



**United Nations Industrial  
Development Organization**

Distr.: General  
18 June 2010

Original: English

**Industrial Development Board**

**Thirty-eighth session**

Vienna, 24-26 November 2010

Item 2 (a) of the provisional agenda

**Report of the External Auditor, financial  
performance report and programme performance  
report for the biennium 2008-2009**

**Programme and Budget Committee**

**Twenty-sixth session**

Vienna, 7-8 September 2010

Item 3 of the provisional agenda

**Report of the External Auditor, financial  
performance report and programme performance  
report for the biennium 2008-2009**

**Financial performance report for the biennium 2008-2009**

**Submitted by the Director-General**

The present document reports on the utilization of financial resources for the biennium 2008-2009 for the regular and operational budgets.

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## Introduction

1. In its conclusion 1987/19, paragraph (j), the Programme and Budget Committee requested the Director-General to submit each year to the Industrial Development Board through the Committee a clear and detailed financial performance report itemizing the utilization of financial resources. The present document presents a comparison of the budget estimates in terms of appropriations and income with actual expenditures and income for the biennium 2008-2009. The information is provided for both the regular and operational budgets.

### I. Regular budget

#### A. Budget estimates for the biennium

2. The budget estimates for the biennium 2008-2009 approved by the General Conference in decision GC.12/Dec.16 consisted of gross expenditure of €159,638,038 to be financed from assessed contributions in the amount of €154,623,038 and other income of €5,015,000.

3. The present document thus presents the financial performance report on the basis of the programme and budgets for 2008-2009, as contained in document GC.12/8, approved in General Conference decision GC.12/Dec.16 and assessed on Member States.

#### B. Assessed contribution income for 2008-2009

4. The financial implementation of the approved programme and budgets is dependent on the actual level of cash resources available during the biennium. The source of financing of the regular budget is the assessed contributions of Member States. Assessed contributions for the biennium 2008-2009 paid to the Organization as compared with the amounts originally assessed in accordance with General Conference decision GC.12/Dec.16 are as follows:

	<b>Millions of euros</b>
Assessed contributions receivable	154.6
Assessed contributions received	145.1 <sup>a</sup>
Shortfall in collections	<u>9.5 (6.1%)</u>

<sup>a</sup> See document IDB.38/3-PBC.26/3, schedule 1.

### C. Comparison of budget with actual expenditure and income for 2008-2009

5. A comparison of actual expenditure and income with the approved budget for the biennium is presented below:

	Regular budget			
	(Millions of euros)			
	Budget estimates	Actuals 2008-2009	Under-utilization	%
Expenditure	159.6	144.4	15.2	9.5%
Income	5.0	2.2	2.8	56.0%
Net	154.6	142.2	12.4	8.0%

6. Comparisons of budget estimates with actual expenditure and income by major programme and major object of expenditure are presented in tables 1 and 2 respectively. Explanations of underutilization by major programme and major object of expenditure are provided in the following paragraphs.

### D. Utilization of the budget

7. The net underutilization of the regular budget of €12.4 million (8.0 per cent) comprised an under-expenditure of €15.2 million (9.5 per cent) and a shortfall in income of €2.8 million (56.0 per cent). The main factors contributing to the underutilization were higher than budgeted vacancy levels of established posts. While the shortage of staff resources was slightly balanced through the employment of temporary assistance staff, the different contract modality resulted also in lower than anticipated common staff cost ratios. Savings also resulted from reduction in expenditure levels under operating expenses.

### E. Financial implementation by major programme

8. Most major programmes were affected by the overall underutilization of the regular budget for the reasons described in paragraph 7 above.

9. Major Programme A (Policymaking Organs) had an unutilized balance of €0.3 million (6.0 per cent) out of the approved budget, mainly due to savings resulting from common interpretation services and delayed recruitment of staff.

10. Major Programme B (Executive Direction and Strategic Management) expenditures almost broke even with less than 1 per cent of unutilized balance, hence this major programme was fully implemented financially.

11. Major Programme C (Poverty Reduction through Productive Activities) had an unutilized balance of €3.4 million (13.8 per cent) of the originally approved budget. This mostly occurred as a result of staff cost savings in the amount of €2.8 million. The staff shortage was partially offset by an increased use of experts resulting in higher expenditure under consultancy.

12. Major Programme D (Trade Capacity-building) had an unutilized balance of €1.2 million (6.8 per cent) of the originally approved budget. Staff cost savings in the amount of €1.9 million have been partially offset by increased expenditure under general temporary assistance and career development training (€0.1 million) as well as higher spending for Special Resources for Africa (€1.0 million).

13. Major Programme E (Environment and Energy) has spent €3.2 million (14.5 per cent) less than budgeted. The major programme was subject to savings under staff costs mainly from a higher than budgeted vacancy rate, resulting in a saving of €2.3 million. There was a saving also in Special Resources for Africa in the amount of €1.0 million due to a shift in programmatic focus towards Major Programme D.

14. Major Programme F (Cross-cutting Programmes and Country-level Coherence) has been implemented with a reduced expenditure by €3.1 million (10.7 per cent). The main contributing factor was staff cost savings in the amount of €2.9 million, followed by underexpenditure in expert group meetings (€0.4 million). These savings were partially offset by increased expenditure in the Special Resources for Africa of €0.3 million and in field operating costs.

15. Major Programme G (Support Services and General Management) has been implemented with a reduced expenditure by €2.3 million (8.1 per cent). The main contributing factor was underexpenditure in staff costs by €1.8 million, which resulted from a high vacancy rate.

