with IPSAS 23. The nature and type of major classes of services in kind received are as follows:

	31 December 2011	31 December 2010
	€ '000	
Contribution for the use of:		
Office space	784.5	520.2
Furniture and fixtures	13.8	45.0
Communication and IT equipment	17.6	45.0
Vehicles	42.9	73.5
Machinery	0.0	76.2
Utilities	141.7	45.0
Other services	37.0	73.6
Contribution to conferences, workshops, and training	8.9	73.1
Personnel services	132.7	101.1
Total services in kind	**1,179.2**	**1,052.7**

Note 17: Expenses

	Note	31 December 2011	31 December 2010
		€ '000	
Staff salary		35,495.4	36,278.0
Staff entitlement and allowance		27,754.2	28,171.8
Temporary assistance		1,518.9	1,502.5

	Note	31 December 2011	31 December 2010
		€ '000	
Project personnel		41,422.1	43,746.8
Consultancy		3,361.1	2,773.3
Salaries and employee benefits	**17.1**	**109,551.7**	**112,472.4**
Travel		8,483.3	7,754.9
Rental, utility and maintenance		4,399.4	3,514.7
Inventory consumed/distributed		212.8	161.6
IT, communication and automation		2,724.0	1,870.4
Expendable equipment		311.9	277.3
Other operating cost		4,725.1	3,990.2
Project operating costs		4,385.7	4,590.1
Operating cost	**17.2**	**25,242.2**	**22,159.2**
Project contractual services	**17.3**	33,660.3	26,301.2
Offices supplies and consumables	**17.4**	326.9	292.0
TC equipment expensed	**17.5**	18,513.5	15,714.8
Depreciation and amortization	**7,8**	886.4	601.8
Currency translation differences	**17.6**	(12,473.0)	(18,503.7)
Other expenses	**17.7**	14,384.6	12,360.5
TOTAL EXPENDITURE		**190,092.6**	**171,398.2**

17.1 Salaries and employee benefits are for UNIDO staff, consultants and subscribers to special service agreements. Project personnel costs include experts, national consultants, administrative support personnel, and project travel.

17.2 Operating costs include travel, utilities, field office operations, United Nations system jointly financed activities, information technology and communication as well as contributions to common services at the VIC.

17.3 Project contractual services represent subcontracts entered into for project implementation activities.

17.4 Office supplies and consumables include cost of goods and services used exclusively by UNIDO in regular budget and technical cooperation activities.

17.5 The expenses for TC equipment are machinery and equipment purchased for technical cooperation projects during the year.

17.6 Currency translation differences are primarily due to revaluation of non-euro bank balances, assets and liabilities at the end of the period.

17.7 Other expenses include fellowships and training related to projects and costs related to governing body meetings for conference, language, translation, documentation, etc.

Note 18: Statement of comparison of budget and actual amounts

18.1 The budgets and accounts of UNIDO are prepared using a different basis. The statement of financial position, statement of financial performance, statement of changes in net assets and statement of cash flow are prepared on a full accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the statement of comparison of budget and actual amounts (statement 5) is prepared on a modified cash basis of accounting.

18.2 As required under IPSAS 24, the actual amounts presented on a comparable basis to the budget shall, where the financial statements and the budget are not prepared on a comparable basis, be reconciled to the actual amounts presented in the financial statements, identifying separately any basis, timing and entity differences. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

18.3 Basis differences occur when the approved budget is prepared on a basis other than the accounting basis, as stated in paragraph 18.1 above.

18.4 Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for UNIDO for purposes of comparison of budget and actual amounts.

18.5 Entity differences occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared.

18.6 Presentation differences are due to differences in the format and classification schemes adopted for presentation of statement of cash flow and statement of comparison of budget and actual amounts.

18.7 Reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts (statement 5) and the actual amounts in the statement of cash flow (statement 4) for the period ended 31 December 2011 is presented below:

	Operating	**Investing**	**Financing**	**Total**
		€ '000		
Actual amount on comparable basis (statement 5)	(89,474.8)	-	-	**(89,474.8)**
Basis differences	20,652.1	(184.9)	(15,557.0)	**4,910.2**
Presentation differences	47,215.9	(1,087.0)	(441.2)	**45,687.7**
Entity differences	91,864.3	-	-	**91,864.3**
Actual amount in the statement of cash flow (statement 4)	**70,257.5**	**(1,271.9)**	**(15,998.2)**	**52,987.4**

18.8 Open commitments including open purchase orders and net cash flows from operating, investing and financing activities are presented as basis differences. Revenue and non-fund relevant expenses that do not form part of the statement of comparison of budget and actual amounts are reflected as presentation differences. Under entity differences, technical cooperation funds form part of UNIDO activities and are reported in the financial statements in detail, but they are included in the budgetary process at aggregate levels only.

18.9 Budget amounts have been presented on a classification based on the nature of expenses in accordance with the approved programme and budgets 2010-2011 by the General Conference at its thirteenth session (GC.13/Dec.14) for regular and operational budgets of the Organization.

Explanation of material differences

Explanations of material differences between the original budget and final budget as well as between final budget and the actual amounts are presented below.

Staff costs

18.10 The underutilization of the budgeted staff costs was mainly due to the higher than budgeted vacancy factors for Professional and General Service posts. Given that the largest component of the Organization's regular budget is staff costs, it was necessary to follow a conservative implementation plan under this item in order to compensate for expected non- or late/uncertain payment of assessed contributions.

Official travel

18.11 Official travel was underutilized by €0.28 million. Official travel comprises of two accounts — travel on official business that was underspent by €0.35 million and international travel of UNIDO representatives that was marginally overutilized by €0.07 million.

Operating costs

18.12 Savings in operating costs in the amount of €1.91 million were mainly the result of reduced requirements for document production by €0.67 million, savings in supplies and material of €0.21 million and a reduction of UNIDO overall costs in Common and Joint BMS by €0.65 million. However, part of these savings were offset by the overutilization under the field network operating costs by €0.07 million and increased costs under the contribution to joint activities with United Nations bodies. The main cost driver in the latter category is the United Nations-wide contribution to inter-organizational security measures.

Information and communication technology

18.13 The marginal underutilization of €0.64 million of information and communication technology resources is due to the reduction in usage of both communication services by €0.45 million and the office automation budget by €0.58 million. This surplus was partially offset by increases in procurement of communications equipment.

Regular Programme of Technical Cooperation and Special Resources for Africa

18.14 Regular Programme of Technical Cooperation resources were administered under the special account created for the purpose to which the full appropriation has been transferred. An underutilization of € 0.30 million was recognized under the Special Resources for Africa.

Note 19: Segment reporting

A: Statement of financial position by segment as at 31 December 2011

	Regular budget activities	Technical cooperation	Other activities and special services	Inter-segment transactions	Total UNIDO
			€ '000		
ASSETS					
Current assets					
Cash and cash equivalents	64,077.5	338,351.0	52,008.5	-	**454,437.0**
Accounts receivable (non-exchange transactions)	8,730.2	110,997.0	627.0	-	**120,354.2**
Receivables from exchange transactions	925.4	826.1	7,836.9	-	**9,588.4**
Inventories	-	-	1,111.8	-	**1,111.8**
Other current assets	10,758.3	15,887.7	11,111.0	-	**37,757.0**
Total current assets	**84,491.4**	**466,061.8**	**72,695.2**	**-**	**623,248.4**
Non-current assets					
Receivables	4,045.1	-	-	-	**4,045.1**
Share in net assets/equity of joint ventures accounted for using the equity method	-	-	1,132.9	-	**1,132.9**
Property, plant and equipment	1,462.0	-	458.1	-	**1,920.1**
Intangible assets	245.9	-	2,271.0	-	**2,516.9**
Other non-current assets	-	123.9	808.9	-	**932.8**
Total non-current assets	**5,753.0**	**123.9**	**4,670.9**	**-**	**10,547.8**
TOTAL ASSETS	**90,244.4**	**466,185.7**	**77,366.1**	**-**	**633,796.2**
LIABILITIES					
Current liabilities					
Accounts payable (exchange transactions)	359.2	59.6	-	-	**418.8**
Employee benefits	685.0	80.8	37.6	-	**803.4**
Transfers payable (non-exchange transactions)	26,831.5	14,607.0	-	-	**41,438.5**
Advance receipts	8,405.2	48,541.2	33,130.9	-	**90,077.3**
Other current liabilities	20,214.5	17,753.1	3,605.1	-	**41,572.7**
Total current liabilities	**56,495.4**	**81,041.7**	**36,773.6**	**-**	**174,310.7**

	Regular budget activities	Technical cooperation	Other activities and special services	Inter-segment transactions	Total UNIDO
			€ ‘000		
Non-current liabilities					
Employee benefits	115,203.7	814.2	21,153.6	-	**137,171.5**
Other non-current liabilities	-	123.9	2.4	-	**126.3**
Total non-current liabilities	**115,203.7**	**938.1**	**21,156.0**	**-**	**137,297.8**
TOTAL LIABILITIES	**171,699.1**	**81,979.8**	**57,929.6**	**-**	**311,608.5**
NET ASSETS/EQUITY					
Accumulated surpluses/ (deficits) – fund balances	(92,911.7)	299,998.5	12,727.9	505.0	**220,319.7**
Current period surplus/ (deficit)	1,121.7	79,220.1	3,678.5	(505.0)	**83,515.3**
Reserves	10,335.3	4,987.3	3,030.1	-	**18,352.7**
TOTAL NET ASSETS/EQUITY	**(81,454.7)**	**384,205.9**	**19,436.5**	**-**	**322,187.7**
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**90,244.4**	**466,185.7**	**77,366.1**	**-**	**633,796.2**

B: Statement of financial performance by segment for the year ended 31 December 2011

	Regular budget activities	Technical cooperation	Other activities and special services	Inter-segment transactions	Total UNIDO
			€ '000		
INCOME/REVENUE					
Assessed contributions	78,304.6	-	-	-	**78,304.6**
Voluntary contributions	302.5	187,846.6	4,899.2	-	**193,048.3**
Investment revenue	592.6	164.1	89.8	-	**846.5**
Revenue producing activities	-	3,575.7	15,223.1	(18,593.6)	**205.2**
Share of surplus/(deficit) of joint ventures	-	-	148.0	-	**148.0**
Others	1,027.2	23.1	4.7	-	**1,055.0**
TOTAL REVENUE	**80,226.9**	**191,609.5**	**20,364.8**	**(18,593.6)**	**273,607.6**
EXPENDITURE					
Salaries and employee benefits	56,244.7	39,887.6	13,419.4	-	**109,551.7**
Operational costs	14,809.3	9,847.5	3,141.4	(2,556.0)	**25,242.2**
Contractual services	(1.9)	33,662.2	-	-	**33,660.3**
Office supplies and consumables	310.3	-	16.6	-	**326.9**
TC equipment expensed	30.8	18,482.7	-	-	**18,513.5**
Depreciation and amortization	571.0	-	315.4	-	**886.4**
Currency translation differences	(65.8)	(12,196.0)	(211.2)	-	**(12,473.0)**
Other expenses	7,206.8	22,705.5	4.8	(15,532.5)	**14,384.6**
TOTAL EXPENDITURE	**79,105.2**	**112,389.5**	**16,686.4**	**(18,088.5)**	**190,092.6**
SURPLUS/(DEFICIT) FOR THE FINANCIAL PERIOD	**1,121.7**	**79,220.0**	**3,678.4**	**(505.1)**	**83,515.0**

19.1 Some internal activities lead to accounting transactions that create inter-segment revenue and expense balances in the financial statements.

19.2 During the year ended 31 December 2011, activities have created inter-segment balances in the amount of €3,575,688, €3,061,037/2,555,992 and €11,956,838 (2010: €3,612,129, €3,014,143/3,519,188 and €11,479,827) in the statement of financial performance for regular programme of technical cooperation, Buildings Management Services and programme support costs, respectively. Inter-segment transfers are measured at the price at which the transactions occur.

19.3 Accumulated fund balances under technical cooperation funds and other funds represent the unexpended portion of contributions that are carried forward to be utilized in future operational requirements of the respective activities.

19.4 Cash and short-term investments contain restrictions on their availability for use depending upon the fund, which are earmarked for specific activities.

Note 20: Commitments and contingencies

20.1 Leases - Operating costs include lease payments in the amount of €1,391,554 (2010: €1,265,919) recognized as operating lease expenses during the year. The amount includes minimum lease payments. No sublease payments or contingent rent payments were made or received.

The total of future minimum lease payments under non-cancellable operating leases is as follows:

	Within 1 Year	1 to 5 Years	After 5 Years	Total
				€ '000
31 December 2010	494.0	2.3	-	496.3
31 December 2011	369.0	15.3	-	384.3

20.2 UNIDO operating lease agreements are mainly for office premises and IT related equipment in the field offices. Future minimum lease payments include payments for such rented premises and equipment that would be required until the earliest possible termination dates under the respective agreements.

20.3 Some of the operating lease agreements contain renewal clauses which enable the Organization to extend the terms of the leases at the end of the original lease terms, and escalation clauses that may increase annual rent payments based on increases in the relevant market price indexes in the respective countries where the field offices are located.

20.4 There are no agreements that contain purchase options.

20.5 Commitments - The Organizations' commitments include purchase orders and service contracts, contracted but not delivered as at year-end. A list of these commitments by major funding source is given below.

	31 December 2011	31 December 2010
	€ '000	
Regular budget	6,159.3	2,755.4
Trust fund	36,955.4	33,240.6
Montreal Protocol	25,599.8	19,327.1
Global Environment Facility	23,121.3	16,270.1
Industrial Development Fund	7,997.2	6,528.6

Inter-organization arrangements	4,219.9	5,996.0
Regular programme of technical cooperation	2,965.5	1,627.1
Special services and others	2,171.3	229.7
Total commitments	**109,184.9**	**85,974.6**

20.6 Contingent liabilities - The contingent liabilities of the Organizations consists of appeal cases pending at the Joint Appeals Board (JAB) and the Administrative Tribunal of International Labour Organization (ILOAT) by both current and separated staff members. The Organization is not in a position to measure probability of rulings in favour of complainants or predict exact award of damages. However, based on respective complainants' claims, the contingent liabilities at year-end amounted to €468,566 and €2,474,134 (2010: €75,000 and €2,451,225) for JAB and ILOAT cases respectively.

20.7 While contingent liabilities on pending cases under Appendix D rules for reimbursement of medical costs amounted to €7,681 (2010: €10,157), the future claims for reimbursement of medical costs on approved cases cannot be reliably estimated at 31 December 2011, as they are dependent on actual costs to be incurred in the future.

20.8 UNIDO registers one active contractor's claim of €9,102 as at 31 December 2011, where resolution was not finalized by the date of preparation of these financial statements.

Note 21: Vienna International Centre

21.1 UNIDO headquarters are located at the Vienna International Centre (VIC) together with other VIC-based organizations under a 99-year lease with the Republic of Austria for a nominal rental of 1 Austrian schilling per year. The total area allocated to UNIDO in 2011 for occupied and common/staff services facilities were 45,618 square meters (2010: 45,618 square meters).

21.2 Also an agreement between the Republic of Austria and the VIC-based organizations (VBOs) is in force on a common fund established for the purpose of financing the cost of major repairs and replacement (MRRF) of VIC buildings, facilities and technical installations, which are the property of the Republic of Austria and form part of the headquarters. The Fund is administered by UNIDO through a joint committee.

21.3 Contributions to the Fund are shared equally between the Republic of Austria and the VBOs with the VBOs contributions being shared in accordance with their Buildings Management Services cost-sharing ratio. The UNIDO contribution to the Fund in 2011 was €274,332 (2010: €274,989).

Note 22: Losses, ex-gratia payments and write-offs

22.1 No ex-gratia payment was made by UNIDO during 2011 (2010: €3,000).

22.2 The value of property, plant and equipment written off during the year due to loss/theft amounts to €3,664 (2010: €12,768).

Note 23: Related party and other executive management disclosure

Key management personnel

	No. of individuals	Aggregate remuneration	Other compensations	Total remuneration 2011	Outstanding advances against entitlements 31 December 2011
			€ '000		
Director-General	1	362.4	140.6	503.0	0.0
Deputy to the Director-General	1	225.9	0.0	225.9	0.0
Managing Directors	3	547.3	0.0	547.3	0.0

23.1 Key management personnel are the Director-General, the Deputy to the Director-General and the Managing Directors, as they have the authority and responsibility for planning, directing and controlling the activities of UNIDO.

23.2 The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, entitlements, assignment and other grants, rental subsidy, employer contributions to pension plan and current health insurance contributions.

23.3 The other compensation includes the official car assigned to the Director-General valued at the market rental cost of a similar vehicle together with the remuneration paid to the official driver.

23.4 Key management personnel are also qualified for post-employment benefits (see note 11 on employee benefits) at the same level as other employees. These benefits, which are payable on separation, cannot be reliably quantified as they depend on the years of service and actual date of separation (which could be voluntary).

23.5 Key management personnel are ordinary members of UNJSPF.

23.6 Advances are those made against entitlements in accordance with staff rules and regulations. There are no outstanding advances against entitlements of key management personnel as at 31 December 2011.

Note 24: Events after reporting date

26.1 The UNIDO reporting date is 31 December 2011. On the date of signing of these accounts, there have been no material events, favourable or unfavourable, incurred between the reporting date and the date when the financial statements have been authorized for issue, as specified in certification, that would have impacted these statements.

II. ANNEXES PRESENTED IN ACCORDANCE WITH UNITED NATIONS SYSTEM ACCOUNTING STANDARDS FOR THE YEAR ENDED 31 DECEMBER 2011 (UNAUDITED)

Annex I (a)

General Fund: Status of appropriations by major object of expenditure for the biennium 2010-2011 as at 31 December 2011

(In thousands of euros)

Major object of expenditure	Original appropriation	Disbursements during 2011	Unliquidated obligations as at 31/12/11	Total expenditure	Balance of appropriations
Salaries and common staff costs	109,147.5	100,370.1	1,302.8	101,672.9	7,474.6
Official travel	3,704.6	2,956.8	204.7	3,161.5	543.1
Operating costs	28,638.1	23,793.6	3,025.4	26,819.0	1,819.0
Information and communication technology	5,401.1	4,198.7	562.0	4,760.7	640.3
RPTC and SRA activities	14,928.5	13,797.7	831.1	14,628.8	299.7
TOTAL A	**161,819.7**	**145,116.9**	**5,926.1**	**151,043.0**	**10,776.7**
Income		**Actual income**	**Accrued income**	**Total income**	**Shortfall/ (surplus)**
Regional Programme	2,100.4	503.5		503.5	1,596.9
Miscellaneous Income					
1. Estimated in GC.13/Dec.14	3,110.1	949.8		949.8	2,160.3
2. Not estimated in GC.13/Dec.14		2,284.5		2,284.5	(2,284.5)
TOTAL B	**5,210.5**	**3,737.8**	**0.0**	**3,737.8**	**1,472.7**
TOTAL A-B	**156,609.2**	**141,379.1**	**5,926.1**	**147,305.1**	**9,304.0**

