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REPORT OF THE EXTERNAL AUDITOR, FINANCIAL PERFORMANCE REPORT AND PROGRAMME PERFORMANCE REPORT FOR THE BIENNIUM 1998-1999

**Report of the External Auditor on the accounts of the United Nations Industrial
Development Organization and of the Industrial Development Fund for the
financial period 1998-1999 ended 31 December 1999**

Corrigendum

Replace page 11 by the text appearing overleaf.

For reasons of economy, this document has been printed in a limited number. Delegates are kindly requested to bring their copies of documents to meetings.

In the same time period, funding by UNDP has decreased by 82% mainly due to the introduction of national execution,

Trust Funds expenditures dropped by 69%, expenditures in the Industrial Development Fund decreased by 66.1% whereas the Montreal Protocol activities have increased and Regular Programme expenditures have decreased to 73.1%.

18. Management believes that there are some positive indicators for Member States' willingness to fund Integrated Programmes. It underlined that the mobilization of funds for technical co-operation activities is the joint responsibility of the Secretariat and Member States and that the extreme downsizing of UNIDO had reduced the capacity both to mobilize funds and to implement projects.

19. The following remarks relate to the different funds financed by voluntary contributions.

- **UNDP** has traditionally been a major partner and source of funding for UNIDO. With the promotion of national execution by UNDP, this relationship has changed drastically. The funds UNIDO received from UNDP and UNDP trust funds have decreased from US\$ 195.5 million in the biennium 1990-1991 to US\$ 34.6 million in the biennium 1998-1999. This represents a drop of over 82%. The letter of agreement between UNIDO and UNDP, signed on 31 October 1998, should have marked a new positive signal between the two organizations. However, contrary to all expectations, contributions from UNDP to UNIDO's projects continued to decrease in 1999.
- The expenditures financed from **Trust Funds** dropped from US\$ 70.927 million in the biennium 1992-1993 to US\$ 21.806 million in the biennium 1998-1999. This represents a decrease of 69%.
- The accounting system of the **Industrial Development Fund** and the **Montreal Protocol Fund** was changed from accrual to cash basis as at 1 January 1998 in order to streamline procedures and to make reporting to donors more transparent and user-friendly. Due to this change the financial statements cannot be compared directly with previous bienniums. Nevertheless, I noted that contractual services increased considerably in the last biennium. This is due to an increase of the implementation rate of Montreal Protocol projects in the biennium 1998-1999 and to the fact that the contractual services represent a substantial part of the expenditures.
- The **Regular Programme of Technical Co-operation (RPTC)** is 73.1% of RPTC for the biennium 1990-1991, owing to the reduction of the Regular Budget.

C. *Special Account for Programme Support*

20. The special account for programme support contains the reimbursement of the costs for programme support and administrative services for the preparation and implementation of projects and other activities which are provided by the various units of UNIDO. The following Table shows the development of the special account for programme support: