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**Report of the External Auditor, financial
performance report and programme performance
report for the biennium 2004-2005**

Programme and Budget Committee

Twenty-second session

Vienna, 5-6 September 2006

Agenda item 3

**Report of the External Auditor, financial
performance report and programme performance
report for the biennium 2004-2005**

Report of the External Auditor on the accounts of the United Nations Industrial Development Organization for the financial period 1 January 2004 to 31 December 2005¹

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¹ The present document has not been edited.

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31 May 2006

The President of the Industrial Development Board
UNIDO
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Austria

Dear Sir/Madam

LETTER OF TRANSMITTAL

I have the honour to present to the 32nd session of the Industrial Development Board, through the 22nd session of the Programme and Budget Committee, my report and opinion on the financial statements of the United Nations Industrial Development Organization for the financial period 1 January 2004 to 31 December 2005.

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 and it is issued on the basis of the assurance that he does not have any significant comment.

Yours faithfully

[Signed]

S A Fakie
External Auditor
Auditor-General of the
Republic of South Africa

**Report of the External Auditor, financial performance report and
programme performance report for the biennium 2004-2005**

I. INTRODUCTION

1. The audit of the United Nations Industrial Development Organization (UNIDO) was assigned to the Auditor-General of the Republic of South Africa for the 2004-2005 financial period by resolution GC.10/Dec.16 adopted at the 10th regular session of the General Conference. It is a great honour to submit my report on the salient matters arising from the external audit to the 32nd session of the Industrial Development Board (IDB), through the 22nd session of the Programme and Budget Committee (PBC). This concludes my second term in office, which has allowed the organisation to benefit from continuity and experience. As I enter my third term, I intend to follow through on a number of issues. In accordance with generally accepted best practice of rotation of the external audit, I will not be making myself available for reappointment at the conclusion of this term.

2. The final audit of the financial statements covering the period 1 January 2004 to 31 December 2005 was completed in accordance with the provisions of the Financial Regulations. In addition to visits to the UNIDO headquarters, several field offices were audited in loco. The financial audit has been supplemented with various value-added and additional procedures. These included the review of non-expendable property, the UNIDO-UNDP cooperation for establishing the new UNIDO Desks, financial statement format and disclosure and a review of the financial rules. A follow-up audit was carried out on the general information and communication technology control environment. The Secretariat is actively following up the recommendations arising from my audit, and the status of implementation of my recommendations, which arose from the audit of the 2002-2003 financial period, has been included in annex I.

3. The planned audit approach and results of the audit work performed during the first year of the financial period were included in my interim report, which was transmitted to the 30th session of the Industrial Development Board, through the 21st session of the Programme and Budget Committee in documents IDB.30/8 and PBC.21/8, respectively. The purpose of this report is to inform the Industrial Development Board, through the Programme and Budget Committee, of significant matters arising from the external audit of the 2004-2005 financial period, as well as the current status of matters raised in my interim report.

4. I am pleased to be able, through the external audit of the accounts, to provide assurance that the financial records of UNIDO are generally reliable and well maintained and that adequate internal controls have been implemented. I have expressed an unqualified opinion on the financial statements for the period ended 31 December 2005.

5. I have taken note of the initiatives introduced by the new Director-General, such as the establishment of various task forces, the revised organisational structure and the issuing of a field mobility policy, to further improve the performance of the organisation. In my view UNIDO is well run, a view that has been endorsed by a number of independent reviews and I will be following further developments during the course of the next audit cycle.

II. TERMS OF REFERENCE AND AUDIT APPROACH

6. The audit was performed in accordance with Article XI of the Financial Regulations of UNIDO and the additional terms of reference governing external audit contained in the annexure thereto. In accordance with these terms of reference, the auditor shall express an opinion and report on the financial operations and various other matters set out therein. In addition, the mandate of the external auditor provides the opportunity to add value to the accountability process in order to assist the organisation in achieving its objectives effectively, efficiently and economically. The audit was conducted in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and conforms to International Standards on Auditing.

7. In addition to the audit of UNIDO, the separate accounts of Catering Services at the Vienna International Centre are audited and a separate audit report is transmitted to the Director-General for onward transmission, as

required by the rules of the Catering Services. While the Trust Fund for the Global Environmental Facility is audited as part of the audit of UNIDO, a special arrangement has been made for a separate audit opinion to be expressed on this trust fund. Pursuant to the legislative requirement (IDB.24/Dec.7), which requires an auditor's report on the established special accounts, I continued to audit these special accounts as part of my review of the 2004-2005 financial statements. As such, these special accounts will be covered by my audit opinion on the financial statements for the biennium under review.

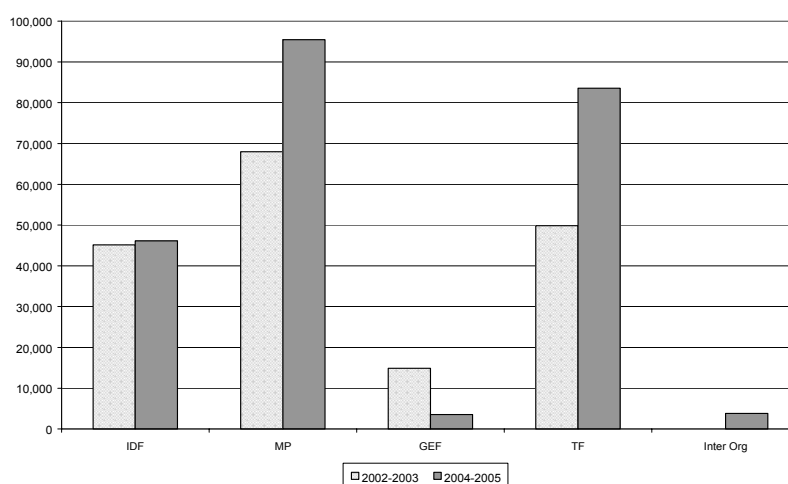
III. FINANCIAL OVERVIEW

8. **Regular budget and assessed contributions:** In 2004-2005, the Secretariat attained collection rates of 90.5 and 89.8 per cent, respectively, compared to 93.1 and 91.9 per cent for 2002 and 2003, respectively. In summary, the overall collection rate for the 2004-2005 biennium was 91.6 per cent compared to 93 per cent for 2002-2003. The amount made available for obligation continued to be influenced by the level and timing of the payment of assessed contributions. The organisation achieved a slightly lower spending rate of 89.6 per cent on the regular budget for 2004-2005 compared to 92.9 per cent for 2002-2003.

9. **Outstanding assessed contributions:** Schedule 1 to the financial statements shows that the total assessed contributions outstanding for the current biennium amounted to €119,935,108. This is five per cent higher compared to the corresponding balance of €113,977,821 for the previous biennium. The Secretariat informed me that the payment plan arrangements entered into by some member states to settle their outstanding assessed contributions were bearing fruit. The timely and full payment of assessed contributions by member states is critical for the implementation of UNIDO's approved programme and budget.

10. **Technical cooperation funding:** Funding for technical cooperation delivery from voluntary contributions continued to show a positive trend for the biennium under review amounting to €232.5 million, a 30 per cent increase over the previous biennium's contributions of €177.9 million (United States dollar equivalent of \$286.9 million and \$183.5 million, respectively). Figure 1 below provides a break-down of the voluntary contributions received per fund category, which reflects this increase.

Figure 1
Technical cooperation funding for 2004-2005 compared to the 2002-2003 biennium
(In thousands of Euro)



IDF = Industrial Development Fund	GEF = Global Environmental Facility	Inter Org = Inter-organisation Arrangements
MP = Montreal Protocol	TF = Trust funds	

11. Expenditure totalling \$232 million including programme support costs was delivered under technical cooperation in the 2004-2005 biennium compared to \$196.4 million in 2002-2003 (Euro equivalent of €188.5 million and €181.5 million, respectively). This represents an increase of some 18 per cent (in dollar terms) over the previous biennium, the area of most growth being under the trust funds. In comparing the income with the related expenses, it is noted that contributions are generally received in lump sums for the entire project, whereas the delivery may take several years in accordance with the agreement reached with the donors.

IV. GOVERNANCE MATTERS

A. Office of Internal Oversight Services

12. During my interim visit, I performed follow-up audit work on the Office of Internal Oversight Services (OGV/IOS). I noted that considerable progress had been made since my 2002-2003 report (IDB.29/3 and PBC.20/3) with, inter alia, the application of the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (IIA), improving audit plans and working papers, quality assurance, as well as with the acquisition of additional skills and resources.

13. **Deployment of resources:** Due to ad hoc assignments, OGV/IOS was not able to attend to several important assignments on its work plans for 2004 and 2005. During my interim review, the Secretariat indicated that audits not conducted in 2004 and considered high risk at the time, would be rolled over into the 2005 work plan. However, some of the audits rolled over were not completed. While it is recognised that the work plan is a dynamic tool, which may be modified and updated, it is submitted that part of the available resources could well be set aside to cover high-priority ad hoc / unplanned engagements such as investigations or critical senior management requests occurring during the year. This would then make the level of resources that could be planned for engagements in the work plan more realistic. In this regard, OGV/IOS would maintain a portion of its resources unplanned in order to accommodate such ad hoc assignments.

14. **Technology-based audit techniques:** The use of computer assisted audit techniques (CAATs) was limited and CAATs software was not used. OGV/IOS has started to implement analytical software applications in 2005 and was investigating the usefulness of additional analytical and administrative CAATs.

15. **Risk management strategy:** I had previously reported that the risk assessment processes followed by OGV/IOS warranted improvement. I am pleased to note that a final audit risk assessment methodology has since been issued and applied in compiling the 2005 work plan.

16. **OGV/IOS hotline:** No activity has been recorded for some time on the OGV/IOS hotline since it was introduced in 1999 as a means for staff to communicate complaints or information concerning the possible existence of fraudulent activity, waste, abuse or other irregularities. In addition to considering means to promote responsible whistle-blowing, OGV/IOS would make a proposal to improve the hotline in accordance with the web-based practices of other United Nations agencies and organisations.

17. **Implementation of OGV/IOS recommendations:** I am pleased to report that OGV/IOS has implemented a formal tracking mechanism to follow up on the implementation of its recommendations resulting from audits/reviews and to determine whether effective action had been taken within the stipulated time frames.

18. **Quality assurance:** A quality assurance and improvement programme which would cover all aspects of the internal audit activity and continuously monitor its effectiveness had not been developed, as required by the IIA standards. In addition to the single tracer document, which integrated elements of quality assurance, as well as systematic reviews of working papers carried out by senior management, further measures to improve quality assurance would be introduced to ensure compliance with the IIA standards. In compliance with the IIA standards, OGV/IOS was planning to undergo an independent external quality assessment at the end of 2006, which was required at least once every five years.

B. Financial statement format and disclosure

19. In recent times there has been a renewed interest, across all sectors, in the quality of disclosures in the financial statements prepared by management, with calls to improve the quality and transparency of financial reporting.

20. It is recognised that the United Nations system faces unique challenges in meeting the needs of its stakeholders. A balance needs to be found between providing appropriate detail to demonstrate accountability for donor funds and clear, streamlined reporting that facilitates understanding of the financial transactions and position of the organisation.

21. In contributing to the evolutionary process of improving the format and disclosure of UNIDO's financial statements, I performed a review of the format and disclosures made in the "Report of the External Auditor, Financial Performance Report and Programme Performance Report for the biennium 2002-2003" (IDB.29/3) with a view to identifying areas where improvements might be effected.

22. In recent years, a number of studies and codes have been published in respect of corporate governance. Many of these initially related to the private sector and in particular to listed companies. Over time, however, it has been recognised that the principles of corporate governance may well be applied to all entities. While corporate governance has many facets, my review focused primarily on those aspects relating to financial reporting and disclosure.

23. Certain areas were noted where presentation could be enhanced. These included the overall layout or structure of the financial statements, including the notes thereto; references from statements to notes and schedules; translation of currencies; disclosure of accounting policies, funds and reserves, special accounts, the transfer of funds, non-expendable equipment, contingent liabilities, other adjustments to reserves and fund balances and field inter-office vouchers, respectively; accounting treatment of self-financing activities such as catering services and the common fund for major repairs and replacements; the statement of cash flow; the Director-General's report covering, inter alia, financial highlights and statements on governance; and governance disclosures.

24. I also provided comment to the Secretariat on the accounting treatment and reporting of technical cooperation activities in United States dollars and Euros, respectively. I had highlighted, inter alia, that the restoration of purchasing power to projects with Euro expenditures should be fair and transparent and that the change in accounting policy should be treated in compliance with the accounting framework adopted by UNIDO.

25. I am gratified to report that the Secretariat had implemented all my recommendations during the preparation of the financial statements for 2004-2005.

C. Financial rules

26. UNIDO carried out a review of the financial rules with a view to incorporating the changes that have taken place since the last revision in June 1990. The methodology used resulted in the improved alignment of the financial rules with the financial regulations, as well as incorporating current practices, directives and good practices. I provided input towards this process and took note of the significant changes that had been made, in particular to the rules governing contracts and purchases. The Secretariat has informed me that a revised procurement procedures manual would follow.

D. Performance management

27. Following my interim report (IDB.30/8 and PBC.21/8) on the new and simplified performance appraisal system introduced by the Director-General, through Administrative Instruction No. 15 dated 26 July 2002 and taking cognisance of the expected recommendations of the newly established task force on the review of human resource management systems, I wish to emphasise a few further improvements, which may be useful:

(a) **Identification and negotiation of performance goals:** Goals to be achieved and main assignments to be carried out by staff members were not always clearly identified and negotiated at the beginning of the reporting period. The Secretariat indicated that an information circular would be issued at the beginning of each

reporting period, or after a restructuring exercise, to remind supervisors to discuss and agree goals and main assignments to be carried out with their staff for the reporting period.

(b) **Alignment of goals:** The goals and/or main assignments were not necessarily aligned to the respective annual work plans.

(c) **Completion of the appraisal process:** The appraisal process was not concluded within the last month of the reporting period, as envisaged by the Director-General's administrative instruction in this regard. The Secretariat was taking action in this regard.

V. NON-EXPENDABLE PROPERTY

28. The non-expendable property of UNIDO represents a significant investment of its resources and is disclosed in notes 3.20 and 5.18 to the financial statements. The financial regulations provide that the report of the external auditor should mention, inter alia, any defect in the general system governing supplies and equipment. It also requires that I report on the accuracy or otherwise of the supplies and equipment records as determined by stocktaking and examination of the records.

29. In my report on the accounts of the organisation for the 2002-2003 financial period (PBC.20/3), I had indicated that the inventory records were not systematically reconciled to the accounting system to ensure their completeness and accuracy and that non-expendable property had also not been subject to a complete physical inventory count. Further work needs to be done in this regard going forward.

30. The management of non-expendable property in the field is in need of some improvement. Certain inventory listings were found to be incomplete; some items of inventory could not be identified with ease as they did not have unique identification numbers; write-off and disposal procedures had not always been appropriately observed, while arrangements for the safekeeping of property should also be attended to. The Secretariat has advised that a further update to the field office manual would include clear instructions on using the identification numbers from headquarters, as well as provide a checklist and template of the form to be used for write-off purposes. I was also pleased to note the establishment of a Property Survey Board in February 2005 to improve the management of and control over property.

31. The Secretariat has indicated that a draft property management manual was in the process of being finalised, which it believed would pave the way in addressing some of the issues mentioned above.

VI. PROCUREMENT

32. During the interim period, I performed a limited review of technical cooperation procurement at headquarters, which indicated that there was generally a satisfactory level of compliance with the procurement rules, procedures and administrative instructions. Since this review, I noted continued progress by the organisation in improving procurement management. While the progress made is recognised, there are areas which are still receiving attention and are discussed below.

33. **Procurement workshops:** While many of the workshop outcomes arising from procurement workshops held in 2002, 2003 and 2005 were translated into positive action, there did not appear to be a structured manner in which those outcomes were taken forward.

34. **Procurement guidelines:** The Secretariat introduced draft procurement guidelines in November 2004. The completion and approval of these guidelines had been planned for the second quarter of 2006.

35. **Computerisation of the procurement system:** Following the project to modernise the procurement system, the Secretariat accepted most of my recommendations such as aspects relating to security, electronic approvals, proper segregation of responsibilities, and backup arrangements; ensuring the relevant policies and procedures catered for the computerised procurement system; implementing key modules; and training staff members.

36. **Procurement planning:** My interim report made recommendations to improve on the completeness of the procurement plans and to enhance them as management and monitoring tools.

37. **Performance measurement of procurement:** The existing procurement systems did not provide the underlying support needed to effectively monitor performance against the activities and outputs set by the unit. Performance indicators contained in Programme and Budget for the 2004-2005 biennium (IDB.27/3 and PBC.19/3) were not specific and therefore not measurable. The Secretariat indicated that this has been improved in the 2006-2007 programme and budgets document.

38. **Procurement staff training:** The training needs of procurement staff were not identified in a structured manner.

39. **Declaration of interest:** Staff members involved in the procurement process were not required to make a declaration of any potential conflict of interest in carrying out their duties.

40. The Secretariat is actively following up on my recommendations arising from the procurement review.

VII. USE OF CONSULTANTS AND EXPERTS

41. In my interim report (IDB.30/8 and PBC.21/8) on this matter, the following matters were highlighted and were receiving attention from the Secretariat:

(a) Consultants were recruited without reference to the consultants roster, which served as a primary source for identifying candidates for assignments.

(b) In some cases, consultants and experts commenced their duties prior to signing their contracts with the organisation, despite several memoranda that had been sent to branch directors reminding them of the lead time for recruitment.

(c) Project managers did not always complete the evaluation of a consultant's performance before the final payment was released on completion of the assignment.

42. The review of the use of consultants and national experts at the field offices did not reveal any significant weaknesses.

VIII. INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

43. A follow-up information systems audit of the general control environment was performed. General controls form the basis of the controls of application systems in a computerised information systems environment. These controls ensure the effective operation of programmed procedures, including controls over the design, implementation, security, use and amendment of computer programs and files. If the general controls are inadequate or ineffective, there is a material risk that the application controls would be compromised.

44. Considerable progress had been made in addressing the shortcomings identified during the previous audit. The following key areas were identified in which further improvements in the general control environment would be advisable:

45. **Policies and procedures:** A draft disaster recovery and business continuity plan had been documented. An agreement with an off-site facility for the restoration of UNIDO's systems in the event of a disaster had also been finalised. Change control procedures had not been established and the user account management procedures in the ICT policy did not include a requirement for periodic checks to be carried out to ensure that employees' current system-level access was commensurate with their job responsibilities or for a periodic review of unauthorised access to the operating system.

46. **Networks:** Although auditing features had been enabled on the operating system and security was monitored on an ad hoc basis, the organisation had not yet implemented a security tool that would record and report on network security violations or incidents. However, at the time of the audit a tool was being developed to address the shortcoming.

47. **Operating system and logical security:** A number of shortcomings were identified in the operating system and logical access controls on the Windows NT server, particularly in the security settings. According to the

Secretariat, the first part of a complex security tool to record and report on network security violations or incidents was completed in the first quarter of 2006. The second part of the security reporting tool would be completed in third quarter of 2006.

48. **Organisation:** The system group leader performed incompatible duties such as the roles of both database administrator and security administrator. He was also responsible for developing, testing and migrating InfoBase changes to production, as well as for ad hoc requests from business units. Furthermore, he had administrator privileges on the Windows operating system. Two systems analysts had full-access privileges on the AGRASSO application. Although staff had been trained to support the key personnel, according to the Secretariat UNIDO was still over dependent on certain ICT staff members due to budgetary constraints.

49. The findings were brought to the attention of the Secretariat and some of the recommendations have already been implemented while further actions are being taken to address the remaining matters. It is recognised that the size of the ICT operations may make the implementation of certain recommendations difficult.

IX. FIELD OFFICES

50. UNIDO's field representation consists mainly of country and regional offices, national focal points and investment and technology promotion offices. The functional responsibilities of these offices are divided into representational, managerial and technical cooperation-related activities.

51. In September 2004, UNIDO entered into an agreement with the United Nations Development Programme (UNDP) in an effort to expand its field representation through the establishment of the new UNIDO Desks (UDs).

52. During 2005 my staff visited a number of field offices, including one of the newly established UD's. Our procedures covered both regular budget and technical cooperation activities and comprised of regularity audit and compliance elements. The review focused on the management of assets and imprest accounts, the management of expenditure (payroll and consultants), office automation and information technology systems, financial management information and arrangements regarding premises and security.

53. **Security arrangements:** I was pleased to note an increased awareness of the security and safety of field office staff, property and documentation. The Secretariat has assured me that the issue of field security is guided by the minimum operating security standards (MOSS), which is prepared by the security management team in each location and that its offices are MOSS compliant. However, I noted that, in the event of a disaster, the field offices did not have formally approved disaster recovery plans and implementation strategies in place for securing the UNIDO property and documentation. It is recognised that addressing this matter would require a coherent solution from all the United Nations organisations based at the level where the UNIDO field office was located.