Annex I (b)

General Fund: Status of appropriations by major programme for the biennium 2010-2011 as at 31 December 2011

(In thousands of euros)

Major Programme	Original appropriation	Disbursements during 2011	Unliquidated obligations as at 31/12/11	Total expenditure	Balance of appropriations
Policymaking Organs	5,339.9	4,614.1	30.5	4,644.6	695.2
Executive Direction and Strategic Management	13,279.5	14,335.6	663.7	14,999.2	(1,719.7)
Poverty Reduction through Productive Activities	26,042.8	22,005.9	640.3	22,646.2	3,396.7
Trade Capacity-Building	14,966.5	14,354.8	193.7	14,548.5	418.0
Environment and Energy	25,017.9	23,125.6	429.0	23,554.6	1,463.3
Cross-cutting Programmes and Country-level and Regional Coherence	28,015.5	23,575.9	1,252.2	24,828.1	3,187.3
Programme Support Services	28,085.3	24,667.1	922.7	25,589.8	2,495.5
Indirect Costs	21,072.2	18,438.0	1,794.0	20,231.9	840.3
TOTAL A	**161,819.7**	**145,116.9**	**5,926.1**	**151,043.0**	**10,776.7**
Income		**Actual income**	**Accrued income**	**Total income**	**Shortfall/ (surplus)**
Regional Programme	2,100.4	503.5		503.5	1,596.9
Miscellaneous Income				-	
1. Estimated in GC.13/Dec.14	3,110.1	949.8		949.8	2,160.3
2. Not estimated in GC.13/Dec.14		2,284.5		2,284.5	(2,284.5)
TOTAL B	**5,210.5**	**3,737.8**	**0.0**	**3,737.8**	**1,472.7**
TOTAL A - B	**156,609.2**	**141,379.1**	**5,926.1**	**147,305.2**	**9,304.0**

Annex I (c)

Operational budget: Status of appropriations by major object of expenditure for the biennium 2010-2011 as at 31 December 2011
(In thousands of euros)

Major object of expenditure	Original appropriation	Disbursements during 2011	Unliquidated obligations as at 31/12/11	Total expenditure	Balance of appropriations
Salaries and common staff costs	22,157.2	19,232.4	506.5	19,738.9	2,418.3
Official travel		210.5	49.2	259.7	(259.7)
Operating costs	649.7	515.6	40.4	556.0	93.6
Information and communication technology					0.0
RPTC and SRA activities					0.0
TOTAL A	**22,806.9**	**19,958.6**	**596.1**	**20,554.7**	**2,252.2**
Income		**Actual income**	**Accrued income**	**Total income**	**Shortfall/ (surplus)**
Regional Programme					
Miscellaneous Income					
1. Estimated in GC.13/Dec.14	619.2	53.5		53.5	565.7
2. Not estimated in GC.13/Dec.14		1,009.1		1,009.1	(1,009.1)
TOTAL B	**619.2**	**1,062.6**		**1,062.6**	**(443.4)**
TOTAL A-B	**22,187.7**	**18,896.0**	**596.1**	**19,492.1**	**2,695.6**

Annex I (d)

Operational budget: Status of appropriations by major programme for the biennium 2010-2011 as at 31 December 2011

(In thousands of euros)

Major Programme	Original appropriation	Disbursements during 2011	Unliquidated obligations as at 31/12/11	Total expenditure	Balance of appropriations
Policymaking Organs	82.3	18.2	0.0	18.2	64.1
Executive Direction and Strategic Management	270.4	246.3	0.0	246.3	24.1
Poverty Reduction through Productive Activities	5,345.3	4,530.7	124.4	4,655.1	690.1
Trade Capacity-Building	3,669.8	2,951.4	63.7	3,015.1	654.7
Environment and Energy	4,796.8	5,098.0	358.8	5,456.7	(660.0)
Cross Cutting Programmes and Country-Level and Regional Coherence	4,458.3	3,545.2	42.0	3,587.2	871.1
Programme Support Services	4,184.0	3,568.8	7.2	3,576.0	608.0
Indirect Costs				0.0	0.0
TOTAL A	**22,806.9**	**19,958.6**	**596.1**	**20,554.7**	**2,252.2**
Income		**Actual income**	**Accrued income**	**Total income**	**Shortfall/ (surplus)**
Regional Programme					
Miscellaneous Income					
1. Estimated in GC.13/Dec.14	619.2	53.5		53.5	565.7
2. Not estimated in GC.13/Dec.14		1,009.1		1,009.1	(1,009.1)
TOTAL B	**619.2**	**1,062.6**	**0.0**	**1,062.6**	**(443.4)**
TOTAL A - B	**22,187.7**	**18,896.0**	**596.1**	**19,492.1**	**2,695.6**

Annex I (e)

Status of assessed contributions to the regular budget (in euros) as at 31 December 2011

Member States	Scale %	Contributions payable		Credits and collections in 2010-11		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Afghanistan	0.001	-	1,566	-	857	-	709	709
Albania	0.008	-	12,528	-	12,528	-	-	-
Algeria	0.118	-	184,799	-	184,799	-	-	-
Angola	0.004	2,565	6,264	137	-	2,428	6,264	8,692
Argentina	0.452	1,565,235	707,874	63,481	-	1,501,754	707,874	2,209,628
Armenia	0.003	913,195	4,698	4,698	-	908,497	4,698	913,195
Austria	1.233	-	1,930,992	-	1,930,992	-	-	-
Azerbaijan	0.007	380,012	10,962	272,428	-	107,584	10,962	118,546
Bahamas	0.022	-	34,454	-	34,454	-	-	-
Bahrain	0.046	-	72,040	-	72,040	-	-	-
Bangladesh	0.010	-	15,660	-	15,660	-	-	-
Barbados	0.013	-	20,360	-	20,306	-	54	54
Belarus	0.028	-	43,850	-	43,850	-	-	-
Belgium	1.532	-	2,399,252	-	2,399,252	-	-	-
Belize	0.001	2,150	1,566	67	-	2,083	1,566	3,649
Benin	0.001	2,646	1,566	2,646	1,062	-	504	504
Bhutan	0.001	-	1,566	-	1,566	-	-	-
Bolivia (Plurinational State of)	0.008	22,025	12,528	9,724	-	12,301	12,528	24,829
Bosnia and Herzegovina	0.008	-	12,528	-	12,528	-	-	-
Botswana	0.019	-	29,756	-	29,756	-	-	-
Brazil	1.218	24,535,801	1,907,500	11,756,853	-	12,778,948	1,907,500	14,686,448
Bulgaria	0.028	-	43,850	-	43,850	-	-	-
Burkina Faso	0.003	-	4,698	-	4,698	-	-	-
Burundi	0.001	54,245	1,566	10,506	-	43,739	1,566	45,305
Cambodia	0.001	646	1,566	646	1,566	-	-	-
Cameroon	0.013	7,784	20,360	7,784	8,380	-	11,980	11,980
Cape Verde	0.001	100,582	1,566	50,073	-	50,509	1,566	52,075
Central African Republic	0.001	115,945	1,566	-	-	115,945	1,566	117,511
Chad	0.001	99,052	1,566	-	-	99,052	1,566	100,618
Chile	0.224	362,204	350,804	362,204	350,804	-	-	-
China	3.707	-	5,805,503	-	5,805,503	-	-	-

Annex I (e) — cont.

Status of assessed contributions to the regular budget (in euros) as at 31 December 2011

Member States	Scale %	Contributions payable		Credits and collections in 2010-11		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Colombia	0.146	-	228,650	-	228,650	-	-	-
Comoros	0.001	139,124	1,566	-	-	139,124	1,566	140,690
Congo	0.001	-	1,566	-	1,566	-	-	-
Costa Rica	0.044	245,620	68,908	67	-	245,553	68,908	314,461
Côte d'Ivoire	0.013	-	20,360	-	20,360	-	-	-
Croatia	0.069	-	108,060	-	108,060	-	-	-
Cuba	0.075	162,398	117,456	162,398	117,456	-	-	-
Cyprus	0.061	-	95,532	-	95,532	-	-	-
Czech Republic	0.391	-	612,342	-	612,342	-	-	-
Democratic People's Republic of Korea	0.010	-	15,660	-	8,343	-	7,317	7,317
Democratic Republic of the Congo	0.004	141,999	6,264	-	-	141,999	6,264	148,263
Denmark	1.027	-	1,608,376	-	1,608,376	-	-	-
Djibouti	0.001	98,030	1,566	-	-	98,030	1,566	99,596
Dominica	0.001	4,271	1,566	67	-	4,204	1,566	5,770
Dominican Republic	0.033	524,895	51,682	-	-	524,895	51,682	576,577
Ecuador	0.029	56,521	45,416	56,521	45,416	-	-	-
Egypt	0.122	-	191,064	-	191,064	-	-	-
El Salvador	0.028	303,592	43,850	-	-	303,592	43,850	347,442
Equatorial Guinea	0.003	8,446	4,698	8,446	2,425	-	2,273	2,273
Eritrea	0.001	-	1,566	-	1,566	-	-	-
Ethiopia	0.004	-	6,264	-	3,217	-	3,047	3,047
Fiji	0.004	5,045	6,264	5,045	3,295	-	2,969	2,969
Finland	0.784	-	1,227,816	-	1,227,816	-	-	-
France	8.758	-	13,715,834	-	13,715,834	-	-	-
Gabon	0.011	39,897	17,228	32,281	-	7,616	17,228	24,844
Gambia	0.001	62,932	1,566	-	-	62,932	1,566	64,498
Georgia	0.004	1,605,143	6,264	-	-	1,605,143	6,264	1,611,407
Germany	11.921	-	18,669,383	-	18,669,383	-	-	-
Ghana	0.006	-	9,396	-	9,396	-	-	-

Annex I (e) — cont.

Status of assessed contributions to the regular budget (in euros) as at 31 December 2011

Member States	Scale %	Contributions payable		Credits and collections in 2010-11		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Greece	0.828	-	1,296,724	-	648,362	-	648,362	648,362
Grenada	0.001	47,889	1,566	-	-	47,889	1,566	49,455
Guatemala	0.044	-	68,908	-	3,327	-	65,581	65,581
Guinea	0.001	-	1,566	-	(414)	-	1,980	1,980
Guinea-Bissau	0.001	121,255	1,566	-	-	121,255	1,566	122,821
Guyana	0.001	-	1,566	-	1,437	-	129	129
Haiti	0.003	-	4,698	-	4,698	-	-	-
Honduras	0.007	545	10,962	545	5,405	-	5,557	5,557
Hungary	0.339	-	530,906	-	530,906	-	-	-
India	0.625	-	978,808	-	978,808	-	-	-
Indonesia	0.224	-	350,804	-	350,804	-	-	-
Iran (Islamic Republic of)	0.250	1,478	391,522	1,478	200,710	-	190,812	190,812
Iraq	0.021	-	32,888	-	32,888	-	-	-
Ireland	0.619	-	969,411	-	969,411	-	-	-
Israel	0.582	-	911,466	-	911,466	-	-	-
Italy	7.060	-	11,056,610	-	10,748,510	-	308,100	308,100
Jamaica	0.014	-	21,926	-	11,064	-	10,862	10,862
Japan	22.000	-	34,454,023	-	34,454,023	-	-	-
Jordan	0.017	-	26,624	-	26,624	-	-	-
Kazakhstan	0.040	-	62,644	-	62,644	-	-	-
Kenya	0.014	21,011	21,926	21,011	7,125	-	14,801	14,801
Kuwait	0.253	-	396,222	-	396,222	-	-	-
Kyrgyzstan	0.001	379,557	1,566	1,549	-	378,008	1,566	379,574
Lao People's Democratic Republic	0.001	-	1,566	-	1,566	-	-	-
Lebanon	0.047	36,164	73,606	36,164	36,970	-	36,636	36,636
Lesotho	0.001	532	1,566	138	-	394	1,566	1,960
Liberia	0.001	110,445	1,566	3,771	-	106,674	1,566	108,240
Libya	0.086	-	134,684	-	69,770	-	64,914	64,914
Lithuania	0.043	-	67,342	-	67,342	-	-	-
Luxembourg	0.118	-	184,799	-	184,799	-	-	-
Madagascar	0.003	180	4,698	180	170	-	4,528	4,528

Annex I (e) — cont.

Status of assessed contributions to the Regular Budget (in euros) as at 31 December 2011

Member States	Scale %	Contributions payable		Credits and collections in 2010-11		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Malawi	0.001	-	1,566	-	1,485	-	81	81
Malaysia	0.264	-	413,448	-	413,448	-	-	-
Maldives	0.001	381	1,566	138	-	243	1,566	1,809
Mali	0.001	5,180	1,566	5,180	75	-	1,491	1,491
Malta	0.024	-	37,586	-	37,586	-	-	-
Mauritania	0.001	81,254	1,566	-	-	81,254	1,566	82,820
Mauritius	0.015	-	23,492	-	23,492	-	-	-
Mexico	3.137	6,897,579	4,912,830	4,472,468	-	2,425,111	4,912,830	7,337,941
Monaco	0.004	-	6,264	-	6,264	-	-	-
Mongolia	0.001	-	1,566	-	1,566	-	-	-
Montenegro	0.001	-	1,566	-	1,566	-	-	-
Morocco	0.058	40,105	90,834	40,105	90,834	-	-	-
Mozambique	0.001	-	1,566	-	1,566	-	-	-
Myanmar	0.007	32,049	10,962	67	-	31,982	10,962	42,944
Namibia	0.008	-	12,528	-	12,528	-	-	-
Nepal	0.004	22,031	6,264	22,031	736	-	5,528	5,528
Netherlands	2.603	-	4,076,538	-	4,076,538	-	-	-
New Zealand	0.356	-	557,528	-	557,528	-	-	-
Nicaragua	0.003	142,202	4,698	-	-	142,202	4,698	146,900
Niger	0.001	100,617	1,566	-	-	100,617	1,566	102,183
Nigeria	0.067	149,437	104,928	149,437	104,928	-	-	-
Norway	1.087	-	1,702,342	-	1,702,342	-	-	-
Oman	0.101	-	158,176	-	158,176	-	-	-
Pakistan	0.082	74,021	128,420	74,021	64,848	-	63,572	63,572
Panama	0.032	16,860	50,114	16,860	48,716	-	1,398	1,398
Papua New Guinea	0.003	26,237	4,698	67	-	26,170	4,698	30,868
Paraguay	0.007	-	10,962	-	10,772	-	190	190
Peru	0.108	83,491	169,138	83,491	169,063	-	75	75
Philippines	0.108	-	169,138	-	169,138	-	-	-

Annex I (e) — cont.

Status of assessed contributions to the regular budget (in euros) as at 31 December 2011

Member States	Scale %	Contributions payable		Credits and collections in 2010-11		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
Poland	0.696	-	1,090,000	-	1,090,000	-	-	-
Portugal	0.732	559,261	1,146,380	559,261	1,146,380	-	-	-
Qatar	0.118	-	184,799	-	93,069	-	91,730	91,730
Republic of Korea	3.020	-	4,729,598	-	4,729,598	-	-	-
Republic of Moldova	0.001	614,160	1,566	177,130	-	437,030	1,566	438,596
Romania	0.097	-	151,910	-	151,910	-	-	-
Russian Federation	1.668	-	2,612,242	-	2,612,242	-	-	-
Rwanda	0.001	1,154	1,566	1,154	853	-	713	713
Saint Kitts and Nevis	0.001	1,621	1,566	67	-	1,554	1,566	3,120
Saint Lucia	0.001	912	1,566	279	-	633	1,566	2,199
Saint Vincent and the Grenadines	0.001	115,415	1,566	-	-	115,415	1,566	116,981
Samoa	0.001	773	1,566	773	1,566	-	-	-
Sao Tome and Principe	0.001	139,124	1,566	-	-	139,124	1,566	140,690
Saudi Arabia	1.040	-	1,628,736	-	1,395,159	-	233,577	233,577
Senegal	0.006	13,302	9,396	13,302	5,939	-	3,457	3,457
Serbia	0.029	-	45,416	-	45,416	-	-	-
Seychelles	0.003	-	4,698	-	1,196	-	3,502	3,502
Sierra Leone	0.001	1,776	1,566	1,776	1,566	-	-	-
Slovakia	0.088	-	137,816	-	137,816	-	-	-
Slovenia	0.133	-	208,290	-	208,290	-	-	-
Somalia	0.001	139,123	1,566	-	-	139,123	1,566	140,689
South Africa	0.403	-	631,136	-	631,136	-	-	-
Spain	4.125	-	6,460,131	-	4,062,416	-	2,397,716	2,397,716
Sri Lanka	0.022	-	34,454	-	34,454	-	-	-
Sudan	0.010	6,943	15,660	777	-	6,166	15,660	21,826
Suriname	0.001	-	1,566	-	1,566	-	-	-
Swaziland	0.003	-	4,698	-	279	-	4,419	4,419
Sweden	1.489	-	2,331,911	-	2,331,911	-	-	-
Switzerland	1.690	-	2,646,696	-	2,646,696	-	-	-
Syrian Arab Republic	0.022	-	34,454	-	34,454	-	-	-
Tajikistan	0.001	147,133	1,566	30,409	-	116,724	1,566	118,290
Thailand	0.259	-	405,618	-	405,618	-	-	-

Annex I (e) — cont.

Status of assessed contributions to the regular budget (in euros) as at 31 December 2011

Member States	Scale %	Contributions payable		Credits and collections in 2010-11		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
The former Yugoslav Republic of Macedonia	0.007	4,603	10,962	707	-	3,896	10,962	14,858
Timor-Leste	0.001	1,494	1,566	1,494	1,566	-	-	-
Togo	0.001	57,924	1,566	9,465	-	48,459	1,566	50,025
Tonga	0.001	399	1,566	138	-	261	1,566	1,827
Trinidad and Tobago	0.038	-	59,512	-	59,512	-	-	-
Tunisia	0.043	-	67,342	-	67,342	-	-	-
Turkey	0.530	-	830,028	-	830,028	-	-	-
Turkmenistan	0.008	236,614	12,528	-	-	236,614	12,528	249,142
Uganda	0.004	5,110	6,264	2,234	-	2,876	6,264	9,140
Ukraine	0.063	1,906,452	98,664	105,344	-	1,801,108	98,664	1,899,772
United Arab Emirates	0.420	-	657,758	-	657,758	-	-	-
United Kingdom	9.232	-	14,458,161	-	14,458,161	-	-	-
United Republic of Tanzania	0.008	4,028	12,528	4,028	12,504	-	24	24
Uruguay	0.038	19,168	59,512	19,168	30,365	-	29,147	29,147
Uzbekistan	0.011	478,328	17,228	17,118	-	461,210	17,228	478,438
Vanuatu	0.001	82,811	1,566	-	-	82,811	1,566	84,377
Venezuela (Bolivarian Republic of)	0.278	134,995	435,374	134,995	130,924	-	304,450	304,450
Viet Nam	0.033	-	51,682	-	51,682	-	-	-
Yemen	0.010	7,080	15,660	7,080	1,011	-	14,649	14,649
Zambia	0.001	-	1,566	-	1,566	-	-	-
Zimbabwe	0.011	-	17,228	-	17,228	-	-	-
Subtotal:	100.000	44,632,203	156,609,188	18,821,471	144,091,556	25,810,731	12,517,632	38,328,364
FORMER MEMBER STATES:								
USA		69,068,887	-			69,068,887	-	69,068,887
Yugoslavia (former)		2,081,599	-			2,081,599	-	2,081,599
Subtotal:		71,150,486	-			71,150,486	-	71,150,486
T O T A L		**115,782,689**	**156,609,188**	**18,821,471**	**144,091,556**	**96,961,218**	**12,517,632**	**109,478,850**

Annex I (e) — cont.