54. **Resource mobilisation:** Discussion with management revealed some dissatisfaction with the resource mobilisation procedures of the organisation. Inadequate resource mobilisation procedures could result in the organisation not having sufficient programmable resources to optimally coordinate its efforts with those of the United Nations system, such as the Common Country Assessment (CCA) and the United Nations Development Assistance Framework (UNDAF). I did not conduct a substantive review of the systematic processes and procedures followed by headquarters in its resource mobilisation activities but was pleased to note that a task force on the mobilisation of financial resources and public advocacy had been established to consider the issue of funds mobilisation in its totality.

55. **Regional bureaux:** A general observation from the field had been that the regional bureaux (RBx) lacked the necessary capacity to optimally discharge their responsibility as it relates to the implementation stage of integrated programmes. The Secretariat has informed me that the recent restructuring of the organisation in February 2006 had resulted in the RBx being replaced by regional programmes, consolidated in a single regional and field coordination branch, thus paving the way for strengthening UNIDO's field presence. I also took note of final draft report of the task force on field operations and will keep under review the outcomes of its report in addressing all issues related to UNIDO's field operations.

56. **Information and communication technology (ICT):** I had previously reported that field offices experienced difficulties in maintaining reliable access to information databases at headquarters. However, I have since confirmed that UNIDO is gradually extending access to its databases to field offices. These include access to the UNIDO Intranet, the financial performance control system (FPCS) and the UNIDO web mail service.

57. **Financial management information:** Access to reliable financial management information such as expenditure reports is of key importance for the successful operation of field offices. Instances were found where field office staff did not use the financial management information accessible through the UNIDO network, but instead resorted to various budgetary control mechanisms outside the approved management information framework. The risks of maintaining information systems outside the core UNIDO management information systems, i.e. FPCS and InfoBase, are that the integrity of the management information could be compromised and the already limited resources of the field offices not being efficiently used. The Secretariat advised that it would explore a more coherent approach and assistance to the field offices in keeping records and controlling its daily financial management.

58. **Project documentation:** In my report for the biennium 2002-2003 (PBC.20/3), I had reported that the filing arrangements related to project documentation were loosely structured. At the time of the report the Secretariat informed the audit team that the procurement of an electronic document management system (EDMS) was underway. The EDMS has since been procured but not rolled out to the UNIDO field offices. The Secretariat has advised that the adaptation of the EDMS for UNIDO's requirements was progressing according to schedule and undergoing intensive testing in a branch at headquarters. It was hoped that the system would be rolled out for wider use later in 2006.

X. CONCLUSION

59. I am gratified to note at the end of my second tenure in office that I have been afforded the fullest of cooperation and support by UNIDO in facilitating the audit and actively addressing the matters I have raised. It will be opportune to be able to contribute in my third term through affording the new Director-General the benefit of continuity of external audit. The organisation has an established record of being proactive and there is every indication that this will continue to be the case. I am confident that it will continue to be administratively sound and look forward to reviewing the implementation of my recommendations and monitoring future developments.

[Signed]

S A Fakie

External Auditor
Auditor-General of the Republic of South Africa

Pretoria, South Africa
31 May 2006

ANNEX I

FOLLOW-UP OF THE RECOMMENDATIONS MADE IN PRIOR EXTERNAL AUDIT REPORTS

Below is a tabular inventory reflecting key recommendations from my report on the accounts of the organisation for the 2002-2003 financial period. These recommendations are at various stages of implementation. The recommendations that are not listed here were addressed to my satisfaction.

Recommendation	PBC.20/3 reference	Secretariat's comments	Auditor's comments
<p>Environmental policy and management strategy: UNIDO had not developed and implemented a formal environmental policy and management strategy.</p>	Par. 22	<p>A UN system-wide policy does not exist. The external auditor has provided PSM/OMD with some information/guidance on the way forward. PSM/OMD has also been proactive in researching this area and collecting information from within and outside the UN system to ensure the introduction of best practices.</p>	<p>The external auditor will keep the matter under review.</p>
<p>End-of-service and after-service health insurance liabilities: No budgetary provision has 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.</p>	Par. 40 and 41	<p>A UN system-wide solution is being sought to address the issue of unfunded liabilities. The lead agency on this issue, established by the High-Level Committee on Management, Financial and Budget Network, is the United Nations, which recently has submitted a report to the United Nations General Assembly (document A/60/450).</p> <p>UNIDO was participating in the present common actuarial study by the UN. UNIDO also requested the Joint Inspection Unit to find a system-wide solution to this issue and a report is expected in due course.</p>	<p>The external auditor will keep the matter under review.</p>

ANNEX II

OPINION OF THE EXTERNAL AUDITOR

To the President of the Industrial Development Board

I have audited the accompanying financial statements, comprising Statements I to IV, Schedules 1 to 4 and the supporting Notes of the United Nations Industrial Development Organization for the financial period ended 31 December 2005. These financial statements are the responsibility of the Director-General. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the Common Auditing Standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and conform to International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Director-General, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for the audit opinion.

In my opinion, these financial statements present fairly, in all respects, the financial position of the United Nations Industrial Development Organization as of 31 December 2005 and the results of its operations and cash flows for the period then ended in accordance with the United Nations System Accounting Standards.

Further, in my opinion, the transactions of the United Nations Industrial Development Organization, which I have tested as part of my audit, have in all significant respects been in accordance with the Financial Regulations and Legislative Authority.

In accordance with Article XI of the Financial Regulations, I have also issued a long-form report on my audit of the United Nations Industrial Development Organization.

[Signed]

S A Fakie

External Auditor

Auditor-General of the Republic of South Africa

Pretoria, South Africa

31 May 2006

ANNEX III

FINANCIAL STATEMENTS FOR THE BIENNIUM 2004-2005 ENDED 31 DECEMBER 2005

REPORT BY THE DIRECTOR-GENERAL

The financial report for the fiscal period 2004-2005 is prepared and submitted in accordance with Article X of the Financial Regulations. The present report is based on the programme and budgets 2004-2005, as adopted by the General Conference at its tenth session (decision GC.10/Dec.17).

The regular budget estimates for the biennium 2004-2005 approved by the General Conference in decision GC.10/Dec.17 consisted of gross expenditures of €145,013,300, to be financed from assessed contributions in the amount of €142,000,000 and other income of €3,013,300. The originally approved €142,000,000, net regular budget appropriation was increased via a supplementary appropriation in the amount of €2,585,160 (decision GC.11/Dec.15) to the final level of €144,585,160. The supplementary appropriations were approved for the purpose of financing the Organizations' share of expenditure on security enhancements at the Vienna International Centre (VIC).

The financial implementation of the approved programme and budgets is dependent on the actual level of cash resources available during the biennium. Assessed contributions paid to the Organization and the amounts assessed in accordance with General Conference decisions with comparative figures for the previous biennium are given below in millions of euros.

	2004-2005		2002-2003	
Assessed contributions receivable	142.0	100.0%	133.7	100.0%
Assessed contributions received	130.1	91.6%	124.3	93.0%
Shortfall in collections	11.9	8.4%	9.4	7.0%

The rate of collection of assessed contributions for 2004-2005 was 91.6 per cent. In comparison, the collection rate for 2002-2003 was 93.0 per cent. The outstanding assessed contribution at period end was €48.7 million, excluding an amount of €71.3 million due from former Member States. The increase in unpaid assessed contributions of €6 million from the previous period end amount of €42.7 million is a cause for concern. The non- or late- payment of assessed contributions has an impact on the implementation of the regular budget as approved by the General Conference. However, it is encouraging to note that five Member States signed payment plans for a total value of €1.3 million with the Organization during the biennium 2004-2005. I would encourage those Member States having difficulties in meeting their obligations to contact the Organization to enter into a suitable payment plan.

The biennium expenditure amounted to €132.2 million or 89.6 per cent utilization of the €147.6 million gross approved expenditure budget. Actual collection of budgeted income amounted to €0.6 million government contribution to the cost of the field office network under the Regional Programme and €1.4 million under miscellaneous income against a budgeted amount of €1.6 million and €1.4 million, respectively. Miscellaneous income not estimated in GC.10/Dec.17 amounted to a negative €3.6 million, primarily due to a transfer of €5.9 million to the reserve for exchange rate fluctuations established pursuant to GC.8/Dec.16. Accordingly, the total net expenditures of €133.7 million represent 92.5 per cent of the net regular budget appropriations of €144.6 million, inclusive of the supplementary estimates for security enhancements. The resulting balance of appropriations at 31 December 2005 amounted to €10.9 million.

In the operational budget, reimbursement for programme support costs and miscellaneous income amounted to €18.2 million during the reporting period. Expenditures were recorded in the amount of €16.8 million, resulting in an excess of income over expenditure in the amount of €1.4 million. Savings on cancellation of prior biennium obligations further increased the excess of income over expenditure by €0.6 million and thus the net surplus for the period amounted to €2.0 million. The resulting closing balance of the special account for programme support costs, i.e., the level of the operating reserve, was €5.1 million as compared to the opening balance of €3.1

million. Therefore, the closing level of the operating reserve was fully restored to the amount of €4,828,900, as decided by the Board in its decision IDB.14/Dec.12.

A significant improvement made to the Financial Performance Control System during 2004-2005 was the introduction of the management of technical cooperation programmes in euro. This has enabled the Organization to improve financial management and reporting to governments and donors who make voluntary contributions in euro towards UNIDO's technical cooperation activities. Another significant initiative during the period was the issuance of "Guidelines for the Technical Cooperation Programme and Project Cycle". The guidelines contribute to improving management of technical cooperation programmes and projects; facilitating the process flow; simplifying procedures and standardizing formats with a clear identification of the distribution of tasks, responsibilities, authority and accountability throughout the programme/project cycle.

The technical cooperation delivery recorded another impressive performance during the biennium 2004-2005 with an amount of US\$211.7 million (€170.8 million). This represents an increase of US\$35 million or 20 per cent over the previous biennium 2002-2003, which was US\$176.8 million (€162.5 million).

As prescribed in the Constitution, UNIDO has three policy-making 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 policy-making 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 over-all responsibility and authority to direct the work of the Organization. The gradual introduction of results-based management as a management tool has enabled 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 and target indicators. Performance indicators were included for the first time in the programme and budgets document for the biennium 2004-2005. The principles were applied comprehensively while preparing the 2006-2007 programme and budgets approved by the Member States in decision GC.11/Dec.18.

In light of the worldwide security situation, the security and safety of staff and the infrastructure at the VIC is of paramount importance. To ensure that minimum standards of security are achieved at the VIC in compliance with the United Nations' headquarters minimum operating security standards (H-MOSS), the Member States approved UNIDO's share of funding for security enhancements through a supplementary assessment during the period. Further, to ensure business continuity/disaster recovery, a new offsite facility was completed and all UNIDO operational data are now being mirrored to the offsite location on a continuous basis. Also to improve and streamline information and communication technology (ICT) services, a comprehensive policy governing the use of all ICT instruments within the Organization was issued in 2005.

In coordination with the Austrian Government, the project to make the VIC an asbestos-free environment commenced during the period. UNIDO, along with other VIC-based organizations, strictly follows the host country regulations on environment in recycling and/or disposing unwanted material and equipment.

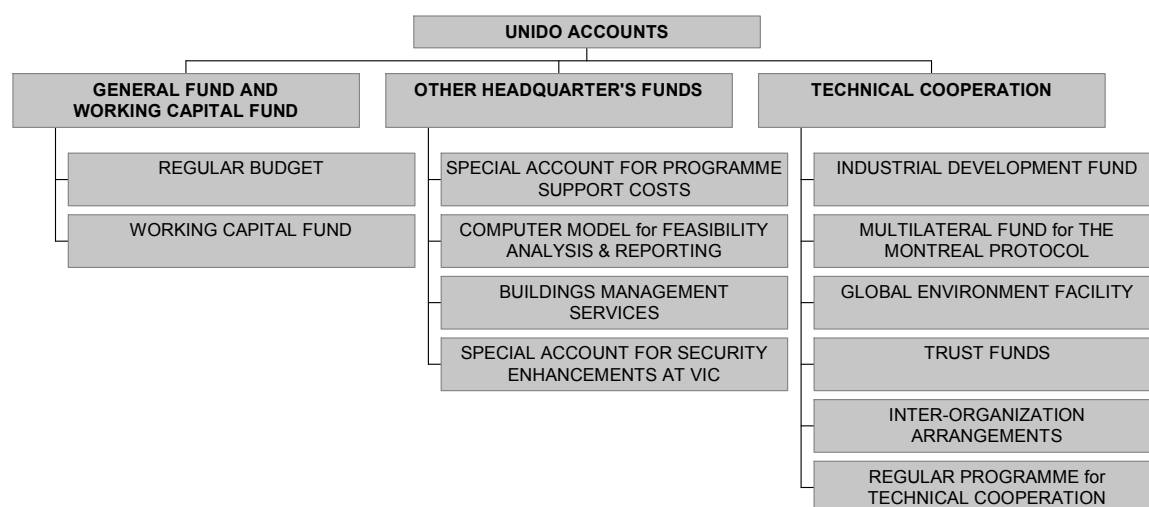
UNIDO is committed to the highest standards of integrity and conduct of its staff, which are regulated by the provisions of the Standards of Conduct for the International Civil Service promulgated by the International Civil Service Commission. In addition, a comprehensive policy on fraud awareness and prevention applicable to all UNIDO personnel was instituted during 2005. The Organization is currently reviewing developments in the United Nations Common System on financial disclosure and declaration of interest statements, with a view to adopting a similar policy for the Organization.

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

**CONSOLIDATED ACCOUNTS
FOR THE BIENNIUM
2004-2005**



**FINANCIAL STATEMENTS FOR THE BIENNIUM 2004-2005
ENDED 31 DECEMBER 2005**

Certification of financial statements

Director General's responsibility

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 United Nations System 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 prevent and detect fraud and other irregularities.

The internal control systems and financial records were subject to reviews by Office of the Comptroller General and the External Auditor during their respective audits and 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 I to IV. 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]

Amita Misra
Director, Financial Services Branch

[Signed]

Kandeh K. Yumkella
Director-General

Date: 15 May 2006

Statement I

STATEMENT OF INCOME AND EXPENDITURE AND CHANGES IN RESERVES AND FUND BALANCES
for the biennium 2004-2005
(In thousands of euros)

Heading	General Fund and Working Capital Fund		Other Headquarters funds		Technical cooperation		Eliminations	Total 2004-2005	Total 2002-2003
	Note		Note		Note				
INCOME									
Assessed contributions	142,000.0	3.1						142,000.0	133,689.8
Supplementary assessments	2,585.2	3.1	2,585.2				(2,585.2)	2,585.2	
Voluntary contributions	632.3	3.2		232,536.9				233,169.2	178,939.3
OTHER INCOME									
Revenue-producing activities	79.5	3.3	18,315.3					18,394.8	19,775.9
Funds under inter-organizational arrangements				11,289.9				11,289.9	16,849.7
Jointly-financed activities			44,639.5				(6,671.0)	37,968.5	30,197.7
Income for services rendered	1,321.0	3.4	785.7	2,028.1			(353.5)	997.8	875.6
Interest income								4,134.8	3,426.4
Currency exchange adjustments	(4,190.0)	3.5	230.3	(81.0)	5.3		0.7	(4,040.0)	(3,224.9)
Miscellaneous income	620.2	3.6	53.6	204.2			0.3	878.3	1,145.5
TOTAL INCOME	143,048.2		67,960.9	245,978.1			(9,608.7)	447,378.5	381,675.0
EXPENDITURE									
Salaries and common staff costs	87,966.6		28,457.5	56,592.4			8,765.1	181,781.6	180,954.8
Operating costs and contractual services	30,050.1		29,307.0	60,357.4			(6,866.6)	112,847.9	102,656.4
Acquisitions				35,648.4			1,219.5	36,867.9	33,560.8
Fellowships				10,021.4			1,026.4	11,047.8	7,896.3
RPTC and SRA activities	14,182.4		79.9	17,608.2			(13,753.1)	429.3	2,468.1
Programme support costs								17,688.1	19,053.1
TOTAL EXPENDITURE	132,199.1		57,844.4	180,227.8			(9,608.7)	360,662.6	346,589.5

Heading	General Fund and Working Capital Fund		Other Headquarters funds		Technical cooperation		Eliminations	Total 2004-2005	Total 2002-2003
	Note		Note		Note				
EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE									
Prior biennium adjustments	10,849.1		10,116.5		65,750.3			86,715.9	35,085.5
Savings on cancellation of obligations from prior biennium	(121.5)	3.7						(121.5)	(259.5)
Provision for delays in the collection of contributions	3,271.7	3.8	1,359.3					4,631.0	5,189.6
	(3,493.2)							(3,493.2)	(2,496.6)
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE	10,506.1		11,475.8	4.4	65,750.3			87,732.2	37,519.0
Transfers to reserves	6,346.0	3.14			332.3	5.4		6,678.3	4,532.6
Transfers from reserves	(0.4)							(0.4)	(50.8)
Transfers to donor accounts					81.0			81.0	
Credits to Member States	(4,301.4)	3.16						(4,301.4)	(5,737.2)
Transfers to and from other funds									(321.9)
Currency translation					5,080.7	5.5		5,080.7	(45,439.2)
Other adjustments to reserves and fund balances					3,406.1	5.6		3,406.1	(37.9)
Reserves and fund balances, beginning of biennium	13,623.3		12,174.6		99,814.1			125,612.0	135,147.4
RESERVES AND FUND BALANCES, END OF BIENNIUM	26,173.6		23,650.4		174,464.5			224,288.5	125,612.0

STATEMENT II

STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCES
as at 31 December 2005
(In thousands of euros)

Heading	General Fund and Working Capital Fund		Other Headquarters funds		Technical cooperation		Eliminations	Total 2004-2005	Total 2002-2003
	Note	Note	Note	Note	Note	Note			
ASSETS									
Cash and term deposits	29,847.4		22,643.9		212,485.9	5.14		264,977.2	174,219.0
Accounts receivable									
Assessed contributions receivable from Member States	119,935.1	Sch. 1						119,935.1	113,977.8
Provision for delays in the collection of contributions	(108,066.1)	Sch. 1						(108,066.1)	(104,572.9)
Net assessed contributions receivable	11,869.0							11,869.0	9,404.9
Voluntary contributions receivable					15,868.9	5.7		15,868.9	16,231.7
Other contributions receivable	92.8	Sch. 2			259.3			352.1	920.9
Interfund balances					1,897.2			4,951.0	2,797.2
Other	5,939.6	3.9	10,016.6	4.6	1,692.5	5.8		17,648.7	10,994.2
Other assets	566.1	3.10			7,260.5	5.9		7,826.6	7,987.3
TOTAL ASSETS	48,314.9		35,714.3		239,464.3		0.0	323,493.5	222,555.2
LIABILITIES									
Payments or contributions received in advance	1,572.5	3.11	321.1		7,451.9	5.10		9,345.5	15,235.7
Borrowings payable within one year								0.0	801.0
Unliquidated obligations	11,239.1		11,036.4		33,137.2			55,412.7	45,513.6
Accounts payable - interfund	3,287.1		475.1		1,188.8			4,951.0	2,797.2
Accounts payable - other	6,042.6	3.12	231.3		23,221.9	5.11		29,495.8	31,794.7
Borrowings payable after one year									801.0

Heading	General Fund and Working Capital Fund		Other Headquarters funds		Technical cooperation		Eliminations	Total 2004-2005	Total 2002-2003
		Note		Note		Note			
TOTAL LIABILITIES	22,141.3		12,063.9		64,999.8		0.0	99,205.0	96,943.2
RESERVES AND FUND BALANCES									
Operating reserves			4,828.9	4.7	464.7	5.12		5,293.6	5,269.4
Other reserves	16,275.3	3.14			2,317.2	5.4		18,592.5	11,914.2
Balances relating to projects funded by donors					208,114.2			208,114.2	139,541.9
Balances on currency translation					(40,358.5)	5.5		(40,358.5)	(45,439.2)
Working Capital Fund	7,423.0	3.15						7,423.0	7,423.4
Surplus (deficit)	2,475.3	3.16	18,821.5		3,926.9	5.13		25,223.7	6,902.3
TOTAL RESERVES AND FUND BALANCES	26,173.6		23,650.4		174,464.5		0.0	224,288.5	125,612.0
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	48,314.9		35,714.3		239,464.3		0.0	323,493.5	222,555.2

Statement III

CONSOLIDATED
Statement of cash flow for the biennium 2004-2005 as at 31 December 2005
(In thousands of euros)

	Total 2005	Total 2003
Cash flows from operating activities		
Excess (shortfall) of income over expenditure (Statement I)	86,715.9	35,085.5
(Increase) decrease in contributions receivable	(5,957.3)	(2,893.5)
(Increase) decrease in voluntary contributions receivable	362.8	(16,231.7)
(Increase) decrease in other contributions receivable	568.8	3,659.7
(Increase) decrease other accounts receivable	(6,654.5)	5,092.3
(Increase) decrease other assets	160.7	3,726.9
Increase (decrease) in contributions or payments received in advance	(5,890.2)	10,275.6
Increase (decrease) in unliquidated obligations	9,899.1	(6,400.6)
Increase (decrease) in accounts payable	(2,298.9)	(10,374.5)
Less: Interest income	4,134.8	
Currency exchange adjustments	<u>94.8</u>	<u>201.5</u>
Net cash from operating activities	76,811.6	21,738.2
Cash flows from investing and financing activities		
Increase (decrease) in borrowings	(1,602.0)	(2,890.0)
Plus: Interest income	4,134.8	
Currency exchange adjustments	<u>94.8</u>	<u>201.5</u>
Net cash from investing and financing activities	(1,507.2)	(2,688.5)
Cash flows from other sources		
Savings on or cancellation of prior period's obligations	4,631.0	5,189.6
Transfers to (from) reserves and other adjustments	15,245.7	(41,317.2)
Credits to Member States and prior bienniums adjustments	<u>(4,422.9)</u>	<u>(5,996.7)</u>
Net cash from other sources	15,453.8	(42,124.3)
Net increase (decrease) in cash	90,758.2	(23,074.6)
Cash at beginning of period	<u>174,219.0</u>	<u>197,293.6</u>
Cash at end of period (Statement II)	<u>264,977.2</u>	<u>174,219.0</u>

Statement IV

GENERAL FUND

Status of appropriations by major programme for the biennium 2004-2005 as at 31 December 2005

Major programme	Original appropriation	Transfers/ other adjustments	Revised appropriation	Disbursements during 2004-2005	Unliquidated obligations as at 31/12/05	Total expenditure	Balance of appropriations
Governing Bodies	5,299.5	0.0	5,299.5	4,591.9	578.9	5,170.8	128.7
General Management	12,114.8	0.0	12,114.8	11,258.0	508.0	11,766.0	348.8
Strengthening of Industrial Capacities	29,176.9	0.0	29,176.9	24,813.2	650.9	25,464.1	3,712.8
Cleaner and Sustainable Industrial Development	23,392.1	0.0	23,392.1	22,302.8	677.3	22,980.1	412.0
Regional Programme	35,097.1	0.0	35,097.1	21,718.9	3,776.1	25,495.0	9,602.1
Administration	26,227.9	0.0	26,227.9	21,624.8	1,384.8	23,009.6	3,218.3
Indirect Costs	16,000.8	2,585.2 ^a	18,586.0	17,758.8	554.7	18,313.5	272.5
	147,309.1	2,585.2	149,894.3	124,068.4	8,130.7	132,199.1	17,695.2
Less: Adjustment to gross expenditure ^b	2,295.8	0.0	2,295.8	0.0	0.0	0.0	2,295.8
Total A	145,013.3	2,585.2	147,598.5	124,068.4	8,130.7	132,199.1	15,399.4
	Approved estimates			Actual income	Accrued income	Total income	(Excess) shortfall
Income							
Regional Programme	1,618.5	0.0	1,618.5	632.3	0.0	632.3	986.2
<u>Miscellaneous Income</u>							
(i) Estimated in GC.10/Dec.17	1,394.8	0.0	1,394.8	1,318.8	81.7	1,400.5	(5.7)
(ii) Not estimated in GC.10/Dec.17				(3,569.8)	0.0	(3,569.8)	3,569.8
Total B	3,013.3	0.0	3,013.3	(1,618.7)	81.7	(1,537.0)	4,550.3
Total A—B	142,000.0	2,585.2	144,585.2	125,687.1	8,049.0	133,736.1	10,849.1

^a Supplementary estimates approved by the General Conference (GC.11/Dec.15) for security enhancements at the VIC for the biennium 2004-2005.