Status of assessed contributions to the regular budget (in euros) as at 31 December 2011

Member States	Scale %	Contributions payable		Credits and collections in 2010-11		Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium	Current biennium	Prior biennium	Current biennium	
1986		44,138		-		44,138		44,138
1987		46,734		-		46,734		46,734
1988		72,721		-		72,721		72,721
1989		91,479		-		91,479		91,479
1990		496,067		3,771		492,296		492,296
1991		625,832		8,750		617,082		617,082
1992		722,060		16,023		706,037		706,037
1993		814,240		12,874		801,366		801,366
1994		7,213,535		18,218		7,195,317		7,195,317
1995		34,051,814		262,478		33,789,336		33,789,336
1996		33,118,460		2,163,481		30,954,979		30,954,979
1997		3,105,322		2,276,371		828,951		828,951
1998		2,491,505		1,799,664		691,841		691,841
1999		3,512,507		1,714,259		1,798,248		1,798,248
2000		1,742,814		1,402,123		340,691		340,691
2001		1,742,814		1,402,123		340,691		340,691
2002		2,052,463		1,359,276		693,187		693,187
2003		2,329,982		67		2,329,915		2,329,915
2004		2,582,176		2,826		2,579,350		2,579,350
2005		2,593,094		7,394		2,585,700		2,585,700
2006		1,887,740		17,243		1,870,497		1,870,497
2007		4,938,226		2,264,326		2,673,900		2,673,900
2008		4,261,144		2,777,610		1,483,534		1,483,534
2009		5,245,822		1,312,594		3,933,228		3,933,228
2010			78,304,594		74,174,069		4,130,525	4,130,525
2011			78,304,594		69,917,487		8,387,107	8,387,107
T O T A L		**115,782,689**	**156,609,188**	**18,821,471**	**144,091,556**	**96,961,218**	**12,517,632**	**109,478,850**
Supplementary estimates for the biennium 2004-2005 for security enhancements (GC.11/Dec.15)		91,980		147		91,833		91,833
GRAND TOTAL		**115,874,669**	**156,609,188**	**18,821,618**	**144,091,556**	**97,053,051**	**12,517,632**	**109,570,683**

Annex I (f)

Status of advances to the Working Capital Fund as at 31 December 2011
(in euros)

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2009	Adjustments 2010-11	Collections 2010-11	Amount outstanding
Afghanistan	0.001	74	74	-	-	-
Albania	0.008	594	594	-	-	-
Algeria	0.118	8,759	8,759	-	-	-
Angola	0.004	297	297	-	-	-
Argentina	0.452	33,552	33,552	-	-	-
Armenia	0.003	223	223	-	-	-
Austria	1.233	91,526	91,526	-	-	-
Azerbaijan	0.007	520	520	-	-	-
Bahamas	0.022	1,633	1,633	-	-	-
Bahrain	0.046	3,415	3,415	-	-	-
Bangladesh	0.010	742	742	-	-	-
Barbados	0.013	965	965	-	-	-
Belarus	0.028	2,078	2,078	-	-	-
Belgium	1.532	113,721	113,721	-	-	-
Belize	0.001	74	74	-	-	-
Benin	0.001	74	74	-	-	-
Bhutan	0.001	74	74	-	-	-
Bolivia (Plurinational State of)	0.008	594	594	-	-	-
Bosnia and Herzegovina	0.008	594	594	-	-	-
Botswana	0.019	1,410	1,410	-	-	-
Brazil	1.218	90,413	90,413	-	-	-
Bulgaria	0.028	2,078	2,078	-	-	-
Burkina Faso	0.003	223	223	-	-	-
Burundi	0.001	74	74	-	-	-
Cambodia	0.001	74	74	-	-	-
Cameroon	0.013	965	965	-	-	-
Cape Verde	0.001	74	74	-	-	-
Central African Republic	0.001	74	74	-	-	-
Chad	0.001	74	74	-	-	-
Chile	0.224	16,628	16,628	-	-	-
China	3.707	275,172	275,172	-	-	-
Colombia	0.146	10,838	10,838	-	-	-
Comoros	0.001	74	74	-	-	-
Congo	0.001	74	74	-	-	-
Costa Rica	0.044	3,266	3,266	-	-	-
Côte d'Ivoire	0.013	965	965	-	-	-
Croatia	0.069	5,122	5,122	-	-	-
Cuba	0.075	5,567	5,567	-	-	-
Cyprus	0.061	4,528	4,528	-	-	-
Czech Republic	0.391	29,024	29,024	-	-	-
Democratic People's Republic of Korea	0.010	742	742	-	-	-
Democratic Republic of the Congo	0.004	297	297	-	-	-
Denmark	1.027	76,235	76,235	-	-	-

Annex I (f) — cont.

Status of advances to the Working Capital Fund as at 31 December 2011
(in euros)

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2009	Adjustments 2010-11	Collections 2010-11	Amount outstanding
Djibouti	0.001	74	74	-	-	-
Dominica	0.001	74	74	-	-	-
Dominican Republic	0.033	2,450	325	-	-	2,125
Ecuador	0.029	2,153	2,153	-	-	-
Egypt	0.122	9,056	9,056	-	-	-
El Salvador	0.028	2,078	153	-	-	1,925
Equatorial Guinea	0.003	223	223	-	-	-
Eritrea	0.001	74	74	-	-	-
Ethiopia	0.004	297	297	-	-	-
Fiji	0.004	297	297	-	-	-
Finland	0.784	58,197	58,197	-	-	-
France	8.758	650,109	650,109	-	-	-
Gabon	0.011	817	817	-	-	-
Gambia	0.001	74	74	-	-	-
Georgia	0.004	297	297	-	-	-
Germany	11.922	884,974	884,974	-	-	-
Ghana	0.006	445	445	-	-	-
Greece	0.828	61,463	61,463	-	-	-
Grenada	0.001	74	74	-	-	-
Guatemala	0.044	3,266	3,266	-	-	-
Guinea	0.001	74	74	-	-	-
Guinea-Bissau	0.001	74	74	-	-	-
Guyana	0.001	74	74	-	-	-
Haiti	0.003	223	223	-	-	-
Honduras	0.007	520	520	-	-	-
Hungary	0.339	25,164	25,164	-	-	-
India	0.625	46,394	46,394	-	-	-
Indonesia	0.224	16,628	16,628	-	-	-
Iran (Islamic Republic of)	0.250	18,558	18,558	-	-	-
Iraq	0.021	1,559	1,559	-	-	-
Ireland	0.619	45,949	45,949	-	-	-
Israel	0.582	43,202	43,202	-	-	-
Italy	7.060	524,066	524,066	-	-	-
Jamaica	0.014	1,039	1,039	-	-	-
Japan	22.000	1,633,067	1,633,067	-	-	-
Jordan	0.017	1,262	1,262	-	-	-
Kazakhstan	0.040	2,969	2,969	-	-	-
Kenya	0.014	1,039	1,039	-	-	-
Kuwait	0.253	18,780	18,780	-	-	-
Kyrgyzstan	0.001	74	74	-	-	-
Lao People's Democratic Republic	0.001	74	74	-	-	-
Lebanon	0.047	3,489	3,489	-	-	-
Lesotho	0.001	74	4	-	-	-

Annex I (f) — cont.

Status of advances to the Working Capital Fund as at 31 December 2011
(in euros)

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2009	Adjustments 2010-11	Collections 2010-11	Amount outstanding
Liberia	0.001	74	74	-	-	-
Libya	0.086	6,384	6,384	-	-	-
Lithuania	0.043	3,192	3,192	-	-	-
Luxembourg	0.118	8,759	8,759	-	-	-
Madagascar	0.003	223	223	-	-	-
Malawi	0.001	74	74	-	-	-
Malaysia	0.264	19,597	19,597	-	-	-
Maldives	0.001	74	74	-	-	-
Mali	0.001	74	74	-	-	-
Malta	0.024	1,782	1,782	-	-	-
Mauritania	0.001	74	74	-	-	-
Mauritius	0.015	1,113	1,113	-	-	-
Mexico	3.137	232,860	221,223	11,637	-	-
Monaco	0.004	297	297	-	-	-
Mongolia	0.001	74	74	-	-	-
Montenegro	0.001	74	74	-	-	-
Morocco	0.058	4,305	4,305	-	-	-
Mozambique	0.001	74	74	-	-	-
Myanmar	0.007	520	520	-	-	-
Namibia	0.008	594	594	-	-	-
Nepal	0.004	297	297	-	-	-
Netherlands	2.603	193,221	193,221	-	-	-
New Zealand	0.356	26,426	26,426	-	-	-
Nicaragua	0.003	223	74	-	-	149
Niger	0.001	74	74	-	-	-
Nigeria	0.067	4,973	4,973	-	-	-
Norway	1.087	80,688	80,688	-	-	-
Oman	0.101	7,497	7,497	-	-	-
Pakistan	0.082	6,087	6,087	-	-	-
Panama	0.032	2,375	2,375	-	-	-
Papua New Guinea	0.003	223	223	-	-	-
Paraguay	0.007	520	520	-	-	-
Peru	0.108	8,017	8,017	-	-	-
Philippines	0.108	8,017	8,017	-	-	-
Poland	0.696	51,664	51,664	-	-	-
Portugal	0.732	54,337	54,337	-	-	-
Qatar	0.118	8,759	8,759	-	-	-
Republic of Korea	3.020	224,176	224,176	-	-	-
Republic of Moldova	0.001	74	74	-	-	-
Romania	0.097	7,200	7,200	-	-	-
Russian Federation	1.668	123,816	123,816	-	-	-
Rwanda	0.001	74	74	-	-	-
Saint Kitts and Nevis	0.001	74	74	-	-	-

Annex I (f) — cont.