^b Adjustment to gross expenditure in the programme and budgets for 2004-2005 as per General Conference decision GC.10/Dec.17(b).

Schedule 1

**STATUS OF ASSESSED CONTRIBUTIONS TO THE REGULAR BUDGET (in euros)
for the biennium 2004-2005 as at 31 December 2005**

Member States	Scale %	Contributions payable		Credits and collections in 2004-2005						Contributions outstanding		Total outstanding
		Prior biennium	Current biennium	Prior biennium		Current biennium		Prior biennium	Current biennium			
				2004	2005	2004	2005			Total	Total	
Afghanistan	0.00100	90,146	1,420	18,934	18,691	37,625	-	-	-	52,521	1,420	53,941
Albania	0.00426	-	6,050	-	-	-	3,025	3,025	6,050	-	-	-
Algeria	0.09951	-	141,304	-	-	-	6,050	65,948	71,998	-	69,306	69,306
Angola	0.00284	-	4,032	-	-	-	2,016	2,016	4,032	-	-	-
Argentina	1.37752	4,638,854	1,956,078	20,215	1,084	21,299	-	-	-	4,617,555	1,956,078	6,573,633
Armenia	0.00284	912,755	4,032	2,080	2,016	4,096	-	-	-	908,659	4,032	912,691
Austria	1.34825	-	1,911,676	-	-	-	955,838	955,838	1,911,676	-	-	-
Azerbaijan	0.00569	1,021,570	8,080	10,213	130,965	141,178	-	-	-	880,392	8,080	888,472
Bahamas	0.01706	-	24,226	-	-	-	12,113	12,113	24,226	-	-	-
Bahrain	0.02559	506	36,338	506	-	506	664	199	863	-	35,475	35,475
Bangladesh	0.01000	-	14,200	-	-	-	639	100	739	-	13,461	13,461
Barbados	0.01279	688	18,162	538	150	688	-	18,162	18,162	-	-	-
Belarus	0.02701	275,188	38,354	143,574	131,614	275,188	-	38,354	38,354	-	-	-
Belgium	1.60498	-	2,279,070	-	-	-	1,139,535	1,139,535	2,279,070	-	-	-
Belize	0.00100	562	1,420	562	-	562	710	42	752	-	668	668
Benin	0.00284	2,620	4,032	2,603	17	2,620	-	27	27	-	4,005	4,005
Bhutan	0.00100	-	1,420	-	-	-	710	710	1,420	-	-	-
Bolivia	0.01137	14,666	16,146	1,180	58	1,238	-	-	-	13,428	16,146	29,574
Bosnia and Herzegovina	0.00569	-	8,080	-	-	-	4,040	4,040	8,080	-	-	-
Botswana	0.01422	-	20,192	-	-	-	10,096	10,096	20,192	-	-	-
Brazil	3.39761	16,554,949	4,824,606	-	-	-	-	-	-	16,554,949	4,824,606	21,379,555
Bulgaria	0.01848	-	26,242	-	-	-	13,121	13,121	26,242	-	-	-
Burkina Faso	0.00284	-	4,032	-	-	-	2,016	2,016	4,032	-	-	-
Burundi	0.00100	66,368	1,420	7	-	7	-	-	-	66,361	1,420	67,781
Cambodia	0.00284	4,010	4,032	25	2,039	2,064	-	-	-	1,946	4,032	5,978
Cameroon	0.01279	-	18,162	-	-	-	3,345	98	3,443	-	14,719	14,719
Cape Verde	0.00100	96,115	1,420	7	-	7	-	-	-	96,108	1,420	97,528
Central African Republic	0.00100	111,478	1,420	7	-	7	-	-	-	111,471	1,420	112,891
Chad	0.00100	84,776	1,420	-	-	-	-	-	-	84,776	1,420	86,196
Chile	0.30138	211,795	427,960	159,755	52,040	211,795	-	31,646	31,646	-	396,314	396,314
China	2.17788	-	3,082,590	-	-	-	1,474,600	1,487,540	2,962,140	-	130,450	130,450
Colombia	0.28574	205,274	405,750	78,184	127,090	205,274	-	318,265	318,265	-	87,485	87,485

Member States	Scale %	Credits and collections in 2004-2005										Contributions payable			Contributions outstanding			Total outstanding
		Prior biennium					Current biennium					Prior biennium	Current biennium	Total				
		2004	2005	Total	2004	2005	2004	2005	Total	Prior biennium	Current biennium				Total			
Comoros	0.00100	-	-	-	-	-	-	-	-	-	-	-	-	-	121,882	1,420	1,420	123,102
Congo	0.00100	109,354	335	108,581	-	-	-	-	-	-	-	-	-	-	773	1,420	1,420	2,193
Costa Rica	0.02843	105,580	14,630	16,510	-	-	-	-	-	-	-	-	-	-	89,070	40,370	40,370	129,440
Côte d'Ivoire	0.01279	-	-	-	-	-	-	-	9,081	-	-	-	-	-	-	3,770	5,311	5,311
Croatia	0.05544	-	-	-	-	-	-	-	39,362	-	-	-	-	-	-	39,362	-	-
Cuba	0.04265	26,672	60,564	26,672	-	-	-	-	-	-	-	-	-	-	-	340	60,224	60,224
Cyprus	0.05402	-	-	-	-	-	-	-	38,364	-	-	-	-	-	-	38,364	-	-
Czech Republic	0.28858	-	-	-	-	-	-	-	204,892	-	-	-	-	-	-	204,892	-	-
Democratic People's Republic of Korea	0.01279	926	3,353	4,279	-	-	-	-	-	-	-	-	-	-	-	18,162	-	-
Democratic Republic of the Congo	0.00569	121,858	30	30	-	-	-	-	-	-	-	-	-	-	-	-	8,080	129,908
Denmark	1.06477	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Djibouti	0.00100	84,776	-	-	-	-	-	-	-	-	-	-	-	-	-	-	84,776	86,196
Dominica	0.00100	649	126	219	-	-	-	-	-	-	-	-	-	-	-	430	1,420	1,850
Dominican Republic	0.03270	350,535	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,434	396,969
Ecuador	0.03554	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50,466	6,640
Egypt	0.11515	71,745	-	-	-	-	-	-	71,745	-	-	-	-	-	-	81,757	-	-
El Salvador	0.02559	158,458	-	-	-	-	-	-	-	-	-	-	-	-	-	-	158,458	194,796
Equatorial Guinea	0.00100	121,682	55,067	55,067	-	-	-	-	-	-	-	-	-	-	-	-	1,420	68,035
Eritrea	0.00100	639	34	120	-	-	-	-	86	-	-	-	-	-	-	-	519	1,939
Ethiopia	0.00569	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fiji	0.00569	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finland	0.74207	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
France	9.19202	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gabon	0.01990	38,458	30,533	30,603	-	-	-	-	-	-	-	-	-	-	-	-	7,855	36,113
Gambia	0.00100	74,084	7	7	-	-	-	-	-	-	-	-	-	-	-	-	74,077	75,497
Georgia	0.00711	1,599,047	102	102	-	-	-	-	-	-	-	-	-	-	-	-	1,598,945	1,609,041
Germany	13.88754	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ghana	0.00711	1,610	1,174	1,610	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Greece	0.76624	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grenada	0.00100	76,959	10,496	10,496	-	-	-	-	-	-	-	-	-	-	-	-	66,463	67,863
Guatemala	0.03838	280	280	280	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guinea	0.00426	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guinea-Bissau	0.00100	116,788	7	7	-	-	-	-	-	-	-	-	-	-	-	-	116,781	118,201
Guyana	0.00100	1,800	1,800	1,800	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Haiti	0.00284	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Member States	Scale %	Credits and collections in 2004-2005										Contributions payable		Contributions outstanding			Total outstanding
		Prior biennium					Current biennium					Prior biennium	Current biennium	Total			
		2004	2005	Total	2004	2005	Total	2004	2005	Total							
Honduras	0.00711	-	-	-	-	-	-	-	5,048	5,048	10,096	-	-	-	-	-	-
Hungary	0.17059	-	-	-	-	-	-	-	121,119	121,119	242,238	-	-	-	-	-	-
India	0.48476	-	-	-	-	-	-	-	344,180	344,180	688,360	-	-	-	-	-	-
Indonesia	0.28432	-	-	-	-	-	-	-	201,867	201,867	403,734	-	-	-	-	-	-
Iran (Islamic Republic of)	0.38667	192,640	244,507	437,147	-	-	-	-	-	8,375	8,375	-	-	-	540,697	540,697	-
Iraq	0.19334	1,697,868	274,542	-	-	-	-	-	-	-	1,697,868	-	-	-	274,542	1,972,410	-
Ireland	0.41795	-	-	-	-	-	-	-	296,745	296,745	593,490	-	-	-	-	-	-
Israel	0.58996	-	-	-	-	-	-	-	418,872	418,872	837,744	-	-	-	-	-	-
Italy	7.20001	-	-	-	-	-	-	-	5,112,007	5,112,007	10,224,014	-	-	-	-	-	-
Jamaica	0.00569	11,530	8,080	11,530	-	-	-	-	4,040	4,040	8,080	-	-	-	-	-	-
Japan	22.00000	-	-	-	-	-	-	-	15,620,000	15,620,000	31,240,000	-	-	-	-	-	-
Jordan	0.01137	-	-	-	-	-	-	-	378	15,768	16,146	-	-	-	-	-	-
Kazakhstan	0.03980	122,173	127,328	249,501	-	-	-	-	-	-	246,362	-	-	-	56,516	302,878	-
Kenya	0.01137	-	-	-	-	-	-	-	8,073	8,073	16,146	-	-	-	-	-	-
Kuwait	0.20897	-	-	-	-	-	-	-	148,369	148,369	296,738	-	-	-	-	-	-
Kyrgyzstan	0.00100	30	-	30	-	-	-	-	-	-	-	-	-	-	375,722	375,722	-
Lao People's Democratic Republic	0.00100	-	-	-	-	-	-	-	710	710	1,420	-	-	-	-	-	-
Lebanon	0.01706	20,479	-	20,479	-	-	-	-	12,113	1,071	13,184	-	-	-	11,042	11,042	-
Lesotho	0.00100	-	-	-	-	-	-	-	171	1,249	1,420	-	-	-	-	-	-
Liberia	0.00100	-	-	-	-	-	-	-	-	-	-	-	-	-	87,358	87,358	-
Libyan Arab Jamahiriya	0.09525	-	-	-	-	-	-	-	25,844	109,412	135,256	-	-	-	-	-	-
Lithuania	0.02417	335,321	34,322	201,983	-	-	-	-	-	-	133,338	-	-	-	34,322	167,660	-
Luxembourg	0.11373	73,672	161,496	201,983	-	-	-	-	80,748	80,748	161,496	-	-	-	-	-	-
Madagascar	0.00426	-	-	-	-	-	-	-	2,471	3,509	5,980	-	-	-	-	-	-
Malawi	0.00284	38,194	38,168	38,194	-	-	-	-	-	4,032	4,032	-	-	-	-	-	-
Malaysia	0.33407	-	-	-	-	-	-	-	237,190	237,190	474,380	-	-	-	-	-	-
Maldives	0.00100	577	-	577	-	-	-	-	467	40	507	-	-	-	913	913	-
Mali	0.00284	19,136	458	19,136	-	-	-	-	-	-	4,032	-	-	-	-	-	-
Malta	0.02132	-	-	-	-	-	-	-	15,137	15,137	30,274	-	-	-	-	-	-
Mauritania	0.00100	113,982	1,420	113,982	-	-	-	-	7	-	-	-	-	-	113,975	115,395	-
Mauritius	0.01564	-	-	-	-	-	-	-	11,104	11,104	22,208	-	-	-	-	-	-
Mexico	1.54385	210,056	210,056	210,056	-	-	-	-	1,096,133	1,096,133	2,192,266	-	-	-	-	-	-
Monaco	0.00569	-	-	-	-	-	-	-	4,040	4,040	8,080	-	-	-	-	-	-
Mongolia	0.00100	-	-	-	-	-	-	-	171	44	215	-	-	-	1,205	1,205	-
Morocco	0.06255	100	88,822	100	-	-	-	-	44,411	44,411	88,822	-	-	-	-	-	-

Member States	Scale %	Credits and collections in 2004-2005										Contributions payable			Contributions outstanding			Total outstanding
		Prior biennium					Current biennium					Prior biennium	Current biennium	Total				
		2004	2005	Total	2004	2005	2004	2005	Total	Prior biennium	Current biennium				Total			
Mozambique	0.00100	-	-	-	-	-	-	-	93	42	135	-	-	-	1,285	-	1,285	
Myanmar	0.01000	6,577	6,055	6,577	-	-	-	-	-	-	-	522	7,162	7,162	-	-	7,038	
Namibia	0.00995	-	-	-	-	-	-	-	7,065	7,065	14,130	-	-	-	-	-	-	
Nepal	0.00569	-	-	-	-	-	-	-	311	54	365	-	-	-	-	-	7,715	
Netherlands	2.47073	-	-	-	-	-	-	-	1,754,218	1,754,218	3,508,436	-	-	-	-	-	-	
New Zealand	0.34260	-	-	-	-	-	-	-	243,246	243,246	486,492	-	-	-	-	-	-	
Nicaragua	0.00100	134,643	1,420	7	7	7	-	-	-	-	-	-	-	-	134,636	1,420	136,056	
Niger	0.00100	96,150	1,420	7	7	7	-	-	-	-	-	-	-	-	96,143	1,420	97,563	
Nigeria	0.09667	89,011	83,083	85,737	-	-	-	-	652,029	652,029	1,304,058	-	-	-	-	-	-	
Norway	0.91835	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Oman	0.08672	-	-	-	-	-	-	-	61,571	61,571	123,142	-	-	-	-	-	-	
Pakistan	0.08672	-	-	-	-	-	-	-	61,571	60,569	122,140	-	-	-	1,002	-	1,002	
Panama	0.02559	2,193	1,360	2,193	833	1,360	-	-	26,814	26,814	26,814	-	-	-	9,524	-	9,524	
Papua New Guinea	0.00853	5,241	74	553	479	74	-	-	-	-	-	-	-	-	4,688	12,112	16,800	
Paraguay	0.02275	57,580	3,090	18,215	15,125	3,090	-	-	-	-	-	-	-	-	39,365	32,306	71,671	
Peru	0.16775	296,101	283	627	344	283	-	-	-	-	-	-	-	-	295,474	238,206	533,680	
Philippines	0.14216	32,009	-	32,009	32,009	-	-	-	37,103	104,103	141,206	-	-	-	-	60,662	60,662	
Poland	0.53736	41,061	-	41,061	41,061	-	-	-	381,526	381,526	763,052	-	-	-	-	-	-	
Portugal	0.65678	-	-	-	-	-	-	-	466,314	466,314	932,628	-	-	-	-	-	-	
Qatar	0.04833	-	-	-	-	-	-	-	2,183	66,445	68,628	-	-	-	-	-	-	
Republic of Korea	2.63137	-	-	-	-	-	-	-	634,678	1,233,594	1,868,272	-	-	-	1,868,272	-	1,868,272	
Republic of Moldova	0.00284	872,848	4,032	93	93	-	-	-	-	-	-	-	-	-	872,755	4,032	876,787	
Romania	0.08245	50,631	-	50,631	50,631	-	-	-	58,540	58,540	117,080	-	-	-	-	-	-	
Russian Federation	1.70591	-	-	-	-	-	-	-	1,211,196	1,211,196	2,422,392	-	-	-	-	-	-	
Rwanda	0.00100	9,263	8,716	8,743	27	8,716	-	-	-	-	-	-	-	-	520	1,420	1,940	
Saint Kitts and Nevis	0.00100	-	-	-	-	-	-	-	93	58	151	-	-	-	-	1,269	1,269	
Saint Lucia	0.00284	1,914	-	1,914	1,914	-	-	-	2,016	146	2,162	-	-	-	-	1,870	1,870	
Saint Vincent and the Grenadines	0.00100	110,948	-	7	7	-	-	-	-	-	-	-	-	-	110,941	1,420	112,361	
Sao Tome and Principe	0.00100	121,682	1,420	-	-	-	-	-	-	-	-	-	-	-	121,682	1,420	123,102	
Saudi Arabia	0.78756	-	-	-	-	-	-	-	559,168	559,168	1,118,336	-	-	-	-	-	-	
Senegal	0.00711	-	-	-	-	-	-	-	5,048	5,048	10,096	-	-	-	-	-	-	
Serbia and Montenegro	0.02843	18,049	32	18,049	18,017	32	-	-	-	20,167	20,167	-	-	-	20,203	-	20,203	
Seychelles	0.00284	45,828	4,032	82,375	26	6	-	-	-	-	-	-	-	-	45,796	4,032	49,828	
Sierra Leone	0.00100	82,375	1,420	-	16,788	65,587	-	-	-	-	-	-	-	-	-	-	-	
Slovakia	0.06113	-	-	-	-	-	-	-	43,402	43,402	86,804	-	-	-	-	-	-	
Slovenia	0.11515	331,781	147,575	331,781	184,206	147,575	-	-	-	48,848	48,848	-	-	-	114,666	-	114,666	

Member States	Scale %	Credits and collections in 2004-2005										Contributions payable			Contributions outstanding			Total outstanding
		Prior biennium					Current biennium					Prior biennium	Current biennium	Total	Prior biennium	Current biennium	Total	
		2004	2005	Total	2004	2005	Total	2004	2005	Total								
Somalia	0.00100	134,656	1,420	7	-	7	-	-	-	-	-	-	-	-	134,649	1,420	-	136,069
South Africa	0.58001	-	823,614	-	-	-	-	-	411,807	-	-	-	-	-	411,807	-	-	-
Spain	3.58064	-	5,084,508	-	-	-	-	-	2,542,254	-	-	-	-	-	2,542,254	-	-	5,084,508
Sri Lanka	0.02275	-	32,306	-	-	-	-	-	16,153	-	-	-	-	-	16,153	-	-	32,306
Sudan	0.00853	4,615	12,112	4,615	-	4,615	6,056	60	-	-	-	-	-	-	41,490	5,996	-	5,996
Suriname	0.00284	41,522	4,032	26	6	32	-	-	-	-	-	-	-	-	-	4,032	-	45,522
Swaziland	0.00284	-	4,032	-	-	-	482	54	-	-	-	-	-	-	-	3,496	-	3,496
Sweden	1.45962	-	2,072,660	-	-	-	1,036,330	-	-	-	-	-	-	-	1,036,330	-	-	2,072,660
Switzerland	1.81111	-	2,571,776	-	-	-	1,285,888	-	-	-	-	-	-	-	1,285,888	-	-	2,571,776
Syrian Arab Republic	0.11373	-	161,496	-	-	-	80,748	-	-	-	-	-	-	-	80,748	-	-	161,496
Tajikistan	0.00100	277,104	1,420	651	123,445	124,096	-	-	-	-	-	-	-	-	153,008	1,420	-	154,428
Thailand	0.41795	75,331	593,490	75,331	-	75,331	296,745	-	-	-	-	-	-	-	296,745	-	-	593,490
The Former Yugoslav Rep. of Macedonia	0.00853	6,021	12,112	6,021	-	6,021	-	-	10,242	-	-	-	-	-	-	-	-	10,242
Timor-Leste	0.00100	72,475	1,420	15,186	6	15,192	-	-	710	-	-	-	-	-	57,283	1,420	-	58,703
Togo	0.00100	-	1,420	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,420
Tonga	0.00100	-	1,420	-	-	-	-	-	710	-	-	-	-	-	710	42	-	752
Trinidad and Tobago	0.02275	14,457	32,306	14,457	-	14,457	16,153	393	-	-	-	-	-	-	16,546	-	-	16,546
Tunisia	0.04265	2,336	60,564	2,336	-	2,336	28,293	29,598	-	-	-	-	-	-	57,891	-	-	57,891
Turkey	0.62550	-	888,210	-	-	-	444,105	-	-	-	-	-	-	-	444,105	-	-	888,210
Turkmenistan	0.00426	155,308	6,050	-	-	-	-	-	-	-	-	-	-	-	155,308	6,050	-	161,358
Uganda	0.00711	-	10,096	-	-	-	4,690	1,323	-	-	-	-	-	-	6,013	-	-	4,083
Ukraine	0.07534	6,804,134	106,982	1,025,511	1,025,510	2,051,021	-	-	-	-	-	-	-	-	4,753,113	106,982	-	4,860,095
United Arab Emirates	0.28716	-	407,768	-	-	-	203,884	203,884	-	-	-	-	-	-	407,768	-	-	-
United Kingdom	7.86994	-	11,175,312	-	-	-	5,587,656	5,587,656	-	-	-	-	-	-	11,175,312	-	-	-
United Republic of Tanzania	0.00569	-	8,080	-	-	-	4,040	4,040	-	-	-	-	-	-	8,080	-	-	-
Uruguay	0.11373	192,516	161,496	31,366	13,931	45,297	-	-	-	-	-	-	-	-	147,219	161,496	-	308,715
Uzbekistan	0.01564	469,275	22,208	159	10,675	10,834	-	-	-	-	-	-	-	-	458,441	22,208	-	480,649
Vanuatu	0.00100	78,344	1,420	7	-	7	-	-	-	-	-	-	-	-	78,337	1,420	-	79,757
Venezuela (Bolivarian Republic of)	0.29869	328,131	419,880	328,131	-	328,131	-	-	212,134	-	-	-	-	-	-	207,746	-	207,746
Viet Nam	0.02275	-	32,306	-	-	-	16,153	122	-	-	-	-	-	-	16,275	-	-	16,031
Yemen	0.00853	323	12,112	323	-	323	6,056	4,867	-	-	-	-	-	-	10,923	-	-	1,189
Zambia	0.00284	55,544	4,032	26	6	32	-	-	-	-	-	-	-	-	55,512	4,032	-	59,544
Zimbabwe	0.01137	7,226	16,146	7,226	-	7,226	8,046	69	-	-	-	-	-	-	8,115	-	-	8,031
Subtotal:	100	42,521,493	142,000,000	3,288,436	2,571,827	5,860,263	64,264,899	65,866,060	130,130,959	11,869,041	36,661,230	11,869,041	48,530,271					

Member States	Scale %	Credits and collections in 2004-2005										Contributions outstanding		Total outstanding		
		Contributions payable					Current biennium					Prior biennium	Current biennium			
		Prior biennium	Current biennium	2004	2005	Total	2004	2005	Total	Total						
FORMER MEMBER STATES:																
USA		69,228,235		21,887	15,823	37,710							69,190,525			69,190,525
Yugoslavia (former)		2,081,702		103	103	103							2,081,599			2,081,599
Subtotal:		71,309,937		21,887	15,926	37,813							71,272,124			71,272,124
NEW MEMBER STATES:																
Chad		9,809		7		7							9,802			9,802
Comoros		12,975		7		7							12,968			12,968
Djibouti		8,787		7		7							8,780			8,780
El Salvador		17,250		-		-							17,250			17,250
Equatorial Guinea		12,975		7	12,968	12,975							-			-
Liberia		18,620		7		7							18,613			18,613
Sao Tome and Principe		12,975		7		7							12,968			12,968
Timor-Leste		668		668		668							-			-
Turkmenistan		52,332		-		-							52,332			52,332
Subtotal:		146,391		710	12,968	13,678							132,713			132,713
TOTAL		113,977,821		3,311,033	2,600,721	5,911,754				64,264,899		65,866,060	130,130,959		11,869,041	119,935,108
1986		50,465		35	6,292	6,327							44,138			44,138
1987		53,410		-	6,676	6,676							46,734			46,734
1988		82,281		17	8,625	8,642							73,639			73,639
1989		109,948		1,094	8,625	9,719							100,229			100,229
1990		525,661		9,835	9,931	19,766							505,895			505,895
1991		763,259		9,856	9,828	19,684							743,575			743,575
1992		942,764		26,744	13,341	40,085							902,679			902,679
1993		1,140,298		48,632	48,943	97,575							1,042,723			1,042,723
1994		8,072,707		56,864	215,741	272,605							7,800,102			7,800,102
1995		37,918,785		1,040,500	226,427	1,266,927							36,651,858			36,651,858
1996		35,079,800		24,831	888,884	913,715							34,166,085			34,166,085
1997		5,047,707		95,669	51,409	147,078							4,900,629			4,900,629
1998		3,956,766		133,424	131,087	264,511							3,692,255			3,692,255
1999		4,628,093		235,359	113,287	348,646							4,279,447			4,279,447
2000		3,028,794		87,689	45,879	133,568							2,895,226			2,895,226
2001		3,172,139		100,188	87,717	187,905							2,984,234			2,984,234
2002		3,985,584		388,833	133,697	522,530							3,463,054			3,463,054

Member States	Scale %	Credits and collections in 2004-2005										Contributions outstanding		
		Contributions payable		Prior biennium			Current biennium			Prior biennium	Current biennium	Total outstanding		
		Prior biennium	Current biennium	2004	2005	Total	2004	2005	Total					
2003		5,419,360		1,051,463	594,332	1,645,795					3,773,565			3,773,565
2004		71,000,000					64,264,899	2,121,120		66,386,019			4,613,981	4,613,981
2005		71,000,000					63,744,940	63,744,940		63,744,940			7,255,060	7,255,060
TOTAL		142,000,000		3,311,033	2,600,721	5,911,754	64,264,899	65,866,060		130,130,959			11,869,041	119,935,108

Schedule 2

STATUS OF ADVANCES TO THE WORKING CAPITAL FUND
for the biennium 2004-2005 as at 31 December 2005 (in euros)

Member State	Scale of assessment (percent)	Amount of advance	Collections 1986-2003	Adjustments 2004-2005	Collections 2004-2005	Amount outstanding
Afghanistan	0.00100	74	308	(234)		-
Albania	0.00426	316	297	19		-
Algeria	0.09951	7,387	7,349	38		-
Angola	0.00284	211	223	(12)		-
Argentina	1.37752	102,254	120,847	(18,593)		-
Armenia	0.00284	211	223	(12)		-
Austria	1.34625	99,933	99,617		316	-
Azerbaijan	0.00569	422	445	(23)		-
Bahamas	0.01706	1,266	1,262	4		-
Bahrain	0.02559	1,900	1,930	(30)		-
Bangladesh	0.01000	742	742	-		-
Barbados	0.01279	949	965	(16)		-
Belarus	0.02701	2,005	2,005	-		-
Belgium	1.60498	119,139	118,769	20	350	-
Belize	0.00100	74	74	-		-
Benin	0.00284	211	223	(12)		-
Bhutan	0.00100	74	74	-		-
Bolivia	0.01137	844	817	27		-
Bosnia and Herzegovina	0.00569	422	445	(23)		-
Botswana	0.01422	1,056	1,039	17		-
Brazil	3.39761	252,206	170,093	3,968		78,145
Bulgaria	0.01848	1,372	1,336	36		-
Burkina Faso	0.00284	211	223	(12)		-
Burundi	0.00100	74	74	-		-
Cambodia	0.00284	211	150	61		-
Cameroon	0.01279	949	965	(16)		-
Cape Verde	0.00100	74	74	-		-
Central African Republic	0.00100	74	74	-		-
Chad	0.00100	74	74	-		-

Member State	Scale of assessment (percent)	Amount of advance	Collections 1986-2003	Adjustments 2004-2005	Collections 2004-2005	Amount outstanding
Chile	0.30138	22,372	22,269	103		-
China	2.17788	161,665	161,080	585		-
Colombia	0.28574	21,211	21,156	55		-
Comoros	0.00100	74	74	-		-
Congo	0.00100	74	74	-		-
Costa Rica	0.02843	2,110	2,078	14	18	-
Côte d'Ivoire	0.01279	949	965	(16)		-
Croatia	0.05544	4,115	4,083	32		-
Cuba	0.04265	3,166	3,192	(26)		-
Cyprus	0.05402	4,010	4,010	-		-
Czech Republic	0.28858	21,421	21,376	45		-
Democratic People's Republic of Korea	0.01279	949	965	(16)		-
Democratic Republic of the Congo	0.00569	422	445	(23)		-
Denmark	1.06477	79,039	78,759	280		-
Djibouti	0.00100	74	74	-		-
Dominica	0.00100	74	74	-		-
Dominican Republic	0.03270	2,427	318	7		2,102
Ecuador	0.03554	2,638	2,598	40		-
Egypt	0.11515	8,548	8,536	12		-
El Salvador	0.02559	1,900	146	7		1,747
Equatorial Guinea	0.00100	74	74	-		-
Eritrea	0.00100	74	74	-		-
Ethiopia	0.00569	422	445	(23)		-
Fiji	0.00569	422	445	(23)		-
Finland	0.74207	55,084	54,930		154	-
France	9.19202	682,327	680,024		2,303	-
Gabon	0.01990	1,477	1,485	(8)		-
Gambia	0.00100	74	74	-		-
Georgia	0.00711	528	520	8		-
Germany	13.88754	1,030,877	1,027,422	3,455		-
Ghana	0.00711	528	520	8		-
Greece	0.76624	56,878	56,712		166	-

Member State	Scale of assessment (percent)	Amount of advance	Collections 1986-2003	Adjustments 2004-2005	Collections 2004-2005	Amount outstanding
Grenada	0.00100	74	74	-		-
Guatemala	0.03838	2,849	2,821	28		-
Guinea	0.00426	316	297	19		-
Guinea-Bissau	0.00100	74	74	-		-
Guyana	0.00100	74	74	-		-
Haiti	0.00284	211	223	(12)		-
Honduras	0.00711	528	520	8		-
Hungary	0.17059	12,663	12,619	44		-
India	0.48476	35,984	35,853		131	-
Indonesia	0.28432	21,105	21,007		98	-
Iran (Islamic Republic of)	0.38667	28,703	28,579	124		-
Iraq	0.19334	14,352	3,630	140		10,582
Ireland	0.41795	31,025	30,954		71	-
Israel	0.58996	43,793	43,647	146		-
Italy	7.20001	534,459	532,567		1,892	-
Jamaica	0.00569	422	445	(23)		-
Japan	22.00000	1,633,067	1,633,067	-		-
Jordan	0.01137	844	817	27		-
Kazakhstan	0.03980	2,954	2,969	(15)		-
Kenya	0.01137	844	817	27		-
Kuwait	0.20897	15,512	15,440	72		-
Kyrgyzstan	0.00100	74	74	-		-
Lao People's Democratic Republic	0.00100	74	74	-		-
Lebanon	0.01706	1,266	1,262	4		-
Lesotho	0.00100	74	74	-		-
Liberia	0.00100	74	74	-		-
Libyan Arab Jamahiriya	0.09525	7,070	7,052	18		-
Lithuania	0.02417	1,794	1,782	12		-
Luxembourg	0.11373	8,442	8,388	54		-
Madagascar	0.00426	316	297	19		-
Malawi	0.00284	211	223	(12)		-
Malaysia	0.33407	24,798	24,719	79		-
Maldives	0.00100	74	74	-		-

Member State	Scale of assessment (percent)	Amount of advance	Collections 1986-2003	Adjustments 2004-2005	Collections 2004-2005	Amount outstanding
Mali	0.00284	211	223	(12)		-
Malta	0.02132	1,583	1,559	24		-
Mauritania	0.00100	74	74	-		-
Mauritius	0.01564	1,161	1,188	(27)		-
Mexico	1.54385	114,600	114,240		360	-
Monaco	0.00569	422	297		125	-
Mongolia	0.00100	74	74	-		-
Morocco	0.06255	4,643	4,602	41		-
Mozambique	0.00100	74	74	-		-
Myanmar	0.01000	742	742	-		-
Namibia	0.00995	739	742	(3)		-
Nepal	0.00569	422	445	(23)		-
Netherlands	2.47073	183,404	182,755		649	-
New Zealand	0.34260	25,431	25,313		118	-
Nicaragua	0.00100	74	74	-		-
Niger	0.00100	74	74	-		-
Nigeria	0.09667	7,176	7,126	50		-
Norway	0.91835	68,170	67,921		249	-
Oman	0.08672	6,437	6,384	53		-
Pakistan	0.08672	6,437	6,384	53		-
Panama	0.02559	1,900	1,930	(30)		-
Papua New Guinea	0.00853	633	668	(35)		-
Paraguay	0.02275	1,689	1,707	(18)		-
Peru	0.16775	12,452	12,396	56		-
Philippines	0.14216	10,553	10,541	12		-
Poland	0.53736	39,889	39,787	102		-
Portugal	0.65678	48,753	48,621		132	-
Qatar	0.04833	3,588	3,563	25		-
Republic of Korea	2.63137	195,328	194,706		622	-
Republic of Moldova	0.00284	211	223	(12)		-
Romania	0.08245	6,120	6,087	33		-
Russian Federation	1.70591	126,631	126,192		439	-
Rwanda	0.00100	74	74	-		-
Saint Kitts and Nevis	0.00100	74	74	-		-

Member State	Scale of assessment (percent)	Amount of advance	Collections 1986-2003	Adjustments 2004-2005	Collections 2004-2005	Amount outstanding
Saint Lucia	0.00284	211	223	(12)		-
Saint Vincent and the Grenadines	0.00100	74	74	-		-
Sao Tome and Principe	0.00100	74	74	-		-
Saudi Arabia	0.78756	58,461	58,271	190		-
Senegal	0.00711	528	520	8		-
Serbia and Montenegro	0.02843	2,110	2,078		32	-
Seychelles	0.00284	211	223	(12)		-
Sierra Leone	0.00100	74	74	-		-
Slovakia	0.06113	4,538	4,528	10		-
Slovenia	0.11515	8,548	7,307	247	994	-
Somalia	0.00100	74	74	-		-
South Africa	0.58001	43,054	42,910		144	-
Spain	3.58064	265,792	264,852		940	-
Sri Lanka	0.02275	1,689	1,707	(18)		-
Sudan	0.00853	633	668	(35)		-
Suriname	0.00284	211	223	(12)		-
Swaziland	0.00284	211	223	(12)		-
Sweden	1.45962	108,348	107,965		383	-
Switzerland	1.81111	134,439	133,986		453	-
Syrian Arab Republic	0.11373	8,442	8,388	54		-
Tajikistan	0.00100	74	74	-		-
Thailand	0.41795	31,025	30,954	71		-
TFYR of Macedonia	0.00853	633	668	(35)		-
Timor-Leste	0.00100	74	74		74	-
Togo	0.00100	74	74	-		-
Tonga	0.00100	74	74	-		-
Trinidad and Tobago	0.02275	1,689	1,707	(18)		-
Tunisia	0.04265	3,166	3,192	(26)		-
Turkey	0.62550	46,431	46,245		186	-
Turkmenistan	0.00426	316	27	29		260
Uganda	0.00711	528	520	8		-
Ukraine	0.07534	5,593	5,567	26		-
United Arab Emirates	0.28716	21,316	21,230	86		-
United Kingdom	7.86994	584,189	582,189		2,000	-

Member State	Scale of assessment (percent)	Amount of advance	Collections 1986-2003	Adjustments 2004-2005	Collections 2004-2005	Amount outstanding
United Republic of Tanzania	0.00569	422	445	(23)		-
Uruguay	0.11373	8,442	8,388	54		-
Uzbekistan	0.01564	1,161	1,188	(27)		-
Vanuatu	0.00100	74	74	-		-
Venezuela (Bolivarian Republic of)	0.29569	21,949	21,898	51		-
Viet Nam	0.02275	1,689	1,707	(18)		-
Yemen	0.00853	633	668	(35)		-
Zambia	0.00284	211	223	(12)		-
Zimbabwe	0.01137	844	817	27		-
TOTAL	100	7,423,030	7,325,458	(8,663)	13,399	92,836

Schedule 3

GENERAL FUND

Status of appropriations by major object of expenditure for the biennium 2004-2005 as at 31 December 2005

(In thousands of euros)

Major object of expenditure	Original appropriation	Transfers/other adjustments	Revised appropriation	Disbursements during 2004-2005	Unliquidated obligations as at 31/12/05	Total expenditure	Balance of appropriations
Approved estimates							
				Actual income	Accrued income	Total income	(Excess) shortfall
Income							
Regional programme	1,618.5	0.0	1,618.5	632.3	0.0	632.3	986.2
Miscellaneous income							
(i) Estimated in GC.10/Dec.17	1,394.8	0.0	1,394.8	1,318.8	81.7	1,400.5	(5.7)
(ii) Not estimated in GC.10/Dec.17				(3,569.8)	0.0	(3,569.8)	3,569.8
Total B	3,013.3	0.0	3,013.3	(1,618.7)	81.7	(1,537.0)	4,550.3
Total A—B	142,000.0	2,585.2	144,585.2	125,687.1	8,049.0	133,736.1	10,849.1
Salaries and common staff costs	98,335.1	0.0	98,335.1	81,743.5	4,133.5	85,877.0	12,458.1
Official travel	2,793.4	0.0	2,793.4	1,941.1	148.5	2,089.6	703.8
Operating costs	26,336.1	2,585.2 ^a	28,921.3	21,894.4	3,135.8	25,030.2	3,891.1
Information and communication technology	5,654.7	0.0	5,654.7	4,307.0	712.9	5,019.9	634.8
RPTC and SRA activities	14,189.8	0.0	14,189.8	14,182.4	0.0	14,182.4	7.4
	147,309.1	2,585.2 ^a	149,894.3	124,068.4	8,130.7	132,199.1	17,695.2
Less: Adjustment to gross expenditure ^b	2,295.8	0.0	2,295.8	0.0	0.0	0.0	2,295.8
Total A	145,013.3	2,585.2	147,598.5	124,068.4	8,130.7	132,199.1	15,399.4

^a Supplementary estimates approved by the General Conference (GC.11/Dec.15) for security enhancements at the VIC for the biennium 2004-2005.^b Adjustment made to gross expenditure in the programme and budgets for 2004-2005 as per General Conference decision GC.10/Dec.17(b).

Schedule 4

OTHER HEADQUARTERS FUNDS
BUILDINGS MANAGEMENT SERVICES

Status of appropriations by major object of expenditure for the biennium 2004-2005

(In thousands of euros)

Major object of expenditure	Original appropriation	Transfers/other adjustments	Revised appropriation	Disbursements during 2004-2005	Unliquidated obligations as at 31/12/05	Total expenditure	Balance of appropriations	Estimated income			Total income	(Excess) shortfall
								Actual income	Accrued income	(Excess) shortfall		
Staff costs	13,949.2	0.0	13,949.2	12,061.3	52.9	12,114.2	1,835.0					
Official travel	12.2	0.0	12.2	3.8	0.0	3.8	8.4					
Operating costs	33,908.7	0.0	33,908.7	16,484.2	9,285.2	25,769.4	8,139.3					
Information and communication technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
RPTC and SRA activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0					
Total A	47,870.1	0.0	47,870.1	28,549.3	9,338.1	37,887.4	9,982.7					
Income												
Common Buildings Management	46,066.0	0.0	46,066.0	44,085.6	553.8	44,639.4	1,426.6					
Joint Buildings Management	1,804.1	0.0	1,804.1	929.4	421.9	1,351.3	452.8					
Total B	47,870.1	0.0	47,870.1	45,015.0	975.7	45,990.7	1,879.4					
Miscellaneous income												
Not estimated in GC.10/Dec.17	0.0	0.0	0.0	548.2	0.0	548.2	(548.2)					
Total C	0.0	0.0	0.0	548.2	0.0	548.2	(548.2)					
Total A—B—C	0.0	0.0	0.0	(17,013.9)	8,362.4	(8,651.5)	8,651.5*					

<u>Cumulative fund balance - Special Account for BMS (GC.9/Dec.14)</u>		
Excess of income over expenditure (2004-2005) as at 31 December 2005 (as above)		8,651.5
Excess of income over expenditure (2002-2003) as at 1 January 2004	8,443.8	
Savings on cancellation of obligations	<u>740.8</u>	
	9,184.6	
Expenditure incurred in 2004-2005 funded from 2002-2003 contributions	<u>(2,249.1)</u>	6,935.5
Cumulative fund balance as at 31 December 2005		<u>15,587.0</u>

*/ The balance is attributable to the special account for Buildings Management and is not subject to financial regulations 4.2(b) and 4.2(c).