Status of advances to the Working Capital Fund as at 31 December 2011
(in euros)

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2009	Adjustments 2010-11	Collections 2010-11	Amount outstanding
Saint Lucia	0.001	74	74	-	-	-
Saint Vincent and the Grenadines	0.001	74	74	-	-	-
Sao Tome and Principe	0.001	74	74	-	-	-
Saudi Arabia	1.040	77,201	77,201	-	-	-
Senegal	0.006	445	445	-	-	-
Serbia	0.029	2,153	2,153	-	-	-
Seychelles	0.003	223	223	-	-	-
Sierra Leone	0.001	74	74	-	-	-
Slovakia	0.088	6,532	6,532	-	-	-
Slovenia	0.133	9,873	9,873	-	-	-
Somalia	0.001	74	74	-	-	-
South Africa	0.403	29,915	29,915	-	-	-
Spain	4.125	306,200	306,200	-	-	-
Sri Lanka	0.022	1,633	1,633	-	-	-
Sudan	0.010	742	742	-	-	-
Suriname	0.001	74	74	-	-	-
Swaziland	0.003	223	223	-	-	-
Sweden	1.489	110,529	110,529	-	-	-
Switzerland	1.690	125,449	125,449	-	-	-
Syrian Arab Republic	0.022	1,633	1,633	-	-	-
Tajikistan	0.001	74	74	-	-	-
Thailand	0.259	19,226	19,226	-	-	-
The former Yugoslav Republic of Macedonia	0.007	520	520	-	-	-
Timor-Leste	0.001	74	74	-	-	-
Togo	0.001	74	74	-	-	-
Tonga	0.001	74	74	-	-	-
Trinidad and Tobago	0.038	2,821	2,821	-	-	-
Tunisia	0.043	3,192	3,192	-	-	-
Turkey	0.530	39,342	39,342	-	-	-
Turkmenistan	0.008	594	56	-	-	538
Uganda	0.004	297	297	-	-	-
Ukraine	0.063	4,677	4,677	-	-	-
United Arab Emirates	0.420	31,177	31,177	-	-	-
United Kingdom	9.232	685,294	685,294	-	-	-
United Republic of Tanzania	0.008	594	594	-	-	-
Uruguay	0.038	2,821	2,821	-	-	-
Uzbekistan	0.011	817	817	-	-	-
Vanuatu	0.001	74	74	-	-	-
Venezuela (Bolivarian Republic of)	0.278	20,636	20,636	-	-	-
Viet Nam	0.033	2,450	2,450	-	-	-
Yemen	0.010	742	742	-	-	-
Zambia	0.001	74	74	-	-	-

Member State	Scale of assessment (per cent)	Amount of advance	Collections 1986-2009	Adjustments 2010-11	Collections 2010-11	Amount outstanding
Zimbabwe	0.011	817	817	-	-	-
Subtotal	**100.000**	7,423,030	7,406,656	11,637	-	4,737
New Member State						
Samoa	0.001	74	74		-	-
T O T A L	**100.001**	**7,423,104**	**7,406,730**	**11,637**	**-**	**4,737**

Annex II (a)

Summary of transactions on sub-accounts of the Industrial Development Fund for the year as at 31 December 2011 — euro-based

(in euros)

	Fund balance at 01/01/2011	Cash received in 2011	Expenditures 2011	Miscellaneous income including general pool interest	Fund balance as at 31/12/2011
General-purpose convertible	1,964,273	0	10,497	19,824	**1,973,600**
Agence Wallonne à l'Exportation	128,744	-822	22,341	0	**105,581**
Austria Cleaner Production	1,546,766	89,645	492,085	0	**1,144,326**
Austria	3,991,789	1,334,986	685,352	0	**4,641,423**
Austrian Development Agency	644,676	527,325	317,710	0	**854,292**
Austrian Ministry of Agriculture, Forestry, Environment and Water Management	27,607	53,049	28,414	0	**52,242**
Czech Republic	19,981	0	17,602	0	**2,379**
Finland	801,493	706,212	188,419	1	**1,319,286**
France	53,766	1,175,854	492,256	0	**737,363**
France, Ministry of Agriculture	732,110	-533,560	39,712	0	**158,838**
Greece	27,308	0	25,422	0	**1,886**
Hungary	18,246	135	-463	0	**18,844**
Italy	3,605,120	564,083	1,311,317	1,674	**2,859,560**
Luxembourg	168,508	202,906	243,901	0	**127,513**
Namibia	348	0	0	0	**348**
Poland	3,443	5	263	0	**3,185**
Portugal	91,385	665	0	0	**92,051**
Slovenia	1,043,486	8,015	569,179	-1,895	**480,428**
Spain	1,934,857	500,000	1,091,427	0	**1,343,430**
Switzerland	922,091	3,926,985	583,605	0	**4,265,471**
Unencumbered balances - Integrated programmes and country service framework activities	60,226	1,111	24,299	0	**37,038**
Unencumbered balances - Millennium Development Goals	26,961	302	12,013	0	**15,250**
Unencumbered balances - Post-crisis situation	169,011	1,231	0	0	**170,242**
Undefined	-393	634	0	392	**634**
Total special-purpose convertible	16,017,530	8,558,761	6,144,853	172	**18,431,610**
GRAND TOTAL	17,981,803	8,558,761	6,155,350	19,996	**20,405,210**

Annex II (b)

Summary of transactions on sub-accounts of the Industrial Development Fund for the year as at 31 December 2011 — dollar-based
(in United States dollars)

	Fund balance at 01/01/2011	Cash received in 2011	Expenditures 2011	Miscellaneous income including general pool interest	Fund balance as at 31/12/2011
General-purpose convertible	2,995,544	648,249	0	18,318	**3,662,110**
Argentina	225	0	0	0	**225**
Australia	30,606	-30,636	-31	0	**0**
Austria	453,963	-0	92,991	0	**360,972**
Austria Cleaner Production	2,463	13	-170	0	**2,646**
Bahrain	277,592	931,645	856,027	0	**353,210**
Belgium	126,204	650	0	0	**126,854**
Brazil	29,696	0	0	0	**29,696**
Brazil - Pernambuco State Government	28,937	0	0	0	**28,937**
China	4,778,737	740,682	738,079	0	**4,781,340**
Côte d'Ivoire	-108,618	108,618	0	0	**0**
Czech Republic	175,253	3,593	163,582	-3,593	**11,671**
Democratic People's Republic of Korea	1,351	0	0	0	**1,351**
Denmark (Danida) - Sub-Saharan Africa	611,715	-4,266	363,939	8,982	**252,492**
Egypt	-101,718	101,718	0	0	**0**
Germany	220,550	0	0	0	**220,550**
Guatemala	73,563	0	-290	0	**73,853**
Hungary	132,150	728	23,815	0	**109,063**
India	8,989,512	1,072,423	2,099,058	0	**7,962,876**
Indonesia	10,493	0	0	0	**10,493**
Italy	420,753	-431,384	-10,631	0	**0**
Japan	542,124	1,966,155	1,878,827	0	**629,453**
Japan Overseas Development Corporation, Bangkok	424	0	0	0	**424**
Kuwait	111,601	-45,989	0	0	**65,612**
Luxembourg	36,566	190	0	0	**36,755**
Mexico	213,839	0	172,190	0	**41,649**

Annex II (b) — cont.

Summary of transactions on sub-accounts of the Industrial Development Fund for the year as at 31 December 2011 — dollar-based
(in United States dollars)

	Fund balance at 01/01/2011	Cash received in 2011	Expenditures 2011	Miscellaneous income including general pool interest	Fund balance as at 31/12/2011
Myanmar	577	0	0	0	**577**
Netherlands	828,524	0	0	0	**828,524**
New Zealand	39,754	0	22,357	0	**17,397**
Nigeria - Ebonyi State	115,918	0	68,806	0	**47,111**
Norway	156,049	0	0	0	**156,049**
Poland	31,891	0	18,899	0	**12,992**
Portugal	1,378,588	8,225	356,208	0	**1,030,604**
Republic of Korea	1,883,405	900,085	705,166	0	**2,078,324**
Romania	13,434	0	0	0	**13,434**
Russian Federation	3,419,857	2,600,000	3,134,764	0	**2,885,093**
Saudi Arabia	1,200,479	6,181	0	0	**1,206,661**
Saudi Arabian General Investment Authority	306,489	0	0	0	**306,489**
Slovakia	106,886	0	0	0	**106,886**
Spain	4,213	0	0	0	**4,213**
Sweden	4,676	0	0	0	**4,676**
Switzerland	7,198,539	3,039,473	5,094,010	0	**5,144,002**
Thailand	54,735	0	0	0	**54,735**
Turkey	220,936	89,329	117,768	0	**192,497**
Undefined	3,338	17	0	0	**3,355**
Various donor programmable funds	376,598	49,253	153,987	0	**271,864**
Total special-purpose convertible	34,402,865	11,106,702	16,049,352	5,389	**29,465,604**
Bulgaria	28	0	0	0	**28**
China	449,794	147,516	0	0	**597,310**
Cuba	433,148	0	0	0	**433,148**
Egypt	-45,546	0	0	0	**-45,546**
Egypt Iron And Steel Co.	31,942	0	0	0	**31,942**
Undefined	293	-3,174	0	0	**-2,881**
Total special-purpose non-convertible	869,659	144,341	0	0	**1,014,001**
GRAND TOTAL	38,268,068	11,899,292	16,049,352	23,707	**34,141,716**