*/ As at 31 December 2005, contributions outstanding to the special account from the VBO's are €7,279,989.

IV. NOTES TO THE FINANCIAL STATEMENTS

Note 1: Objectives and activities of UNIDO

The United Nations Industrial Development Organization (UNIDO) is a specialized United Nations agency dedicated to improving the living conditions of people and promote global prosperity through offering tailor made solutions for the sustainable industrial development in developing countries and countries with economies in transition. It mobilizes knowledge, skills, information and technology to promote productive employment, a competitive economy and a sound environment.

The key comparative advantage of UNIDO lies in its unique ability to provide comprehensive and integrated packages of services; combining its operational activities with its analytical, normative and convening roles. Those services include: analyses of current and emerging industrial trends; benchmarking of industrial performance; policy advice based on international best practices; transfer and upgrading of environmentally-sound manufacturing technologies; and promotion of industrial investments. UNIDO focuses its work on low-income countries, particularly in Africa, and on linking agriculture with industry. UNIDO is committed to maintaining excellent standards in the implementation of these programmes. \

Note 2: Summary of significant accounting policies

Basis of presentation

2.1 UNIDO's accounts are maintained in accordance with Article X of the Financial Regulations of UNIDO, as adopted by the General Conference, the financial rules formulated thereunder, administrative instructions and in conformity with generally-accepted accounting principles. UNIDO follows the United Nations System Accounting Standards as approved by the High-Level Committee on Management (HLCM) on behalf of the United Nations Chief Executives Board for Coordination (CEB) at its seventh session and requested by General Assembly resolution 48/216, and the financial statements, of which these notes form an integral part, are presented in accordance with those standards.

2.2 The UNIDO financial statements are prepared on the historical cost basis of accounting and have not been adjusted to reflect the effects of changing prices for goods and services.

2.3 In accordance with Financial Regulation 10.5, the financial statements of UNIDO are presented in euros. Accounts and accounting records may, however, be kept in such currency or currencies, as the Director-General may deem necessary. Accordingly, accounts of technical cooperation activities are maintained in euros and United States dollars, depending on the currency in which the funding from the donor was received or in certain cases, according to the currency of project implementation.

2.4 UNIDO's accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Conference or the Director-General. Each fund is maintained as a distinct financial and accounting entity, with a separate self-balancing double-entry group of accounts.

2.5 The fiscal period of the Organization is a biennium and consists of two consecutive calendar years.

2.6 Income, expenditure, assets and liabilities are recognized on the accrual basis of accounting, except in instances specifically mentioned below.

Translation and conversion of currencies

2.7 Following General Conference decision GC.8/Dec.16 on the adoption of a single currency system based on the euro commencing January 2002, all assets, liabilities, reserves and fund balances of the General Fund and other Headquarters funds as of 1 January 2002 were converted to euros, using the exchange rates approved by the General Conference (GC.9/Dec.15), i.e. $ATS\ 13.7603 = \text{€}1$ and $\text{\$}1 = \text{€}1.123$ (or $\text{€}1 = \text{\$}0.890472$).

2.8 Transactions in other currencies are recorded in euros for all funds and in United States dollars for dollar-based extra budgetary technical cooperation activities at the applicable United Nations operational

rate of exchange at the deemed date of the transaction. Assets, liabilities, reserves and fund balances held in other currencies are translated at the applicable United Nations operational rate of exchange at the date of the statement.

2.9 Exchange rate gains and losses arising from transactions and the revaluation of assets and liabilities are accounted as other income in Statement I subject to 2.10 (iii) below.

2.10 In preparing the Organization's consolidated financial statements, the accounts of technical cooperation activities maintained in United States dollars are translated to euros using generally accepted accounting practices. Namely,

(i) Non-euro income, expenditure and changes in reserves and fund balances are stated at the equivalent amount of euros applicable as at the deemed date of the transaction applying the United Nations operational rate of exchange as at that date;

(ii) Non-euro assets, liabilities, reserves and fund balances as at 31 December 2005 are converted to a euro equivalent using the United Nations operational rate of exchange as at 31 December 2005;

(iii) All resulting exchange differences are classified as a component of reserves and fund balances in Statements I and II in a separate account – 'currency translation'.

Income recognition

2.11 Contributions to the regular budget are recognized as income on the basis of assessments of Member States approved by the General Conference for the fiscal period.

2.12 Voluntary contributions towards regular budget and technical cooperation activities from Governments or other donors are recognized as income upon receipt of cash or cash equivalents.

2.13 Contributions in kind received are not accounted for, but the value is disclosed in the notes to the financial statements. Where necessary, amounts are estimated locally based on a fair commercial value in an arms length transaction.

2.14 Funds under inter-organization arrangements representing income from UNDP and UNDP trust funds are the same as reported for total expenditure in line with UNDP procedures, which require that allocations be adjusted to equal actual expenditure.

2.15 Income from revenue producing activities, consisting of sales publications and Computer Model for Feasibility and Analysis (COMFAR), is recognized on a cash basis. In addition, for COMFAR, income is recognized on confirmation of receipt of funds at a field location (e.g. UNDP country offices).

2.16 Income from the operation of common services under Buildings Management Services (BMS) is recognized on issuance of invoices to the VIC-based organizations. At year-end, income is accrued for staff costs in BMS, pending the issuance of invoices.

2.17 For the regular budget, refunds of expenditure charged to previous fiscal periods, proceeds from the sale of surplus property, commissions from travel agents, CTBTO support costs and other sundry credits are treated as miscellaneous income.

Interest income

2.18 Interest income, including accrued interest on bank deposits for the regular and operational budgets, the special account for Buildings Management, the general-purpose segment of the Industrial Development Fund and Multilateral Fund for the Montreal Protocol are recognized as income in the respective accounts and funds. Interest income arising from UNDP activities is credited to the operating fund account maintained with that organization. Pursuant to General Conference decision GC.8/Dec.10, interest income under the regular budget is limited to the budgetary estimates contained in the programme and budgets for the fiscal period, including interest earned on working capital funds.

2.19 Total interest income, including accrued interest on bank deposits for the special-purpose Industrial Development Fund, Global Environment Facility (net of audit fees) and trust funds relating to the technical cooperation activities, is credited to accounts payable until instructions regarding utilization are received from the donor.

Expenditure

2.20 Expenditure reported in the financial statements includes disbursements and unliquidated obligations.

2.21 Expenditure on acquisition of furniture, equipment, other non-expendables and leasehold improvements is charged to expenditure in the year of purchase and is not included in the assets of the Organization. The inventory of such non-expendable property is maintained on historical cost basis, and the value is disclosed in the notes to the financial statements.

2.22 Disbursements made in the current fiscal period for future fiscal periods are not charged to the expenditure in the current fiscal period but are recorded as deferred charges, as referred to in Note 2.26 below.

2.23 Ex gratia payments made in accordance with financial rule 109.13 are reported in the notes to the financial statements of the respective fund pursuant to financial regulation 9.3.

Assets

2.24 Assessed contributions receivable represent legal obligations due from Member States. Details of the receivables are provided in a schedule to the financial statements. A full provision for outstanding assessed contributions for the previous fiscal periods is made at the end of the current fiscal period.

2.25 Funds on deposit in interest-bearing bank accounts, certificates of deposit, time deposits and call accounts are shown as cash and term deposits.

2.26 Expenditure items that are not properly chargeable in the current fiscal period and that will be charged as expenditure in a subsequent fiscal period are shown under other assets as deferred charges. For balance sheet statement purposes only, that portion of the education grant advance, which is assumed to pertain to the scholastic year completed as at the date of the financial statement, is also shown under deferred charges.

Liabilities and reserves

2.27 In accordance with financial regulation 5.2(d), the unencumbered balance of appropriations adjusted against future assessments as requested by certain Member States and contributions received in advance for 2006 and future years are held as a liability until applied against assessments for future fiscal periods.

2.28 For the regular budget, obligations made and outstanding against the current fiscal period are shown as unliquidated obligations. According to financial regulation 4.2(b), these obligations remain valid for twelve months following the end of the fiscal period to which they relate. At the end of the twelve months the unliquidated obligations are terminated.

2.29 For all technical cooperation activities, unliquidated obligations meeting the established criteria remain valid for twelve months after the end of each calendar year. However, in accordance with established policy, these obligations may be retained beyond twelve months, when a firm liability to pay still exists and/or until the completion of activities under relevant projects.

2.30 No provision is made in the General Fund for end-of-service entitlements, after-service health insurance or meeting potential liabilities under appendix D to the Staff Rules of UNIDO, as funds are provided for in the budget appropriations to meet the obligations on a pay-as-you-go basis. However, provision is made to meet repatriation grant entitlements and 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 (refer to Note 2.33).

Savings on or cancellation of prior period obligations

2.31 Savings on or cancellation of obligations relating to the regular budget unliquidated obligations for the prior fiscal period are credited to Member States in the current fiscal period in accordance with financial regulation 4.2(c). Savings on or the cancellation of prior year obligations in respect of all technical cooperation activities are credited to individual projects as a reduction of the current year expenditure or as miscellaneous income for completed projects. For BMS, the savings on or the cancellation of obligations for the prior period is credited to the special account in the current period.

Commitments and contingent liabilities

2.32 Commitments, approved for future fiscal periods that are necessary in the interest of UNIDO in accordance with financial rule 109.6, are disclosed in the notes to the financial statements of the respective fund. Such commitments are normally restricted to administrative requirements of a continuing nature and to other contracts or legal obligations where long lead times are required for delivery.

2.33 Contingent liabilities for end-of-service entitlements, after-service health insurance and for any pending litigations are disclosed in the notes to the financial statements (refer to Note 2.30).

Accounting changes

2.34 With the introduction of euro-based management of technical cooperation programmes from the beginning of the biennium 2004-2005 and in compliance with generally-accepted accounting practices, the following accounting changes were made during the period.

(i) The accounting policy on treatment of exchange gains and losses has been changed as indicated in Note 2.9. Prior to the biennium 2004-2005 unrealized exchange gains were not recorded as income, but set aside in accounts payable on the grounds of prudence until realized. For technical cooperation activities, gains arising from the revaluation of non-dollar cash and bank balances were treated as realized, with the exception of euro cash and bank deposits where such gains were also set aside in accounts payable, pending utilization in the restoration of purchasing power to projects with euro expenditures.

(ii) Exchange differences resulting from the revaluation of non-euro assets, liabilities, reserves and funds balances for the euro presentation of dollar-based extra budgetary activities are shown as indicated in Note 2.10. Previously, such exchange differences were shown as "other adjustments to reserves and funds balances" in Statement I.

(iii) Comparative figures for the biennium 2002-2003 have been restated to conform to the presentation in the current fiscal period.

Special account for RPTC

2.35 The appropriations for the Regular Programme of Technical Cooperation (RPTC) are administered in accordance with the Financial Regulations of UNIDO, and in accordance with General Conference decision GC.9/Dec.14.

2.36 Miscellaneous income from refunds for completed projects and exchange differences relating to the RPTC are credited to the special account.

2.37 The criteria for recording and reporting unliquidated obligations against the current biennium for the RPTC are the same as those for technical cooperation activities. Savings on or cancellation of obligations are credited to the relevant projects under RPTC and retained in the special account for carrying out RPTC activities.

Special account for programme support costs

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

2.39 In the financial statements of the Organization, the special account for programme support costs is shown separately from the inter-organization funds, from which its income derives.

2.40 Unliquidated obligations in respect of the special account for programme support costs are accounted for on the same basis as for the regular budget. Savings on or cancellation of obligations are credited to the special account for programme support costs.

Note 3: General Fund and Working Capital Fund**3.1 Assessed contributions**

The General Conference approved that an amount of €142,000,000 of the regular budget for the biennium 2004-2005 (GC.10/Dec.17) be financed from assessed contributions by Member States. In addition, the General Conference at its eleventh session (GC.11/Dec.15) approved a further amount of €2,585,160 as supplementary estimates for security enhancements at the VIC for the biennium 2004-2005. 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. Full provision of €108,066,067 is made for assessed contributions outstanding for prior bienniums as at 31 December 2005.

3.2 Voluntary contributions

These represent host-Government contributions towards the operational costs of UNIDO field offices.

3.3 Revenue-producing activities

Gross revenue from the sale of UNIDO publications was €159,074, one-half of which (€79,537) is reported under revenue producing activities and the other half was transferred to the sales publications revolving fund (refer to Note 3.14(i)).

3.4 Interest income

Interest income of €1,321,000 represents the budgetary estimate contained in the programme and budgets for the biennium 2004-2005. According to decision GC.8/Dec.10, the excess interest amounting to €345,330 is set aside pending distribution to eligible Member States in accordance with the "S" curve formula as an incentive for prompt payment of assessed contributions.

	€ 000's	
	2004-2005	2004-2005
Opening balance	233.8	966.5
Less: Credited to Member States	233.8	964.4
Excess interest for the period	345.3	231.7
Closing balance	345.3	233.8

3.5 Currency exchange adjustments

Pursuant to General Conference decision GC.8/Dec.16 an amount of €5,907,805 was transferred to the reserve for exchange rate fluctuations (refer to Note 3.14(iii)). The amount transferred to the reserve is the

difference between the euro value of actual dollars expended and the budgeted euro cost of those dollars for the biennium 2004-2005. The dollar requirements for the biennium 2004-2005 were calculated using the 2002 average United Nations euro/dollar exchange rate, i.e. €1 = \$0.932401 (document PBC.19/3-IDB.27/3), or \$1 = €1.0725. The amount reflected in the currency exchange adjustment is the difference between the transfer and the exchange gains of €1,717,862 from regular budget activities for the biennium.

3.6 Miscellaneous income

	€ 000's	
	2004-2005	2002-2003
Refund of prior periods expenditure	57.2	47.8
Commissions from travel agent	100.6	52.4
Support costs ^(a)	351.3	547.0
Sale of surplus property	8.4	21.0
Other miscellaneous	102.7	398.2
Total	620.2	1,066.4

^(a) This relates to CTBTO support costs charged on BMS activities.

3.7 Prior biennium adjustments

The prior biennium adjustments comprise:

	€
(a) A charge for the biennium 1996-1997 in respect of a payment made to a UNIDO staff member as recommended by the Joint Appeals Board;	3,000
(b) A payment against the biennium 1998-1999 to a UNIDO staff member as recommended by the Joint Appeals Board;	50,853
(c) Biennium 2000-2001 charges related to IAEA library staff costs;	23,137
(d) Various late charges for the biennium 2002-2003, including projects under the Industrial Development Decade for Africa (IDDA).	44,547
Total	121,537

3.8 Savings on or cancellation of obligations from the prior biennium

The net savings arising from the cancellation of the 2004-2005 obligations are represented by:

	€
Savings on the cancellation of obligations from the prior biennium	3,281,577
Exchange loss on liquidation of prior biennium IDDA obligations	(9,891)
Net savings	3,271,686

3.9 Accounts receivable—other

	€ 000's	
	2004-2005	2002-2003
Salary advances	137.0	196.5
Education grant advances	834.2	848.7
Travel advances	168.0	459.9

	€ 000's	
	2004-2005	2002-2003
Receivables from VBOs	169.0	122.5
Supplementary assessments ^(a)	2,585.2	-
US income tax recoverable ^(b)	955.8	955.8
VAT Austria	193.7	272.5
Accrued interest	81.7	51.3
Other miscellaneous ^(c)	1,538.7	993.8
Subtotal	6,663.3	3,901.0
Less: Provision for doubtful receivables	(723.7)	(723.7)
Total	5,939.6	3,177.3

^(a) Represents the supplementary estimates for security enhancements at the VIC for the biennium 2004-2005, which were assessed to Member States in 2006 (see Note 3.1).

^(b) Organization's claim submitted to the Government of the United States of America in respect of United States income tax reimbursed to UNIDO staff members during the period 1994 to 1996 under the Tax Reimbursement Agreement. The Government of the United States of America had communicated to the Organization that it acknowledged this debt, however, no payment was received during the biennium.

^(c) Includes the Organization's claim to the International Atomic Energy Agency under the cost-sharing agreement for termination indemnity costs for Buildings Management staff separated during the 1995 staff reduction exercise not resolved. The amount claimed is \$644,453 (€723,720 at the United Nations operational rate of exchange approved by the ninth session of the General Conference (GC.9/Dec.15)). A provision has been made for a possible write-off of this receivable.

3.10 Other assets

Other assets include the deferred expenditure shown below.

	€ 000's	
	2004-2005	2002-2003
Advances against future years obligations	3.9	9.0
Deferred education grant advances ^(a)	556.2	565.8
Other miscellaneous	6.0	0.8
Total	566.1	575.6

^(a) The education grant advances are charged to the budgetary account and the advances recovered from staff members only when the staff member provides the required proof of entitlement to the education grant (refer to Note 2.26).

3.11 Payments or contributions received in advance

This amount includes, assessed contributions of €505,829 received from Member States to be applied against the 2006 assessment and advances of €1,066,705 received from VBOs for special work programmes carried-out by BMS at the VIC.

3.12 Accounts payable—other

	€ 000's	
	2004-2005	2002-2003
Unencumbered balances due to Member States	4,419.7	5,295.6
Incentive scheme interest due to Member States	345.3	233.7
Accruals for maternity leave replacements	179.8	217.2
Due to United Nations	-	280.0
Prior years' obligations	99.8	-
Miscellaneous payables	568.8	662.1
Other clearing accounts	429.2	1,287.1
Total	6,042.6	7,975.7

3.13 Borrowings

At the time UNIDO became a specialized agency, an interest-free loan of \$16,000,000 was received from the United Nations, which was being repaid at \$1 million per annum. The loan was fully paid-off during the current biennium.

3.14 Other reserves

Total other reserves of €16,275,344 comprise the following:

(i) Sales publication revolving fund

The sales publication revolving fund was established in the biennium 1998-1999 as contained in the programme and budgets (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 the sale of publications and charged with the full costs related to promotions, marketing and publication activities as shown below.

	€ 000's	
	2004-2005	2002-2003
Sales	159.1	151.2
Less: Transfer to revenue producing activities	79.5	75.6
Less: Promotional and other costs	70.6	90.4
Surplus/(deficit) for the period	9.0	(14.8)
Opening balance	121.1	135.9
Closing balance	130.1	121.1

(ii) Separation indemnity reserves

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 million 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 exist. 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 specified in Note 2.7.

	€ 000's	
	2004-2005	2002-2003
Opening balance	5,499.3	5,503.3
Less: Payments made during the period	-	4.0
Closing balance	5,499.3	5,499.3

(iii) Reserve for exchange rate fluctuations

In decision GC.8/Dec.16 the General Conference 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 to the reserve is the difference between the euro value of actual dollars expended and the budgeted euro cost of those dollars (Note 3.5 refers).

	€ 000's	
	2004-2005	2002-2003
Opening balance	1,840.8	-
Transfers during the period	5,907.8	1,840.8
Closing balance	7,748.6	1,840.8

(iv) Special account for RPTC

In accordance with General Conference decision GC.9/Dec.14, a special account was established for fully programmable appropriations under the RPTC, not subject to financial regulations 4.2(b) and 4.2(c). Funds from cancellation of obligations, if any, would be retained in the special account for carrying out RPTC activities (refer to Notes 2.35 to 2.37).

	€ 000's	
	2004-2005	2002-2003
Appropriations from regular budget	8,657.8	7,991.9
Currency exchange adjustment/misc. income	1.0	(0.9)
Total income	8,658.8	7,991.0
Expenditure	(8,229.5)	(5,522.9)
Surplus for the period	429.3	2,468.1
Opening balance	2,468.1	-
Closing balance	2,897.4	2,468.1

3.15 Working Capital Fund

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 and unforeseen and extraordinary expenditure. At subsequent General Conferences, the level of the Fund was progressively reduced to \$6,610,000. With the introduction of the euro assessment effective as of 1 January 2002, the

amount was converted to euros in accordance with GC.9/Dec.15, resulting in a Working Capital Fund of €7,423,030. The General Conference (GC.10/Dec.15) decided to maintain the Fund at the same level for the biennium 2004-2005. The Fund is financed through assessments of Member States based on the scale of assessments approved by the General Conference.

	€ 000's	
	2004-2005	2002-2003
Opening balance	7,423.4	7,423.0
Adjustments during the period	(0.4)	0.4
Closing balance	7,423.0	7,423.4

As of 31 December 2005 an amount of €92,836 was outstanding. Pursuant to Board decision IDB.29/Dec.4 to temporarily withdraw the amount required for security enhancements from the Working Capital Fund, an amount of €176,256 was used to pre-finance security enhancements expenditure at the VIC in 2004-2005. The Working Capital Fund is to be replenished in 2006 from the collections of supplementary assessments made for security enhancements.

3.16 Credits/surpluses due to Member States

Surpluses due to Member States are funds available for credit to Member States arising from unencumbered balances of the appropriations and contributions from new Member States. In accordance with financial regulation 4.2(b), 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 therefrom 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). Financial regulation 4.2(c) requires that, before the respective share of the balance is surrendered to any Member that has outstanding regular budget obligations to the Organization, those obligations shall first be brought to account.

As at the balance sheet date, the surpluses due for distribution—representing assessed contributions received for prior bienniums together with receipts from new Member States are set-aside in “accounts payable—other” (see Note 3.12), pending receipt of Member States’ instructions.

	€ 000's	
	2004-2005	2002-2003
Unencumbered balance brought forward	5,295.6	6,553.9
Contributions received during the period	4,301.4	5,830.4
Applied to assessments, retained for technical cooperation activities or refunded to Member States	(5,177.3)	(7,088.7)
Unencumbered balance carried forward	4,419.7	5,295.6

The following is a cumulative analysis of the surpluses due to Member States, expressed in millions of euros.

	Surplus	Surpluses disposed and applied to assessments	Prior biennium adjustments	Surpluses due for distribution	Provisions for delays in the collection of contributions	Surpluses due to Member States	Remarks
2004-2005	10.8					10.8	Provisional
2002-2003	10.4			2.2	7.2	1.0	
2000-2001	10.3	3.9		0.4	5.9	0.1	
1998-1999	14.3	5.5	(0.1)	0.6	8.0	0.1	
1996-1997 (GC.8/Res.4)	46.9	7.2		1.1	39.1	(0.5)	
1994-1995 (GC.7/Dec.17)	35.3	15.6			44.4	(24.7)	
1992-1993 (GC.6/Dec.15) (GC.8/Dec.10) (GC.8/Res.4)	16.5	14.5		0.1	1.9	0.0	
1990-1991	9.8				1.3	8.5	Retained– GC.5/Dec.14
1988-1989	7.3				0.2	7.1	Retained– GC.4/Dec.15
1986-1987 (GC4/Dec.15)	4.8	4.8				0.0	
Total	166.4	51.5	(0.1)	4.4	108.0	2.4	
Contributions from new Member States	1.9	1.7		0.0	0.1	0.1	
Total	168.3	53.2	(0.1)	4.4	108.1	2.5	

3.17 Eliminations

Eliminations comprise three elements as shown below:

- Buildings Management Service costs charged to UNIDO. An amount of €7,024,543 is eliminated from both operating costs and contractual services and income to avoid double counting of UNIDO's contribution to buildings management costs;
- Expenditure of €13,753,092 on RPTC and SRA activities is re-analysed into its component parts.
- A supplementary assessment of €2,585,160 for security enhancements at the VIC transferred to the special account reported under other Headquarters funds (refer to Note 4.3) is eliminated from income and operating costs and contractual services.

3.18 Contributions in kind

Contributions in kind estimated at €366,395 were received from Member States in support of UNIDO field offices during the year.

3.19 Ex gratia payments

No ex gratia payments were made during the biennium.

3.20 Non-expendable equipment

The following table shows the Headquarters non-expendable equipment, at cost, expressed in millions of euros, according to the cumulative inventory records of UNIDO as at 31 December 2005. The minimum euro value per item of non-expendable property is €1,700.

	2004-2005	2002-2003
Opening balance	12.6	14.1
Less: Value of special items	(2.7)	-
Adjustments to the opening balance	(0.7)	-
Adjusted opening balance	9.2	14.1
Add: Acquisitions during period	0.5	1.0
Deduct: Disposals during period	(1.1)	(2.5)
Closing balance	8.6	12.6

The historical value of non-expendable property at UNIDO field office locations at 31 December 2005 amounted to €1.7 million. In addition, special items with a unit value of €600 or more are maintained in inventory records for Headquarters and field offices and amounted to €2.7 million and €0.3 million respectively at 31 December 2005. During the biennium, non-expendable equipment to the value of €2,691 was reported as stolen and written off in the inventory records.

3.21 Contingent liabilities

(i) End-of-service payment to staff

In line with United Nations accounting standards, liabilities for end-of-service payments comprise end-of-service allowance, repatriation grant and compensation for accrued annual leave. To provide a more realistic estimate, the amount required for the removal of household goods has also been included. The valuation as at 31 December 2005 is based on the United Nations salary scale and the entitlements defined in the Staff Regulations and Rules, as well as taking into account the average of actual costs of removal expenses of staff separating during the year 2005. The amounts are estimated to be:

Regular budget €20.2 million

Operational budget €4.1 million

Post retirement benefits are excluded.

No provision is made for this liability, except that in the case of the operational budget, as reflected in Statement II and Note 4.7 (operating reserve).

(ii) The United Nations Joint Staff Pension Fund

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 defined benefit plan. The financial obligation of the Organization to the United Nations Joint Staff Pension Fund consists of its mandated contribution at the rate established by the United Nations General Assembly, together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. At the time of this report, the United Nations General Assembly has not invoked this provision.

(iii) After-service health insurance

Staff members (their spouses, dependent children or survivors) retiring from service under the Pension Fund regulations at age 55 or later are eligible for after-service health insurance coverage after having been a participant in a contributory health insurance scheme of the common system for at least 10 years. The same applies to staff members receiving compensation for disability under Appendix D to the staff rules. Costs of participation in this scheme are borne on the basis of joint contributions by UNIDO and the participants concerned.

During the biennium, the Organization's contribution to the scheme amounted to €3,429,158. The contributions against the Buildings Management Services amounted to €133,941, which was cost-shared with other VIC-based organizations. In accordance with Programme and Budget Committee conclusion 2000/2, a detailed actuarial study to determine the financial impact of the after-service health insurance was carried out in 2000. The actuarial valuation was updated in early 2006 using the same demographic assumptions as used by the UNJSPF. According to the updated valuation, the level of unfunded liabilities as at 31 December 2005 is €69.6 million (\$82.3 million based on the period end exchange rate). A United Nations system-wide solution is being sought to address the issue of unfunded liabilities. The lead agency on this issue, established by the High-Level Committee on Management, is the United Nations, who recently submitted a report to the General Assembly.

(iv) Appeal cases

The contingent liabilities on pending staff related appeals as at 31 December 2005 amounts to €1,175,607.

(v) Major repairs and replacements at the Vienna International Centre

Under a new agreement reached between the VIC-based organizations and the Republic of Austria in 2002, costs related to unexpected major repairs and replacements, which are not included in the agreed investment plan, will have to be shared equally between the Austrian Government and the VIC-based organizations. In the past, such costs were fully absorbed by the Austrian Government. No provisions have been made for such unforeseen expenditure in the financial statements.

Note 4: Other Headquarters funds**4.1 Funds reported under this heading comprise:**

- (i) Special Account for Programme Support Costs;
- (ii) Computer Model for Feasibility Analysis and Reporting (COMFAR);
- (iii) Buildings Management Services (BMS);
- (iv) Special Account for Security Enhancements at the VIC.

4.2 Buildings management services

With effect from 1 January 2002, the General Conference approved (GC.9/Dec.17) BMS as a separate, self-balancing major programme in the programme and budgets of UNIDO. All BMS expenditures are offset by income, i.e. contributions received from other VIC-based organizations and from UNIDO. Consequently, under the UNIDO General Fund, only UNIDO's share of the BMS operations is included (reference IDB.24/3-PBC.17/3). In view of the above, the BMS is reported under other Headquarters funds beginning last biennium. The General Fund and Working Capital Fund now show only UNIDO's contribution to BMS costs. The BMS operations are further split into two components:

- (i) Staff costs: This continues to be subject to the provisions of financial regulations 4.2(b) and 4.2(c);
- (ii) Special account for Buildings Management Services (for other than staff costs): The ninth session of the General Conference (GC.9/Dec.14) established with effect from January 2002 a special

account for BMS (for other than staff costs), which is not subject to financial regulations 4.2(b) and 4.2(c). Thus the budgetary surplus, if any, will not require distribution to Member States. Each VIC-based organization (UNIDO, IAEA, UNOV and CTBTO) is required to pay its share into this account.

Additional analysis of BMS operations is provided in schedule 4 and the analysis on the special account is provided in annex III. The surplus of €15,587,031 on the special account for BMS costs does not form part of the unencumbered balances of the appropriations due to Member States at the end of the biennium and is used for planned activities having multi-year implementation schedules. This amount includes €7,269,254 due from the International Atomic Energy Agency.

4.3 Special account for security enhancements at the VIC

The General Conference at its eleventh session (GC.11/Dec.15) established a special account with effect from the biennium 2004-2005, for the purpose of financing UNIDO's share of the security enhancements at the VIC. The special account is not subject to financial regulations 4.2(b) and 4.2(c). Pending the issuance of supplementary assessments to Member States in 2006, the Board (IDB.29/Dec.4) approved to temporarily withdraw the amount required for security expenditure from the Working Capital Fund. Accordingly, an amount of €176,256 was withdrawn from the Working Capital Fund during 2004-2005. Due to the specific purpose and duration of the special account, it is classified under other Headquarters funds in the financial statements.

4.4 Income and expenditure and changes in fund balances

The following is an analysis of income and expenditure during the biennium for the funds reported under this heading:

	^(a) Special account for programme support costs	Computer Model for Feasibility and Analysis	Buildings Management Services	Special account for security enhancements	Total
(In thousands of euros)					
Income	18,234.4	602.3	46,539.0	2,585.2	67,960.9
Expenditure	16,825.6	706.0	40,136.5	176.3	57,844.4
Excess (shortfall) of income over expenditure	1,408.8	(103.7)	6,402.5	2,408.9	10,116.5
Savings on cancellation of prior biennium obligations	618.5		740.8		1,359.3
Net excess (shortfall) of income over expenditure	2,027.3	(103.7)	7,143.3	2,408.9	11,475.8
Opening balance	3,133.1	597.7	8,443.8		12,174.6
Closing balance	5,160.4	494.0	15,587.1*	2,408.9	23,650.4

* Relates to the special account (see annex III).

^(a) Reimbursement for programme support costs is calculated as a percentage of programme resources expended. The Multilateral Fund for the Montreal Protocol, under a new arrangement that became effective January 2003, makes an annual lump sum payment of US\$ 1.5 million as support cost for the implementation of its programme/projects; this amount is recorded as current year income. The Fund also pays a reduced support cost in respect of each of its projects, which, similar to most other technical cooperation activities, is calculated as a percentage of programme resources expended.

4.5 Currency adjustment

The €230,295 exchange difference results primarily from the revaluation of the United States dollar cash and term deposits held by the special account for programme support costs.

4.6 Accounts receivable—other

Accounts receivable—other is represented by:

	€ 000's	
	2004-2005	2002-2003
Accrued interest	98.6	15.8
Receivable from VBOs to BMS	7,280.0	5,146.3
Accounts receivable	448.9	20.3
VAT Austria	682.3	733.9
Austrian energy tax & ELWOG ^(a)	737.6	635.1
Accrued income	982.4	150.4
Other	323.8	454.0
Subtotal	10,553.6	7,155.8
Less: Provision for doubtful receivables	(537.0)	(309.1)
Total	10,016.6	6,846.7

^(a) In the special account for Buildings Management Services, accounts receivable includes an amount representing a claim for reimbursement from the Austrian authorities for stranded costs, Renewable Energy Surcharge and KWK-Zuschlag. A full provision has been made for the outstanding amount.

4.7 Operating reserve

An operating reserve, established in respect of the special account for programme support costs in accordance with PBC 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. The purpose of the reserve is primarily to protect against unforeseen shortfalls in delivery and support cost income, for inflation and currency adjustments and to liquidate legal obligations in the case of abrupt termination of operation budget activities.

The reserve, which stood at €3,133,155 at 1 January 2004, was restored to its approved limit at 31 December 2005 as a result of the surplus generated during the biennium 2004-2005, as shown below:

	€ 000's	
	2004-2005	2002-2003
Opening balance	3,133.1	3,345.3
Surplus/(deficit) for the period	2,027.3	(212.2)
Closing balance	5,160.4	3,133.1

4.8 Contributions in kind

Contributions in kind estimated at €141,854 were received from Member States in support of UNIDO projects.

Note 5: Technical cooperation

5.1 Technical cooperation activities

Technical cooperation activities reported under this heading comprise activities executed by UNIDO with funds provided through the Industrial Development Fund, trust funds, Multilateral Fund for the Montreal Protocol, Global Environment Facility and inter-organization arrangements with UNDP and UNEP. These activities are governed by various bilateral and multilateral agreements signed between donor(s) and UNIDO.

5.2 Presentation of technical cooperation activities

A majority of voluntary contributions is received in United States dollars for projects programmable almost exclusively in that currency. From biennium 2004-2005, euro-based management of technical cooperation programmes enabled projects to be programmed in euros. Consequently, segregated accounting and reporting for United States dollar-based and euro-based technical cooperation projects was introduced. Accordingly, financial statements in Annex I, Tables 1 and 2 are provided in both United States dollars and euros for dollar-based projects and in euros only for euro-based projects. Therefore, unlike the previous biennium, financial statements for euro-based projects are no longer included in the United States dollar tables.

However, in order to present consolidated financial statements (Statements I and II) of UNIDO for the fiscal period ending 31 December 2005, all technical cooperation activities required translation to euros. The combined statements, Tables 1 and 2 presented in euros in Annex I, are prepared on the basis described in Note 2.10.

5.3 Currency exchange adjustment

(a) In Annex I, Table 1-US dollar statements represent project funds where contributions are received and programmed almost exclusively in United States dollars. All exchange gains or losses arising from transactions and revaluation of non-US dollar assets and liabilities are recorded as currency exchange adjustment under other income.

(b) In Annex I, Table 1-euro statements represent the euro-based projects for which funds are received and programmed almost exclusively in euros. All exchange gains or losses arising from transactions and revaluation of non-euro assets and liabilities are recorded as currency exchange adjustment under other income.

(c) Where applicable, the resulting exchange gains or losses are transferred to the respective donor accounts.

5.4 Transfers to reserves

This represents the charge to projects in respect of the provision for compensation payments under Appendix D to the staff rules. The period end reserve comprises of the following:

	€ 000's				Total	
	Industrial Development Fund	Montreal Protocol	Global Environment Facility	Trust funds	2004-2005	2002-2003
Opening balance	1,054.3	7.7	9.8	913.1	1,984.9	1,764.5
Transfers during the period	165.5	9.9	9.5	147.4	332.3	220.4
Closing balance	1,219.8	17.6	19.3	1,060.5	2,317.2	1,984.9

The amount of \$1,100,000 (€962,500) reflected in transfers to/from reserves represents the income received for Global Environment Facility (GEF) projects under inter-organization arrangements with UNEP, previously recorded in GEF main programme.

5.5 Currency translation

Currency translations represent exchange differences from the conversion of assets and liabilities of United States dollar based technical cooperation projects to euros at the closing rate for consolidation purposes only. As mentioned in Notes 2.10 and 2.34(ii), a change in presentation was made in the biennium 2004-2005. The cumulative balance of currency translation as at 31 December 2005 is represented by:

	€ '000						
	IDF	MP	GEF	TF	IOA*	Total	
						2004-2005	2002-2003
Opening balance	(17,008.3)	(13,721.5)	(3,605.9)	(13,082.4)	-	(47,418.1)	-
Adjustment to restate prior period	332.0	1,232.7	45.9	380.2	(11.9)	1,978.9	
Adjusted balance	(16,676.3)	(12,488.8)	(3,560.0)	(12,702.2)	(11.9)	(45,439.2)	
Adjustments during the period	462.2	1,529.4	456.6	2,559.5	73.0	5,080.7	(47,418.1)
Closing balance	(16,214.1)	(10,959.4)	(3,103.4)	(10,142.7)	61.1	(40,358.5)	(47,418.1)

* Inter-organization arrangements

5.6 Other adjustments to reserves and fund balances

With the introduction of the euro-based management of technical cooperation programmes beginning 2004, segregated accounting of euro-based and US dollar-based technical cooperation project activities was implemented during the biennium. Consequently, utilizing the revaluation gains brought forward from the previous biennium, distributions of €2,089,814 and €2,147,317 was made to the euro-based Industrial Development Fund and trust funds, fund balances respectively. These distributions along with other related revaluation adjustments are reflected in the other adjustments to reserves and fund balances, as shown below.

	€ 000's		
	IDF	TF	Total
Distributions to euro-based projects ^(a)	2,089.8	2,147.3	4,237.1
Revaluation adjustments	118.4	(949.4)	(831.0)
Total adjustment	2,208.2	1,197.9	3,406.1

^(a) Distribution to fund balances excludes amounts utilized for interest of €45,700 and €4,900 for the Industrial Development Fund and trust funds respectively, as they are credited to interest on donor funds.

5.7 Promissory notes from Multilateral Fund for the Montreal Protocol

Promissory notes in favour of UNIDO held by the Multilateral Fund for the implementation of the Montreal Protocol to the value of \$18,779,814 (€15,868,943) as at 31 December 2005 have been recorded as voluntary contributions receivable in the financial statements.

5.8 Accounts Receivable-other

Other accounts receivable comprise of:

	€ 000's						
	IDF	MP	GEF	TF	IOA	Total	
						2004-2005	2002-2003
Travel advances	38.2	13.0	15.6	48.8	27.8	143.4	314.7
Accrued interest	231.0	308.7	27.9	419.1	36.4	1,023.1	215.1
VAT	16.3	0.5		10.0	1.7	28.5	35.3
Other	84.8	0.9		218.2	193.6	497.5	405.1
Total	370.3	323.1	43.5	696.1	259.5	1,692.5	970.2

5.9 Other assets

Other assets include:

	€ 000's						
	IDF	MP	GEF	TF	IOA	Total	
						2004-2005	2002-2003
Advances against future years' obligations	57.8	4.5		77.8	1.7	141.8	22.5
Deferred expenditure				875.1	105.7	980.8	17.0
Other	0.2		1.5	4.1	6,132.1 ^(a)	6,137.9	7,372.3
Total	58.0	4.5	1.5	957.0	6,239.5	7,260.5	7,411.8

^(a) Reflects the unprocessed field inter-office vouchers (IOVs) as of 31 December 2005 amounting to \$7,256,962 (€6,132,133). The unprocessed IOV balance at year-end comprises an amount of \$1,360,966 (€1,150,016) rejected due to insufficient information and \$686,048 (€579,711) held in suspense. The backlog arises from two sources. Firstly, a time lag between the transaction being recorded in the UNDP Field Office and the receipt of details for processing at UNIDO and secondly, insufficient information being received by UNIDO to facilitate accurate recording. With the exception of an immaterial amount of straight expenditures, related to service charges, communications costs and terminated obligations, all disbursements made by UNDP on behalf of UNIDO are covered by obligations.

5.10 Payments or contributions received in advance

The amount of \$8,818,808 (€7,451,893) reflects the funds under clearing accounts for UNDP activities as illustrated in Annex II.

5.11 Accounts Payable-Other

As at 31 December 2005, the amounts represented in accounts payable – other were as follows:

	€ 000's						
	IDF	MP	GEF	TF	IOA	Total	
						2004-2005	2002-2003
Interest on donor funds ^(a)	4,229.6		465.0	4,384.6		9,079.2	7,088.2
Exchange gains ^(b)				2,699.5		2,699.5	6,218.5
Accruals for end-of-service payments	349.3			929.3		1,278.6	1,309.3
Prior years' obligations	787.7	4,884.1	1,439.3	1,271.4	1,123.1	9,505.6	8,674.4

	€ 000's						
	IDF	MP	GEF	TF	IOA	Total	
						2004-2005	2002-2003
Other	94.5	0.5	21.0	122.1	420.9	659.0	493.1
Total	5,461.1	4,884.6	1,925.3	9,406.9	1,544.0	23,221.9	23,783.5

- (a) The treatment of the interest income earned from the investment of funds, net of bank charges, exchange gains and losses is governed by agreements with donors. This may include the return of such funds to donors, or their transfer to other projects, in which case they will be shown as voluntary contributions.
- (b) In the previous biennium, all unrealized gains arising from the revaluation of monetary assets and liabilities were set aside on the grounds of prudence (IDB.27/9-PBC.19/9 and decision IDB.27/Dec.5) in "accounts payable—other". Since the biennium 2004-2005 no distinction has been made between realized and unrealized gains and losses. Additionally, in the previous biennium the realized gains arising from the revaluation of euro denominated cash and term deposits held by the Industrial Development Fund and Trust Funds were similarly set aside to be utilized for the restoration of lost purchasing power on designated euro managed projects. In accordance with document IDB.28/9 and decision IDB.28/Dec.5 euro management of technical cooperation projects was introduced in the biennium 2004-2005. Consequently, distributions were made from this realized gain of €2,135,514 (\$2,811,994) and €2,152,217 (\$2,829,990) to the Industrial Development Fund and Trust Funds, respectively. As at 31 December 2005, a balance of €2,699,482 (\$3,194,653) remains undistributed pending a decision on its utilization.