Annex III (a)

Summary of technical cooperation activities financed by trust funds for the year as at 31 December 2011 — euro-based
(in euros)

Description	Fund balance at 01/01/2011	Contributions received, interest and miscellaneous income 2011	Expenditures 2011	Fund balance as at 12/31/2011
Projects financed by recipient Governments				
Cameroon	65,983	0	0	**65,983**
Cape Verde	0	13,930	0	**13,930**
Croatia	48,596	0	41,397	**7,199**
Iran (Islamic Republic of)	1,450	0	0	**1,450**
Kenya	7,927	0	58	**7,869**
Congo	368,013	304,898	322,806	**350,105**
Democratic People's Republic of Korea	64,281	88,432	87,169	**65,544**
South Africa	1,562,380	2,560,416	1,566,604	**2,556,192**
Sudan	124,472	0	6,288	**118,183**
Syrian Arab Republic	0	410,095	35,432	**374,663**
Thailand	266	0	0	**266**
Subtotal	2,243,368	3,377,771	2,059,754	**3,561,384**
Associate Experts and JPOs				
Austria	58,535	95,523	62,963	**91,095**
Germany	159,030	211,641	172,094	**198,577**
Subtotal	217,565	307,164	235,057	**289,672**
Projects financed by donor Governments				
Australia	-1,773	0	0	**-1,773**
Belgium	27,311	0	27,084	**227**
European Union	11,262,388	9,374,086	14,478,421	**6,158,053**
European Union Commission	960	0	0	**960**
European Union Seventh Framework Programme	0	521,379	12,843	**508,536**
European Union, Ukraine	0	180,000	0	**180,000**
Finland	43,962	0	-601	**44,564**
France	515,428	731,857	775,483	**471,802**
Germany	1,254,086	1,769,002	2,314,939	**708,150**
Trust fund trade	1,771,590	684,180	293,482	**2,162,288**
Trust fund for increased food security through agribusiness and agro-industry promotion	274,394	809,276	26,233	**1,057,437**
Trust fund for renewable energy for productive activities	5,658	452,726	62,658	**395,726**
Italy	19,193,062	1,236,057	7,559,102	**12,870,017**
Netherlands	4,669	0	0	**4,669**
Norway	1,687,026	2,353,658	2,142,146	**1,898,538**
Poland	0	25,000	24,945	**55**
Africa Region Productive Capacity Facility	58,283	-58,283	0	**0**
Sweden	915,720	220,816	173,393	**963,143**

Annex III (a) — cont.

Summary of technical cooperation activities financed by trust funds for the year as at 31 December 2011 — euro-based
(in euros)

Description	Fund balance at 01/01/2011	Contributions received, interest and miscellaneous income 2011	Expenditures 2011	Fund balance as at 12/31/2011
Spain	106,000	0	0	**106,000**
United Kingdom	769,111	2,092,632	756,393	**2,105,350**
Subtotal	37,887,875	20,392,386	28,646,521	**29,633,742**
Other trust funds				
Undefined	0	179,630	3,213	**176,417**
Subtotal	0	179,630	3,213	**176,417**
Austria	0	0	0	**0**
Global Carbon Capture and Institute, Storage (CCS) Institute, Australia	120,286	0	106,505	**13,781**
Flemish Government, Belgium	332,279	250,000	57,084	**525,195**
City of Marseille, France	74,193	80,000	41,774	**112,418**
Agence Française de Développement (AFD), France	281,059	500,000	123,365	**657,694**
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Germany	123,548	-80,000	2,285	**41,263**
Iran (Islamic Republic of)	434	0	0	**434**
Central European Initiative (CEI), Italy	6,086	-6,086	0	**0**
Region of Tuscany, Italy	2,992	0	-8,020	**11,011**
Microsoft Corporation, USA	44,669	0	13,820	**30,849**
Norwegian Agency for Development Cooperation (Norad), Norway	1,356,885	2,358,885	1,142,600	**2,573,170**
Renewable Energy Efficiency Partnership	309	50,676	985	**50,000**
Global Trust Fund Evaluation Network	0	41,877	0	**41,877**
Public Authority for Industry, Kuwait	0	133,114	39,207	**93,907**
ComMark Trust, South Africa	34,870	0	-119	**34,989**
Food and Agriculture Organization of the United Nations (FAO)	1,025	0	0	**1,025**
United Nations Environment Programme (UNEP)	5,931	0	0	**5,931**
Subtotal	2,384,566	3,328,466	1,519,486	**4,193,544**
	42,733,374	**27,585,417**	**32,464,031**	**37,854,759**

Annex III (b)

Summary of technical cooperation activities financed by trust funds for the year as at 31 December 2011 — dollar-based
(in US dollars)

Description	Fund balance at 01/01/2011	Contributions received, interest and miscellaneous income 2011	Expenditures 2011	Fund balance as at 12/31/2011
Projects financed by recipient Governments				
Algeria	26,029	0	0	**26,029**
Argentina	361,894	0	0	**361,894**
Burundi	1,014	0	0	**1,014**
Bolivia (Plurinational State of)	12,460	0	0	**12,460**
Brazil	125,082	0	-24,822	**149,904**
Bulgaria	7,104	0	0	**7,104**
Belarus	26,204	-26,204	0	**0**
Belize	30,414	-30,414	0	**0**
Chad	722,656	0	0	**722,656**
Cameroon	235,756	262,632	216,188	**282,200**
Colombia	249,957	323,013	238,832	**334,138**
China	969,208	1,194,471	1,334,624	**829,055**
Ecuador	6,690	6,244	0	**12,934**
Egypt	-93	14	0	**-79**
Social Fund for Development, Egypt	13,512	-13,512	0	**0**
Ethiopia	2,699	0	0	**2,699**
Gabon	3,604	15,631	0	**19,235**
Honduras	2,958	0	0	**2,958**
India	995,310	136,624	199,384	**932,550**
Indonesia	8,549	0	-63	**8,612**
Iran (Islamic Republic of)	132,759	183	-35,272	**168,214**
Iran-Organization for Investment, Economic and Technical Assistance of Iran (Islamic Republic of)	52,112	0	0	**52,112**
Iraq	22,028	0	0	**22,028**
Côte d'Ivoire	9,358	-9,358	0	**0**
Kenya	7,994	0	0	**7,994**
Lebanon	79,622	0	69,048	**10,574**
Libya - Benghazi Development Centre	8,093	0	0	**8,093**
Libya - General Pipe Company Benghazi	2,700	0	0	**2,700**
Libya - Industrial Research Centre of Libya	10,049	0	0	**10,049**
Libya - Secretariat of Strategic Industry	53,081	0	0	**53,081**
Lithuania	3,928	-3,928	0	**0**

Annex III (b) — cont.

Summary of technical cooperation activities financed by trust funds for the year as at 31 December 2011 — dollar-based
(in US dollars)

Description	Fund balance at 01/01/2011	Contributions received, interest and miscellaneous income 2011	Expenditures 2011	Fund balance as at 12/31/2011
Madagascar	95,672	0	0	**95,672**
Mexico	628,777	-1,220	28,086	**599,471**
Nigeria	1,248,858	38,052	335,443	**951,467**
Oman	11,311	0	0	**11,311**
Pakistan	30,186	0	0	**30,186**
Panama	10,057	0	0	**10,057**
Paraguay	17,780	0	0	**17,780**
Peru	19,929	0	0	**19,929**
Russian Federation	742,727	214,884	198,531	**759,080**
Russia - The Foundation NEM and CPCOGI	1,786	0	0	**1,786**
Rwanda	127,424	0	126,718	**706**
South Africa	113,000	0	103,900	**9,100**
Saudi Arabia	53,401	0	-24,158	**77,559**
Saudi Arabian General Investment Authority	52,179	-52,179	0	**0**
Saudi German Hospitals Group	59,246	-59,246	0	**0**
Sudan	329	-329	0	**0**
Thailand	10,274	-10,274	0	**0**
Trinidad and Tobago	69,162	0	0	**69,162**
Turkey	6,625,338	2,390	3,314,717	**3,313,011**
Yemen	24,593	0	0	**24,593**
Zambia	-26,548	2,090,000	1,592,335	**471,117**
Subtotal	14,098,212	4,077,474	7,673,491	**10,502,195**
<u>Associate Experts and JPOs</u>				
Austria	99,969	0	0	**99,969**
Belgium	38,736	0	0	**38,736**
France	23,456	0	0	**23,456**
Germany	107,159	126,423	122,045	**111,537**
Italy	395,896	216,448	302,463	**309,881**
Japan	244,567	256,818	265,057	**236,328**
Norway	278,756	0	26,471	**252,285**
Republic of Korea	0	171,168	0	**171,168**
Russian Federation	-6,553	6,553	0	**0**
Saudi Arabia	-9,029	0	80,033	**-89,062**
Spain	25,026	-25,026	0	**0**
Sweden	46,025	0	834	**45,191**
Subtotal	1,244,008	752,384	796,903	**1,199,489**

Annex III (b) — cont.