5.12 Operating reserves

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 (€464,750 at the United Nations rate of exchange as at 31 December 2005). The purpose of the reserve is to ensure the financial liquidity of the Fund and to compensate for uneven cash flows.

5.13 Surplus

The amount of €3,926,867 represents the accumulated surplus under the general-purpose segment of the Industrial Development Fund. It comprises \$1,911,139 (€2,412,495) United States dollar contributions and €1,514,372 euro contributions to the Fund.

5.14 Cash and term deposits

The equivalent of \$547,035 (€462,244) is held in currencies classified as non-convertible, as follows:

	<u>US\$ 000's</u>	<u>€000's</u>
Industrial Development Fund	504.5	426.3
Trust funds	42.6	36.0
	<u>547.1</u>	<u>462.3</u>

5.15 Commitments

Commitments, representing legal obligations for which disbursements will be made in future years, were entered into prior to 31 December 2005, as listed below:

	<u>US\$ 000's</u>	<u>€000's</u>
Industrial Development Fund	2,089.2	1,764.6
Montreal Protocol	3,022.3	2,533.2
Global Environment Facility	645.7	515.5
Trust funds	4,707.6	3,945.0
Regular Programme of Technical Cooperation	212.3	180.6
Inter-organization arrangements	641.7	539.9
	<u>11,318.8</u>	<u>9,478.8</u>

5.16 Contributions in kind

Contributions in kind estimated at \$905,750 (€730,696) were received from Member States in support of UNIDO projects and \$62,323 (€50,354) in support of project travel.

5.17 Ex gratia payments

No ex gratia payments were made during the biennium.

5.18 Non-expendable equipment

UNIDO maintains inventory records of property related to technical cooperation activities until its transfer to the project counterpart at the completion of the project. According to the cumulative inventory records, the historical value of such non-expendable property totalled €48.6 million as at 31 December 2005. Non-expendable property not recorded pending confirmation of receipt totalling €606,749 as of 31 December 2005 has been recorded during 2006. The minimum euro value per item of non-expendable property is €1,700. In addition, a separate inventory is maintained for special items with a unit value of €600 or more and amounted to €1.1 million at 31 December 2005.

During the biennium, non-expendable equipment to the value of €4,678 and special items amounting to €4,972 was reported as stolen and written off in the inventory records.

Notes to the financial statements—Annex I**TECHNICAL COOPERATION ACTIVITIES EXECUTED BY UNIDO****Table 1. Combined statement of income and expenditure and changes in reserves and fund balances for the biennium 2004-2005**

(In thousands of euros)

	Regular Programme	Industrial Development Fund	Montreal Protocol	GEF	Trust Fund	Inter-organization arrangements	Subtotal Extrabudgetary Funds	Total
INCOME								
Voluntary contributions		46,142.6	95,461.0	3,546.9	83,556.2	3,830.2	232,536.9	232,536.9
Other income								
- Funds received under inter-organization arrangements						11,289.9	11,289.9	11,289.9
- Allocations from other funds	8,228.5							8,228.5
- Interest income		44.3	1,874.5			109.3	2,028.1	2,028.1
- Currency exchange adjustments	0.7	(26.7)			(54.3)		(81.0)	(80.3)
- Miscellaneous	0.3	(2.8)	208.6		0.6	(2.2)	204.2	204.5
TOTAL INCOME	8,229.5	46,157.4	97,544.1	3,546.9	83,502.5	15,227.2	245,978.1	254,207.6
EXPENDITURE								
Salaries and common staff costs	4,148.4	21,132.7	3,077.1	1,580.9	25,916.5	4,885.2	56,592.4	60,740.8
Contractual services	1,714.1	2,208.3	34,101.8	6,130.9	8,850.5	3,769.2	55,060.7	56,774.8
Operational expenses	319.6	1,773.2	724.4	62.0	2,341.3	395.8	5,296.7	5,616.3
Acquisitions	1,219.5	4,127.6	20,050.5		8,707.8	2,762.5	35,648.4	36,867.9
Fellowships	827.9	2,354.2	822.3	22.6	4,834.8	1,987.5	10,021.4	10,849.3
Programme support costs		3,807.9	7,466.4	814.5	4,678.3	841.1	17,608.2	17,608.2
TOTAL EXPENDITURE	8,229.5	35,403.9	66,242.5	8,610.9	55,329.2	14,641.3	180,227.8	188,457.3
EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE		10,753.5	31,301.6	(5,064.0)	28,173.3	585.9	65,750.3	65,750.3
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		10,753.5	31,301.6	(5,064.0)	28,173.3	585.9	65,750.3	65,750.3
Transfers to reserves		165.5	9.9	9.5	147.4		332.3	332.3
Transfers from reserves								
Transfers to donor accounts		26.7			54.3		81.0	81.0
Transfers to/from other funds				(962.5)		962.5		
Currency translation		462.2	1,529.4	456.6	2,559.5	73.0	5,080.7	5,080.7
Other adjustments to reserves and fund balances		2,208.2			1,197.9		3,406.1	3,406.1
Reserves and fund balances, beginning of year		36,772.7	26,730.3	7,461.7	28,849.4		99,814.1	99,814.1
RESERVES AND FUND BALANCES, END OF YEAR		50,388.8	59,571.2	1,901.3	60,981.8	1,621.4	174,464.5	174,464.5

TECHNICAL COOPERATION ACTIVITIES EXECUTED BY UNIDO - in United States dollars

Table 1. Statement of income and expenditure and changes in reserves and fund balances for the biennium 2004-2005

(In thousands of United States dollars)

	Industrial Development Fund	Montreal Protocol	GEF	Trust Fund	Inter-organization arrangements	Total
INCOME						
Voluntary contributions	11,921.4	115,551.2	4,288.8	53,971.4	4,745.5	190,478.3
<u>Other income</u>						
- Funds received under inter-organization arrangements					13,973.6	13,973.6
- Allocations from other funds						
- Interest income	42.1	2,302.6			135.8	2,480.5
- Currency exchange adjustments	766.2	(57.1)	(2.9)	326.4	0.2	1,032.8
- Miscellaneous	(3.6)	271.1		1.1	(2.7)	265.9
TOTAL INCOME	12,726.1	118,067.8	4,285.9	54,298.9	18,852.4	208,231.1
EXPENDITURE						
Salaries and common staff costs	14,618.4	3,821.2	1,958.9	19,108.8	6,054.9	45,562.2
Contractual services	2,127.3	41,250.5	7,230.6	7,366.2	4,602.3	62,576.9
Operational expenses	1,324.0	901.3	76.1	1,835.4	485.7	4,622.5
Acquisitions	3,710.7	24,704.1		7,541.2	3,387.7	39,343.7
Fellowships	2,044.4	1,020.7	31.0	2,415.6	2,467.8	7,979.5
Programme support costs	2,945.7	9,253.9	965.2	3,950.8	1,035.2	18,150.8
TOTAL EXPENDITURE	26,770.5	80,951.7	10,261.8	42,218.0	18,033.6	178,235.6
EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE	(14,044.4)	37,116.1	(5,975.9)	12,080.9	818.8	29,995.5
NET EXCESS / (SHORTFALL) OF INCOME OVER EXPENDITURE	(14,044.4)	37,116.1	(5,975.9)	12,080.9	818.8	29,995.5
Transfers to reserves	63.5	11.2	10.7	68.7		154.1
Transfers from reserves						
Transfers to donor accounts	(769.7)			(326.4)		(1,096.1)
Transfers to/from other funds			(1,100.0)		1,100.0	
Other adjustments to reserves and fund balances	1,352.5			1,535.2		2,887.7
Reserves and fund balances, beginning of year	45,908.5	33,371.2	9,315.5	36,016.8		124,612.0
RESERVES AND FUND BALANCES, END OF YEAR	32,510.4	70,498.5	2,250.3	49,375.2	1,918.8	156,553.2

TECHNICAL COOPERATION ACTIVITIES EXECUTED BY UNIDO - in euros

Table 1. Statement of income and expenditure and changes in reserves and fund balances for the biennium 2004-2005

(In thousands of euros)

	Regular Programme	Industrial Development Fund	Trust Fund	Subtotal Extrabudgetary Funds	Total
INCOME					
Voluntary contributions		36,765.0	40,360.4	77,125.4	77,125.4
<u>Other income</u>					
- Allocations from other funds	8,228.5				8,228.5
- Interest income		12.1		12.1	12.1
- Currency exchange adjustments	0.7	(26.7)	(54.3)	(81.0)	(80.3)
- Miscellaneous	0.3				0.3
TOTAL INCOME	8,229.5	36,750.4	40,306.1	77,056.5	85,286.0
EXPENDITURE					
Salaries and common staff costs	4,148.4	9,500.7	10,609.3	20,110.0	24,258.4
Contractual services	1,714.1	489.3	2,753.6	3,242.9	4,957.0
Operational expenses	319.6	735.2	869.3	1,604.5	1,924.1
Acquisitions	1,219.5	1,144.4	2,540.4	3,684.8	4,904.3
Fellowships	827.9	759.2	2,897.0	3,656.2	4,484.1
Programme support costs		1,456.3	1,470.2	2,926.5	2,926.5
TOTAL EXPENDITURE	8,229.5	14,085.1	21,139.8	35,224.9	43,454.4
EXCESS/(SHORTFALL) OF INCOME OVER EXPENDITURE	0.0	22,665.3	19,166.3	41,831.6	41,831.6
NET EXCESS (SHORTFALL) OF INCOME OVER EXPENDITURE		22,665.3	19,166.3	41,831.6	41,831.6
Transfers to reserves		53.9	39.2	93.1	93.1
Transfers to donor accounts		26.7	54.3	81.0	81.0
Other adjustments to reserves and fund balances		171.7		171.7	171.7
Reserves and fund balances, beginning of year					
RESERVES AND FUND BALANCES, END OF YEAR	0.0	22,917.6	19,259.8	42,177.4	42,177.4

**Table 2. Combined statement of assets, liabilities, and reserves and fund balances
as at 31 December 2005**

(In thousands of euros)

	Industrial Development Fund	Montreal Protocol	GEF	Trust Fund	Inter- organization arrangements	Total
ASSETS						
Cash and term deposits	58,339.1	65,057.3	6,571.0	77,676.4	4,842.1	212,485.9
Accounts receivable						
Voluntary contributions receivable		15,868.9				15,868.9
Other contributions receivable					259.3	259.3
Interfund balances	150.5		124.0		1,622.7	1,897.2
Other	370.3	323.1	43.5	696.1	259.5	1,692.5
Other assets	58.0	4.5	1.5	957.0	6,239.5	7,260.5
TOTAL ASSETS	58,917.9	81,253.8	6,740.0	79,329.5	13,223.1	239,464.3
LIABILITIES						
Payments or contributions received in advance					7,451.9	7,451.9
Unliquidated obligations	3,068.0	16,084.1	2,913.4	8,465.9	2,605.8	33,137.2
Accounts payable						
Interfund balances		713.9		474.9		1,188.8
Other	5,461.1	4,884.6	1,925.3	9,406.9	1,544.0	23,221.9
TOTAL LIABILITIES	8,529.1	21,682.6	4,838.7	18,347.7	11,601.7	64,999.8
RESERVES AND FUND BALANCES						
Operating reserves	464.7					464.7
Other reserves	1,219.8	17.6	19.3	1,060.5		2,317.2
Balances relating to projects funded by donors	60,991.5	70,513.0	4,985.4	70,064.0	1,560.3	208,114.2
Balance on currency translation	(16,214.1)	(10,959.4)	(3,103.4)	(10,142.7)	61.1	(40,358.5)
Surplus (deficit)	3,926.9					3,926.9
TOTAL RESERVES AND FUND BALANCES	50,388.8	59,571.2	1,901.3	60,981.8	1,621.4	174,464.5
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	58,917.9	81,253.8	6,740.0	79,329.5	13,223.1	239,464.3

TECHNICAL COOPERATION ACTIVITIES EXECUTED BY UNIDO - in United States dollars

Table 2. Statement of assets, liabilities, and reserves and fund balances
as at 31 December 2005

(In thousands of United States dollars)

	Industrial Development Fund	Montreal Protocol	GEF	Trust Fund	Inter- organization arrangements	Total
ASSETS						
Cash and term deposits	42,549.7	76,990.9	7,776.3	68,464.2	5,730.3	201,511.4
Accounts receivable						
Voluntary contributions receivable		18,779.8				18,779.8
Other contributions receivable					306.9	306.9
Interfund balances			146.8		2,651.7	2,798.5
Other	290.8	382.3	51.5	728.7	307.0	1,760.3
Other assets	35.6	5.4	1.9	1,072.0	7,384.0	8,498.9
TOTAL ASSETS	42,876.1	96,158.4	7,976.5	70,264.9	16,379.9	233,655.8
LIABILITIES						
Payments or contributions received in advance					8,818.8	8,818.8
Unliquidated obligations	2,454.8	19,034.4	3,447.8	7,053.0	3,083.7	35,073.7
Accounts payable						
Interfund balances	1,958.6	844.9		3,819.7	731.3	7,354.5
Other	5,952.3	5,780.6	2,278.4	10,017.0	1,827.3	25,855.6
TOTAL LIABILITIES	10,365.7	25,659.9	5,726.2	20,889.7	14,461.1	77,102.6
RESERVES AND FUND BALANCES						
Operating reserves	550.0					550.0
Other reserves	1,379.8	20.8	22.9	1,208.7		2,632.2
Balances relating to projects funded by donors	28,669.5	70,477.7	2,227.4	48,166.5	1,918.8	151,459.9
Surplus (deficit)	1,911.1					1,911.1
TOTAL RESERVES AND FUND BALANCES	32,510.4	70,498.5	2,250.3	49,375.2	1,918.8	156,553.2
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	42,876.1	96,158.4	7,976.5	70,264.9	16,379.9	233,655.8

TECHNICAL COOPERATION ACTIVITIES EXECUTED BY UNIDO - in euros

**Table 2. Statement of assets, liabilities, and reserves and fund balances
as at 31 December 2005**

(In thousands of euros)

	Industrial Development Fund	Trust Fund	Total
ASSETS			
Cash and term deposits	22,384.6	19,824.2	42,208.8
Accounts receivable			
Interfund balances	1,805.5	2,752.7	4,558.2
Other	124.6	80.3	204.9
Other assets	27.9	51.2	79.1
TOTAL ASSETS	24,342.6	22,708.4	47,051.0
LIABILITIES			
Unliquidated obligations	993.6	2,506.1	3,499.7
Accounts payable			
Interfund balances			0.0
Other	431.4	942.5	1,373.9
TOTAL LIABILITIES	1,425.0	3,448.6	4,873.6
RESERVES AND FUND BALANCES			
Other reserves	53.9	39.2	93.1
Balances relating to projects funded by donors	21,349.3	19,220.6	40,569.9
Surplus (deficit)	1,514.4		1,514.4
TOTAL RESERVES AND FUND BALANCES	22,917.6	19,259.8	42,177.4
TOTAL LIABILITIES, RESERVES AND FUND BALANCES	24,342.6	22,708.4	47,051.0

**Table 3. Summary of transactions of subaccounts of the Industrial Development Fund
for the biennium 2004-2005 as at 31 December 2005—Euro-based**

(In euros)

	Fund balance at 01/01/2004	Cash received 2004-2005	Expenditures 2004-2005	Misc. income incl. General Pool interest	Fund Balance as at 31/12/2005
General-purpose convertible	0	1,330,590	0	183,783	1,514,373
Austria - Cleaner Production	0	2,610,002	633,689	0	1,976,313
Austrian Development Agency	0	1,883,479	482,476	0	1,401,003
Austria	0	4,481,028	2,124,940	0	2,356,087
Austrian Ministry of Agriculture, Forestry, Environment and Water Management	0	115,000	94,122	0	20,878
Agence Wallonne à l'Exportation	0	568,411	179,434	0	388,977
France	0	1,471,357	1,236,823	0	234,534
France (Ministry of Agriculture)	0	684,891	333,851	0	351,040
Greece	0	1,013,903	765,508	0	248,395
Hungary	0	30,000	25,733	0	4,267
Italy	0	19,274,781	7,089,125	0	12,185,655
Luxembourg	0	91,567	81,560	0	10,007
Spain	0	1,057,800	626,319	0	431,481
Slovenia	0	936,319	0	0	936,319
Switzerland	0	252,542	122,619	0	129,923
UB - Integrated programmes and country service framework activities	0	436,457	65,006	0	371,451
UB - Millenium Development Goals	0	154,621	9,956	0	144,665
UB - Post-crisis situation	0	372,265	213,938	0	158,327
Total special-purpose convertible	0	35,434,423	14,085,101	0	21,349,322
GRAND TOTAL	0	36,765,013	14,085,101	183,783	22,863,694

**Table 3. Summary of transactions on subaccounts of the Industrial Development Fund
for the biennium 2004-2005 as at 31 December 2005—Dollar-based**

(In United States dollars)

	Fund balance at 01/01/2004	Cash received 2004-2005	Expenditures 2004-2005	Misc. income incl. General Pool interest	Fund balance as at 31/12/2005
General Purpose Convertible	2,902,353	-787,202	240,942	36,930	1,911,139
Agence de Coopération Culturelle et Technique	30,295	-30,295	0	0	0
Agence Wallonne à l'Exportation	425,247	-191,035	234,212	0	0
Argentina	20,170	0	0	0	20,170
Australia	55,469	295	0	0	55,764
Austria	4,003,334	-2,067,803	1,153,731	1,004	782,803
Austria Cleaner Production	246,582	-127,932	127,050	0	-8,400
Austria - Integrated Programme	430,401	19,369	314,010	-336	135,424
Bahrain	120,293	1,209,435	862,951	0	466,778
Belgium	130,736	186,168	226,527	500	90,877
Brazil	29,696	0	0	0	29,696
Brazil - Pernambuco State Government	45,421	0	18,135	0	27,287
China	1,973,501	928,059	272,474	0	2,629,086
Côte d'Ivoire	-108,618	0	0	0	-108,618
Czech Republic (Ministry of Agriculture)	106,770	257,430	176,813	0	187,386
Czech Republic (Ministry of Trade and Industry)	28	-28	0	0	0
Democratic People's Republic Of Korea	41,439	714	42,154	0	-0
Denmark	4,908,809	148,378	2,658,264	-482	2,398,440
Dutch Embassy in China-US/CPR/96/108	137,851	134,838	203,818	0	68,871
Dutch Embassy in Ethiopia-US/ETH/99/068	-390,375	318,406	-71,969	0	-0
Egypt	-101,718	0	0	0	-101,718
Finland	214,660	6,829	44,488	0	177,000
France	199,467	-198,933	43,960	57,724	14,298
France (Ministry of Agriculture)	678,961	-679,585	-623	0	-0
Germany	375,639	-112,726	43,010	0	219,903
Germany - Deutsche Gesellschaft für Technische Zusammenarbeit	28,098	-14,492	13,624	0	-18
Greece	368,685	-120,597	241,584	0	6,504
Greece - Euro account	0	0	0	0	-0
Guatemala	12,201	742,453	631,218	0	123,436
Honduras	193	-193	0	0	0
Hungary	373,557	72,510	140,416	337	305,988
India	3,766,057	3,312,032	1,532,169	10,028	5,555,948
Indonesia	14,986	14,784	15,347	0	14,424
Ireland	31,909	1,438	-1,565	0	34,913
Italy	8,947,939	-6,517,941	1,995,107	197,085	631,975
Italy - Euro Account	525,559	-525,559	-0	0	0
Japan	688,385	3,254,259	3,661,511	111,404	392,538
Japan Overseas Development Corporation, Bangkok	424	0	0	0	424
Kuwait	108,455	3,544	1,529	0	110,470
Luxembourg	142,191	-110,194	4,197	0	27,800
Mexico	0	400,525	0	0	400,525
Myanmar	577	0	0	0	577
Netherlands	828,506	0	0	17	828,524
New Zealand	34,510	0	0	0	34,510
Norway	182,507	-26,458	0	0	156,049
Norway - Integrated programme (Africa)	128,206	32,010	94,590	0	65,626
Poland	80,133	1,038,163	1,126,325	0	-8,029
Portugal	1,281,461	340,800	100,636	0	1,521,625
Republic of Korea	1,301,307	239,038	929,582	0	610,764
Romania	13,434	0	0	0	13,434
Russian Federation	321,933	8,063	276,980	0	53,016
Rwanda	355	0	344	0	12
Saudi Arabia	1,401,979	-101,137	-13,938	-2,336	1,312,444
Saudi Arabian General Investment Authority	0	306,489	0	0	306,489

	Fund balance at 01/01/2004	Cash received 2004-2005	Expenditures 2004-2005	Misc. income incl. General Pool interest	Fund balance as at 31/12/2005
Slovakia	54,268	295,354	0	0	349,622
Slovenia	0	24,826	4,452	0	20,374
Spain	1,254,924	-1,113,607	140,277	-56	984
Sweden	52,231	0	47,766	0	4,465
Switzerland	4,406,275	11,472,847	8,361,495	-1,229	7,516,397
Thailand	4,911	0	2,622	0	2,289
Turkey	1,025	142,010	76,850	-206	65,980
United Kingdom - Integrated programme	1,022,769	463,974	804,182	-51	682,511
Undefined	6,838	1	0	-5,135	1,704
Total special-purpose convertible	40,960,846	13,436,526	26,536,304	368,269	28,229,337
Bulgaria	28	0	0	0	28
China	55,638	0	14,169	0	41,470
Cuba	391,148	21,000	0	0	412,148
Egypt	-45,546	0	0	0	-45,546
Egypt Iron And Steel Co.	31,942	0	0	0	31,942
India	568,714	-599,083	-20,885	9,274	-211
Tifac, New Delhi	388	-388	0	0	0
Poland	15,034	-15,034	0	0	0
Slovakia	147,001	-147,002	0	0	-0
Undefined	295	0	0	0	295
Total special-purpose non-convertible	1,164,643	-740,507	-6,716	9,274	440,126
GRAND TOTAL	45,027,842	11,908,817	26,770,530	414,473	30,580,602

Table 4. Summary of technical cooperation activities financed by trust funds for the biennium 2004-2005 as at 31 December 2005—Euro-based

(In euros)

Description	Fund balance at 2004	Contributions received, transfer & miscellaneous income 2004 / 2005	Expenditures 2004 / 2005	Fund balance 12/31/2005
Projects financed by recipient Governments				
Kenya	0	46,745	5,084	41,661
Sudan	0	131,595	4,934	126,661
Subtotal	0	178,340	10,018	168,322
Associate Experts & JPOs				
Subtotal	0	0	0	0
JPOs Travel				
Subtotal	0	0	0	0
Projects financed by donor Governments				
European Union	0	10,380,640	6,917,940	3,462,700
European Union Commission	0	191,034	149,631	41,403
Finland	0	2,249,775	1,091,497	1,158,278
France	0	2,694,121	1,843,370	850,751
Trust Fund Trade	0	743,700	14,613	729,087
Italy	0	20,464,561	9,773,275	10,691,286
Netherlands	0	216,960	38,209	178,751
Africa Region Productive Capacity Facility	0	49,976	0	49,976
Subtotal	0	36,990,767	19,828,535	17,162,232
Other trust funds				
Industrial Modernization Centre, Cairo	0	3,033,652	1,301,171	1,732,481
Iran, Islamic Republic of	0	51,600	0	51,600
Spain	0	106,000	0	106,000
Subtotal	0	3,191,252	1,301,171	1,890,081
GRAND TOTAL	0	40,360,359	21,139,724	19,220,635

**Table 4. Summary of technical cooperation activities financed by trust funds for the biennium 2004-2005
as at 31 December 2005—Dollar-based**

(In United States dollars)

Description	Fund balance at 2004	Contributions received, transfers & miscellaneous income 2004/2005	Expenditures 2004 / 2005	Fund balance 12/31/2005
Projects financed by recipient Governments				
Algeria	66,052	0	42,405	23,647
Argentina	424,860	-62,966	0	361,894
Argentina - Centro de investigación de celulosa y papel	10,887	-11,480	-594	0
Bolivia	12,460	0	0	12,460
Brazil	204,135	442,538	116,016	530,657
Bulgaria	0	16,274	9,170	7,104
Belarus	26,204	0	0	26,204
Chile	6,824	0	0	6,824
Colombia	242,377	126,057	226,222	142,212
China	929,524	717,120	920,534	726,110
Ecuador	369,782	74,800	406,787	37,795
Egypt	0	1,127,968	628,505	499,463
Egypt - Social Fund For Development	240,823	88,612	225,628	103,807
Gabon	2,790	0	-813	3,604
Honduras	2,577	20	-361	2,958
India	1,662,709	2,795,293	1,941,955	2,516,047
Iran (Islamic Republic of)	413,353	730,031	302,196	841,188
Iran-Organization for Investment, Economic and Technical Assistance of Iran	47,322	0	-4,790	52,112
Iraq	210,936	13,837	197,148	27,625
Côte d'Ivoire	49,807	454	40,904	9,358
Kenya	11,904	0	3,920	7,983
Lebanon	27,308	114,599	-9,418	151,324
Libyan Arab Jamahiriya- Benghazi Development Centre	8,093	0	0	8,093
Libyan Arab Jamahiriya-General Pipe Company Benghazi	2,700	0	0	2,700
Libyan Arab Jamahiriya - Industrial Research Centre of Libya	10,049	0	0	10,049
Libyan Arab Jamahiriya - Secretariat Of Strategic Industry	53,081	0	0	53,081
Lithuania	28,250	423	24,789	3,883
Madagascar	135,093	-39,456	0	95,637
Mauritius	18,826	0	-8,112	26,938
Mexico	10,596	0	-16,784	27,380
Nigeria	2,500,605	772,683	1,442,413	1,830,875
Oman	11,311	0	0	11,311
Pakistan	0	70,000	41,396	28,604
Panama	10,057	0	0	10,057
Paraguay	17,780	0	0	17,780
Russian Federation	176,831	367,874	319,799	224,905
Russia Federation - The Foundation NEM and CPCOGI	1,662	0	-124	1,786
Saudi Arabia	0	2,178,640	764,720	1,413,919
Saudi Arabian General Investment Authority	189,908	-137,730	-1	52,179
Saudi German Hospitals Group	21,127	0	4,630	16,498
Sudan	329	0	0	329
Slovenia	22,674	-22,674	0	0
Thailand	18,243	-2,752	-683	16,174
Turkey	118,176	11,843,925	2,553,166	9,408,936
United Republic of Tanzania	0	50,000	50,000	0
Subtotal	8,318,025	21,254,087	10,220,623	19,351,489

Description	Fund balance at 2004	Contributions received, transfers & miscellaneous income 2004/2005	Expenditures 2004 / 2005	Fund balance 12/31/2005
<u>Associate Experts & JPOs</u>				
Austria	40,565	22,700	17,778	45,488
Belgium	214,679	37,542	227,459	24,762
Denmark	292,234	266,440	343,361	215,314
Democratic People's Republic of Korea	50,746	219,616	233,847	36,515
France	21,388	0	-2,068	23,456
Germany	147,269	322,877	332,906	137,241
Italy	445,586	746,598	811,807	380,377
Japan	529,794	298,580	632,866	195,507
Netherlands	391,269	775,772	990,032	177,008
Norway	288,888	326,424	496,490	118,822
Republic of Korea	12,143	0	15,659	-3,516
Russian Federation	4,617	87,959	92,342	235
Spain	34,783	-281	9,477	25,026
Switzerland	126,295	121,928	177,320	70,903
Subtotal	2,600,256	3,226,156	4,379,276	1,447,136
<u>JPOs travel</u>				
Belgium	31,514	-31,514	0	0
Denmark	32,193	0	0	32,193
Germany	10,661	-10,661	0	0
Italy	86,471	166,314	204,839	47,946
Japan	61,564	-61,564	0	0
Netherlands	326,149	-253,730	44,913	27,506
Norway	4,267	-4,267	0	0
Subtotal	552,819	-195,422	249,752	107,645
<u>Projects financed by donor Governments</u>				
Australia	23,155	0	-119	23,274
Austria	46,664	106,002	57,872	94,793
Belgium	114,892	0	33,490	81,402
Canada	5,493	36,264	0	41,757
Czech Republic	99,303	-23,410	66,190	9,703
Denmark	451,208	0	407,539	43,669
European Union	990,498	-990,498	0	-0
European Union Commission	110,416	-110,416	0	0
Finland	826,182	-626,423	107,126	92,633
France	1,669,884	-1,179,325	49,134	441,424
Trust Fund Trade	665,444	12,504	413,861	264,086
Greece	23,427	0	-97	23,524
Italy	5,803,019	1,870,066	4,796,761	2,876,324
Japan	2,232,270	1,895,010	2,636,093	1,491,187
Japanese Embassy - Guinea TF/GUI/00/001	1,539	84	1,623	0
Norway	2,482	2,732,496	1,457,968	1,277,009
Africa Region Productive Capacity Facility	0	250,000	0	250,000
Republic of Korea	500,980	15,431	488,725	27,685
Republic of Korea - Korean Research Institute of Standards & Science	131,305	0	-1,697	133,002
Slovakia	7,398	-7,398	0	0
Spain	125,891	669,951	85,180	710,662
Sweden	4,632	253,334	90,573	167,392
United Kingdom	984,561	1,367,396	1,474,032	877,925
United States of America	373,232	0	0	373,232
Subtotal	15,193,873	6,271,067	12,164,256	9,300,684
<u>Other Trust Funds</u>				
Centro de Investigaciones Textiles, Argentina	116,969	95,286	151,694	60,561
Premag Handelsges.M.B.H, Austria	2,595	0	0	2,595
Austria Rural Energy, Austria	1,076,613	0	59,868	1,016,745

Description	Fund balance at 2004	Contributions received, transfers & miscellaneous income 2004/2005	Expenditures 2004 / 2005	Fund balance 12/31/2005
Kuwait Finance House in Bahrain, Bahrain	0	153,680	112,701	40,979
Institute for Scientific and Technological Development (IDCT), Brazil	88,958	0	84,883	4,075
Servico Nacional de Aprendizagem Industry, Brazil	51,126	11,684	24,483	38,327
Jiangsu Baixue Electric Appliances Co., China	407	0	0	407
Beni-Suef Cement Company, Egypt	33,822	0	0	33,822
Engineering for the Petroleum and Process Industry(ENPPI), Egypt	8,179	0	0	8,179
Industrial Modernization Centre, Cairo, Egypt	3,462,983	-2,968,796	494,187	0
Common Fund for Commodities	-1,155	1,350,321	2,060,375	-711,209
Oil and Natural Gas Corporation Ltd., India	33,727	1,030,000	1,033,316	30,411
Glucosan Factories, Iran (Islamic Republic of)	13	0	185	-172
Iranian Fuel Conservation Organization (IFCO), Iran (Islamic Republic of)	0	132,381	45,747	86,635
MAGFA Information Technology Development Centre, Iran (Islamic Republic of)	0	46,887	36,110	10,777
Shahid Modarres Industrial Pharmaceutical Complex, Iran (Islamic Republic of)	53,878	0	0	53,878
Magnetti Marelli:Fiat Group, Italy	10,103	-10,103	0	0
Sezione Speciale per l'assicurazione del Credito, Italy	36,448	0	0	36,448
Chugoku Electric Power Co. Inc, Japan	137,747	0	82,925	54,821
Engineering Consulting Firms Association, Japan	11,441	-11,441	0	0
New Energy and Industrial Technology Development Organization, Japan	24,664	44,893	68,233	1,324
Procter and Gamble Far East Inc. Japan	475	0	0	475
Eastern and Southern African Leather Industries Association, Kenya	6,660	0	-3,369	10,029
Petroliam Nasional Berhad (Petronas), Malaysia	28,179	0	0	28,179
Comité, Técnico Empresarial (CTE), Mexico	17,507	0	0	17,507
New Nigeria Development Company, Nigeria	28,325	0	0	28,325
Nigerian National Petroleum Corporation, Nigeria	492,155	0	-10,494	502,649
Standards Organization of Nigeria (SON), Nigeria	0	243,341	242,361	980
Norwegian Agency For Development Cooperation (NORAD), Norway	1,221,545	1,907,036	2,205,148	923,433
Federal Chemical and Ceramics Corporation, Pakistan	-1,677	0	0	-1,677
Gulf Organization for Industrial Consulting, Qatar	38,420	38,420	74,422	2,418
Inversiones Cofide S.A., Peru	15,405	0	0	15,405
Islamic Development Bank, Saudi Arabia	5,840	0	-387	6,228
Gulf Co-Operation Council, Saudi Arabia	11,676	0	0	11,676
Nadsme, Slovak Republic	8,181	0	0	8,181
Automotive Industry Development Centre (AIDC), South Africa	30,253	0	23,883	6,370
Ceylon Steel Corporation Ltd., Sri Lanka	5,284	0	0	5,284
Swedish International enterprise Development Corporation (Swedcorp), Sweden	201,445	0	183,152	18,293
Staudhammer Finanz AG, Switzerland	3,357	0	0	3,357
Turkish Electronic Industry Association (TESIDE), Turkey	1,781	0	0	1,781
Unilever Research, United Kingdom	2,497	0	0	2,497
Epstein Engineering Export Ltd, USA	807	0	0	807
The Ford Foundation, USA	1,762	18,000	6,780	12,982
US Agency For International Development, USA	-399	0	0	-399
Yemen Corporation for Cement Industry and Marketing, Yemen	15,708	0	0	15,708
Badea: Arab Bank For Economic Development In Africa	2,450	0	0	2,450
Food and Agricultural Organization (FAO)	275	0	0	275
International Development Association	144,643	0	0	144,643
International Fund for Agricultural Development (IFAD)	57,380	0	-2,480	59,860
RENPAAP Member Countries	0	106,022	21,460	84,561
Undefined	23,107	243,244	242,722	23,629
UNDP/United Nations Agreement for Tanzania	0	230,535	0	230,535
UNDP/United Nations Agreement for Tunisia	0	89,457	73,803	15,654
UNDP/UNDHA	499	-499	0	0

Description	Fund balance at 2004	Contributions received, transfers & miscellaneous income 2004/2005	Expenditures 2004 / 2005	Fund balance 12/31/2005
United Nations Development Group Iraq Trust Fund	0	14,966,880	4,660,113	10,306,767
United Nations Fund For International Partnership	517,479	545,531	962,727	100,283
United Nations Joint Trust Fund for Sudan	0	147,321	104,626	42,695
United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA)	0	350,000	81,215	268,785
United Nations Office for Project Services (UNOPS)	0	760,984	318,961	442,023
United Nations Trust Fund for Human Security	1,221,608	4,391,468	1,764,781	3,848,295
Subtotal	9,251,146	23,912,533	15,204,134	17,959,545
GRAND TOTAL	35,916,119	54,468,421	42,218,041	48,166,499

Table 5
Summary of technical cooperation activities for the biennium 2004-2005
financed under inter-organization agreements
(in United States dollars)

	<u>Project expenditure</u>	<u>Programme support</u>	<u>Total expenditure</u>
UNDP			
UNDP main programme	1,606,670	160,732	1,767,402
Project for which UNIDO is the associated agency	212,855	31,882	244,737
Government-executed projects for which UNIDO is the implementing agency	3,151,491	119,021	3,270,512
UNDP trust funds	8,230,658	460,263	8,690,921
	<u>13,201,674</u>	<u>771,898</u>	<u>13,973,572</u>
UNEP			
UNEP/GEF	<u>3,796,709</u>	<u>263,254</u>	<u>4,059,963</u>
	3,796,709	263,254	4,059,963
Total	<u><u>16,998,383</u></u>	<u><u>1,035,152</u></u>	<u><u>18,033,535</u></u>

Annex II

Operating funds—UNDP and UNDP trust funds

Report No. 1

UNITED NATIONS DEVELOPMENT PROGRAMME

(Name of Executing Agency)

(UNIDO)

Status of Funds as at 31 December 2005

(Expressed in United States dollars)

Operating Funds

Operating Fund (Pre-2004)

Closing balance difference (31 December 2003)	-1,643,640	
Adjustments and credits	176,090	
Closing balance at 31 December 2005	-1,467,550	-1,467,550

Service Clearing Account

Opening balance at 1 January 2005	-2,694,304	
Cash drawings from UNDP	-25,500,000	
Inter-office vouchers (IOVs)	27,945,199	2,445,199
Closing balance as at 31 December 2005	-249,105	-249,105

Project Clearing Account

Opening balance at 1 January 2005	12,247,446	
Adjustments and credits arising from 2004 PCA reconciliation	-347,818	
	11,899,628	

Miscellaneous income and exchange adjustments (Report No. 8)	-192,102	
Miscellaneous items refunded to UNDP (Report No. 8)	-76,629	
Expenditure and support costs for lines implemented for self-executed projects (executing PDR's)	694,399	
Expenditure and support costs for lines implemented for projects executed by other agencies and Governments (implementing PDR's)	938,497	1,364,165
Closing balance at 31 December 2005	10,535,463	10,535,463

Balance as at 31 December 2005

8,818,808

Represented by

Cash at banks, on hand and in transit	2,236,213	
Accounts receivable (Report No. 9)	8,571,790	10,808,003
Less: Accounts payable (Report No. 10)	1,774,025	
2005 unliquidated obligations	215,170	1,989,195

Balance as at 31 December 2005

8,818,808

STATEMENT I
GLOBAL ENVIRONMENT FACILITY
(UNDP Administered Trust Fund)
(UNIDO)

Status of Funds at 31 December 2005
(Expressed in United States dollars)

<u>Operating Fund</u>	\$	\$
Balance at 1 January 2005		2,647,640
Add: Cash drawings from UNDP	3,151,049	
IOVs		
Other charges/credits (net)		
Miscellaneous income and exchange adjustments (net) (Report No. 19)	5,738	
Miscellaneous items charged to trust fund (net) (Report No. 19)	43	3,156,830
		5,804,470
Less: Expenditure during 2005		
For projects		
Disbursements (Report No. 16)	3,983,730	
Unliquidated obligations (Report No. 16)	1,810,427	
For AOS (Report No. 15A)	317,042	6,111,199
		-306,729
Add/subtract:		
Adjustments to prior years (Report No. 15B):		
Expenditure		
Support costs		
AOS		
Balance at 31 December 2005		-306,729
Represented by:		
Cash at banks, on hand and in transit	0	
Accounts receivable (Report No. 20)	1,605,294	1,605,294
Less: Accounts payable (Report No. 21)	101,596	
Unliquidated obligations (Report No. 16)	1,810,427	1,912,023
		-306,729

STATEMENT I
REPUBLIC OF KOREA FUND FOR THE TUMEN REGION
(UNIDO)

Status of Funds at 31 December 2005
(Expressed in United States dollars)

Operating Fund

Balance at 1 January 2005		-209,893
Add: Cash drawings from UNDP	194,551	
IOV's		
Other charges/credits (net)		
Miscellaneous income and exchange adjustments (net) (Report No. 19)	593	
Miscellaneous items refunded to trust fund (net) (Report No. 18)	0	195,144
		-14,749
Less: Expenditure during 2005		
For projects		
Disbursements (Report No. 15A)	-13,269	
Unliquidated obligations (Report No. 16)	0	
For AOS (Report No. 15A)	-1,327	-14,596
		-153
Add/subtract:		
Adjustments to prior years (Report No. 15B):	0	
Expenditure	0	
Support costs	0	
AOS	0	0
Balance at 31 December 2005		-153
Represented by:		
Cash at banks, on hand and in transit	0	
Accounts receivable (Report No. 20)	29,269	29,269
Less: Accounts payable (Report No. 21)	29,422	
Unliquidated obligations (Report No. 16)	0	29,422
		-153

Annex III
SPECIAL ACCOUNT FOR BUILDINGS MANAGEMENT SERVICES
(FOR OTHER THAN STAFF COSTS)

(In euros)

Statement of income and expenditure for the biennium ended 31 December 2005

INCOME

Contributions received		
IAEA	15,233,188	
UNIDO	4,702,085	
UNOV	6,341,248	
CTBTO	2,490,309	
Austrian Government	2,200,000	30,966,830
Reimbursement for ad hoc projects		1,864,496
Interest income		494,735
Currency exchange loss		-96
Miscellaneous income		53,585
TOTAL INCOME		33,379,550

EXPENDITURE

Rental and maintenance of premises		16,135,928
Utilities		10,506,084
Supplies and materials		134,327
Capital goods		167,488
Bank charges		8,515
Other general operating expenses		24,747
TOTAL EXPENDITURE		26,977,089

EXCESS OF INCOME OVER EXPENDITURE FOR THE BIENNIUM **6,402,461**

Savings on cancellation of obligations 740,779

NET SURPLUS FOR THE BIENNIUM 2004-2005 **7,143,240**

Statement of assets, liabilities, reserves and fund balances as at 31 December 2005

ASSETS

Cash		16,585,186
Accounts receivable		
Taxation		882,922
VIC-based Organizations		7,279,989
Other		675,279
TOTAL ASSETS		25,423,376

LIABILITIES

Unliquidated obligations		9,672,665
Accounts payable		163,679
TOTAL LIABILITIES		9,836,344

FUND BALANCE

Balance available as at 1 January 2004		8,443,792
Add: Net surplus for 2004-2005		7,143,240
Balance available as at 31 December 2005		15,587,032
TOTAL RESERVES AND FUND BALANCE		15,587,032
TOTAL LIABILITIES, RESERVES AND FUND BALANCE		25,423,376

	IAEA	UNIDO	UNOV	CTBTO	Total
2004 opening fund balance	4,399,747	1,456,095	1,865,459	722,491	8,443,792
2004-2005 contributions	15,233,188	4,702,085	6,341,248	2,490,309	28,766,830
2004-2005 interest (net of bank charges)	121,340	127,904	145,528	91,448	486,220
2004-2005 net expenditure	-11,702,519	-3,617,238	-4,876,860	-1,913,193	-22,109,810
	8,051,756	2,668,846	3,475,375	1,391,055	15,587,032
* Contributions receivable	7,269,254	0	0	10,735	7,279,989