Summary of technical cooperation activities financed by trust funds for the year as at 31 December 2011 — dollar-based
(in US dollars)

Description	Fund balance at 01/01/2011	Contributions received, interest and miscellaneous income 2011	Expenditures 2011	Fund balance as at 12/31/2011
Projects financed by donor Governments				
Austria	35,427	-790	18,531	**16,106**
Belgium	14,922	0	3,010	**11,912**
Canada	1,536,733	5,186,617	1,581,593	**5,141,757**
Denmark	0	105,932	6,413	**99,519**
Finland	65,826	0	0	**65,826**
France	54,138	0	0	**54,138**
Trust Fund Trade	60,575	411	45,178	**15,808**
Greece	30,667	-30,667	0	**0**
Italy	906,485	423,087	197,814	**1,131,758**
Japan	5,528,705	607,206	717,466	**5,418,445**
Norway	1,182,528	933,998	1,030,334	**1,086,192**
Africa Region Productive Capacity Facility	296,450	-296,450	0	**0**
Republic of Korea	29,186	0	0	**29,186**
Republic of Korea - Korean Research Institute of Standards and Science	133,002	0	0	**133,002**
Spain	344,324	893,000	169,757	**1,067,567**
Sweden	-249	4,043,837	403,930	**3,639,658**
Switzerland	63,471	583,000	117,310	**529,161**
United Kingdom	543,789	-149,876	27,536	**366,377**
United States of America	373,232	-343,232	0	**30,000**
Subtotal	11,199,211	11,956,073	4,318,872	**18,836,412**
Other Trust Funds				
Cabinda Gulf Oil Co. Ltd, Angola	847,002	75,000	220,399	**701,603**
Centro de Investigaciones Textiles, Argentina	1,385	3,872	0	**5,257**
Austria Rural Energy, Austria	286,002	0	213,000	**73,002**
Afghan National Standards Authority (ANSA), Afghanistan	0	690,430	91,513	**598,917**
Premag HandelsGesMBH, Austria	2,595	-2,595	0	**0**
Institute for Scientific and Technological Development (IDCT), Brazil	4,075	0	0	**4,075**
Serviço Nacional de Aprendizagem Industrial, Brazil	38,327	-38,327	0	**0**

Annex III (b) — cont.

Summary of technical cooperation activities financed by trust funds for the year as at 31 December 2011 — dollar-based
(in US dollars)

Description	Fund balance at 01/01/2011	Contributions received, interest and miscellaneous income 2011	Expenditures 2011	Fund balance as at 12/31/2011
Pontifical Catholic University of Minas Gerais (SMC), Brazil	-28	28	0	**0**
Instituto de Investigación de Recursos Biológicos, Colombia	-20	20	0	**0**
Corporación Autónoma Regional para el Desarrollo Sostenible del Chocó (CODECHOCO), Colombia	0	168,927	162,475	**6,452**
Beni-Suef Cement Company, Egypt	33,822	-33,822	0	**0**
INFOCON Gesellschaft für Wirtschaftsinformationen und Beratung mbH, Germany	113,225	0	111,137	**2,088**
Oil and Natural Gas Corporation Ltd, India	30,028	0	-24,720	**54,748**
Ministry of Chemicals and Fertilizers, India	394,277	0	123,163	**271,114**
Glucosan Factories, Iran (Islamic Republic of)	-172	172	0	**0**
Iranian Fuel Conservation Organization (IFCO), Iran (Islamic Republic of)	49,706	0	23,790	**25,916**
Iran Nanotechnology Initiative Council (INIC), Iran (Islamic Republic of)	0	500,000	0	**500,000**
Sezione Speciale per l'Assicurazione del Credito, Italy	36,448	-36,448	0	**0**
New Energy and Industrial Technology Development Organization, Japan	1,404	0	0	**1,404**
Ministry for the Environment, Land and Sea, Italy	258,885	118,650	241,769	**135,766**
Procter and Gamble Far East Inc., Japan	475	-475	0	**0**
Ministry of Finance, Japan	0	10,650,000	6,434,076	**4,215,924**
Japan Overseas Development Corporation, Bangkok	45	0	-35	**80**
Korea International Cooperation Agency (KOICA), Republic of Korea	0	450,000	265,335	**184,665**
Comité Técnico Empresarial (CTE), Mexico	17,507	-17,507	0	**0**
Agence de l'Oriental, Morocco	90,178	58,811	144,444	**4,545**
New Nigeria Development Company, Nigeria	28,325	-28,325	0	**0**
Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), Nigeria	105,160	0	17,150	**88,010**
Standards Organization of Nigeria (SON), Nigeria	665,475	0	0	**665,475**
National Agency for Science and Engineering Infrastructure (NASENI), Nigeria	845	0	158	**687**
Projects Development Institute (PRODA), Nigeria	45,767	0	26,194	**19,573**
Norwegian Agency for Development Cooperation (Norad), Norway	420,105	-34,928	231,392	**153,785**

Annex III (b) — cont.

Summary of technical cooperation activities financed by trust funds for the year as at 31 December 2011 — dollar-based
(in US dollars)

Description	Fund balance at 01/01/2011	Contributions received, interest and miscellaneous income 2011	Expenditures 2011	Fund balance as at 12/31/2011
Federal Chemical and Ceramics Corporation, Pakistan	-1,677	1,677	0	**0**
Gulf Organization for Industrial Consulting, Qatar	8,693	1,302	7,544	**2,451**
Gulf Cooperation Council, Saudi Arabia	11,676	-11,676	0	**0**
Islamic Development Bank, Saudi Arabia	587,742	0	300,009	**287,733**
NADSME - Slovakia	8,181	-8,181	0	**0**
Ceylon Steel Corporation, Sri Lanka	5,284	-5,284	0	**0**
Staudhammer Finanz AG, Switzerland	3,357	-3,357	0	**0**
Turkish Electronic Industry Association (TESIDE), Turkey	1,781	-1,781	0	**0**
Unilever Research, United Kingdom	2,497	-2,497	0	**0**
Epstein Engineering Export Ltd, USA	807	-807	0	**0**
The Ford Foundation, USA	1,762	-1,762	0	**0**
US Agency for International Development (USAID), USA	-399	399	0	**0**
Zonta International Foundation, Chicago, USA	101,081	31,250	129,566	**2,765**
World Bank	9,166	-9,166	0	**0**
Yemen Corporation for Cement Industry and Marketing, Yemen	15,708	-15,708	0	**0**
African Development Bank	488	0	-503	**991**
Arab Gulf Programme for United Nations Development Organizations	102,344	0	-15	**102,359**
Common Fund for Commodities (CFC)	25,331	272,500	188,375	**109,456**
Economic Cooperation Organization (ECO), Iran (Islamic Republic of)	-44	44	0	**0**
Food and Agriculture Organization of the United Nations (FAO)	-2,631	35,000	9	**32,360**
Hewlett-Packard Company, USA	183,338	357,000	180,469	**359,869**
International Development Association (IDA)	144,643	-97,171	0	**47,472**
International Fund for Agricultural Development (IFAD)	112,294	278,604	97,330	**293,568**
International Labour Organization (ILO)	28,277	230,000	144,585	**113,692**
Multi-donor Trust Fund Joint Programme in Mali	285,786	0	258,086	**27,700**
Multi-donor Trust Fund for Sudan	6,199	0	-1,519	**7,718**
Multi-donor Trust Fund for Southern Sudan	28,084	-28,577	-697	**204**
Multi-donor Trust Fund for Sierra Leone	150,387	744,353	149,923	**744,817**
One UN Fund	6,313,744	3,332,692	5,831,026	**3,815,410**

Annex III (b) — cont.

Summary of technical cooperation activities financed by trust funds for the year as at 31 December 2011 — dollar-based

(in US dollars)

Description	**Fund balance at 01/01/2011**	**Contributions received, interest and miscellaneous income 2011**	**Expenditures 2011**	**Fund balance as at 12/31/2011**
Organization of Petroleum Exporting Countries (OPEC)	2,274	0	-3,642	**5,916**
RENPAP Member Countries	223,995	84,884	28,241	**280,638**
Standards and Trade Development Facility (STDF), WTO	0	33,600	29,281	**4,319**
Undefined	349,710	544,757	528,562	**365,905**
UNDP/United Nations Agreement for Tanzania	13,797	0	0	**13,797**
Millennium Development Goals Achievement Fund financed by Spain through UNDP (MDG-F)	5,956,469	8,229,623	7,077,882	**7,108,210**
UNIDO Regional Cleaner Production Programme for Latin America and the Caribbean (RCPP-LAC)	22,546	2,920	791	**24,675**
United Nations Development Group Iraq Trust Fund	9,933,993	2,343,988	6,823,328	**5,454,653**
United Nations Development Programme (UNDP)	15,337	-10,267	4,453	**617**
United Nations Economic and Social Commission for Western Asia	5,922	0	0	**5,922**
United Nation Fund for International Partnerships	13,426	200,000	60,304	**153,122**
United Nations High Commissioner for Refugees	2,496	0	0	**2,496**
United Nations Joint Trust Fund for Sudan	3,084	0	0	**3,084**
United Nations Lebanon Recovery Fund	211,187	0	74,084	**137,103**
United Nations Trust Fund for Human Security	2,875,558	146,590	2,114,522	**907,626**
One UN Fund Kyrgyzstan	2,357	259,340	0	**261,697**
United Nation Fund for Montenegro	3,630	30,480	29,474	**4,636**
United Nations Environment Programme (UNEP)	750,848	237,600	494,665	**493,783**
United Nation Peacebuilding Fund	767,972	900,000	709,849	**958,123**
Subtotal	32,759,343	30,625,852	33,537,222	**29,847,973**
TOTAL	**59,300,774**	**47,411,783**	**46,326,488**	**60,386,069**