16. Major Programme H (Buildings Management) has generated savings amounting to about €3.7 million in staff costs, which was also due to high vacancy rates during the biennium. At the same time, the Buildings Management Services (BMS) special account recorded a surplus of €5.5 million, which brought the closing balance to a level of €25.5 million, out of which €6.7 million is still receivable. The accumulated funds on the BMS special account are fully programmed in connection with the ongoing refurbishment activities in the Vienna International Centre (VIC).

17. Major Programme I (Indirect Costs) has recorded savings in the amount of €1.8 million (9.1 per cent). The savings were mainly attributable to the above-mentioned reduction in Buildings Management Services staff costs, consequently leading to a decline in UNIDO's share of these costs. Further reductions were recorded in joint language and documentation service costs.

## F. Financial implementation by major object of expenditure

18. The underutilization of budgeted costs of €11.9 million (11.1 per cent) under personnel costs comprises:

	<u>Millions of euros</u>
Salaries and common staff costs	13.1
Temporary posts (overutilized)	(0.5)
General temporary assistance (overutilized)	(0.4)
Expert group meetings	0.5
Staff training (overutilized)	(0.2)
Consultancy fees and travel (overutilized)	(1.0)
Other	<u>0.4</u>
<b>Total</b>	<b><u>11.9</u></b>

19. As it is apparent from the above table, the underutilization of budgeted salary and common staff costs was mainly due to the higher than budgeted vacancy factors for Professional and General Service posts. Given that the largest component of the Organization's regular budget is staff costs, it was necessary to follow a conservative implementation plan under this item in order to compensate for the expected non- or late/uncertain payment of assessed contributions. As the payment pattern became clearer in the second year of the biennium, some of the staff shortages were alleviated by an increased usage of temporary assistance and consultancy funds.

20. The official travel budget was underutilized by €0.3 million (7.2 per cent).

21. Savings in operating cost items in the amount of €2.2 million (7.9 per cent) were the result of reduced requirements for document production and translation of €0.6 million, savings under the contribution to the security and safety service of €0.4 million, and a reduction to UNIDO's share of the overall costs in BMS of €0.9 million.

22. The marginal underutilization of €0.3 million (5.9 per cent) of information and communication technology resources is due to the reduction in usage of communication services by €0.4 million. This surplus was partially offset by increases procurement of new communication equipment and increased information technology consultancy charges.

23. Regular Programme of Technical Cooperation resources were administered under the special account created for the purpose to which the full appropriation has been transferred. An underutilization of €0.5 million was recognized under the Special Resources for Africa.

## G. Income

24. The deficit of income over the budget estimates comprises:

	<u>Millions of euros</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Surplus/ (deficit)</u>
Government contributions to field operating costs	1.9	0.5	(1.4)
Miscellaneous income	<u>3.1</u>	<u>1.7</u>	<u>(1.4)</u>
<b>Total</b>	<b><u>5.0</u></b>	<b><u>2.2</u></b>	<b><u>(2.8)</u></b>

The deficit in cost reimbursement income of €1.4 million is directly related to the lower than anticipated contributions of Governments to the costs of UNIDO field offices. Miscellaneous income as contained in the budget estimates approved in decision GC.12/Dec.16 of €3.1 million was not fully achieved as illustrated below.

	<u>Millions of euros</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Surplus/ (deficit)</u>
Interest income on cash balances	3.0	3.0	-
Income from sale of publications	0.1	0.1	-
Currency exchange adjustment	-	(2.3)	(2.3)
Other income	-	<u>0.9</u>	<u>0.9</u>
<b>Total miscellaneous income</b>	<b><u>3.1</u></b>	<b><u>1.7</u></b>	<b><u>(1.4)</u></b>

Of the €2.3 million net currency exchange adjustment, €2.9 million represents the mandatory transfer to the exchange reserve account in line with the terms of decision GC.8/Dec.16, to protect the Organization from exchange rate fluctuations, and a further amount of €0.6 million, also in this reserve account which represents a net revaluation gain of book balances.

## II. Operational budget

25. The operational budget is funded mainly from support cost reimbursement income earned on technical cooperation project delivery and from technical services provided by the Organization. Expenditure estimates to be financed during the biennium from support cost income were presented in the programme and budgets document GC.12/8 and approved by the General Conference in decision GC.12/Dec.16.

26. The financial results for the biennium are as follows:

	<b><u>Millions of euros</u></b>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Technical cooperation delivery, excluding regular budget (RPTC), net of support cost	<u>204.92</u>	<u>172.70</u>	<u>(32.22)</u>
Income earned on delivery for technical services	22.14	18.20	(3.94)
Miscellaneous income	<u>0.62</u>	<u>0.54</u>	<u>(0.08)</u>
<b>Total income</b>	<b><u>22.76</u></b>	<b><u>18.74</u></b>	<b><u>(4.02)</u></b>
Expenditure	<u>22.76</u>	<u>19.07</u>	<u>3.69</u>
Excess of income over expenditure	-	(0.33)	(0.33)
Savings on cancellation of prior biennium obligations	-	<u>0.31</u>	<u>0.31</u>
Net excess of income over expenditure	-	<u>(0.02)</u>	<u>(0.02)</u>

27. A comparison of actual expenditure with the budget estimates is presented in tables 3 and 4 by major programme and major object of expenditure, respectively.

28. The actual technical cooperation delivery and income did not reach the budgeted level and expenditures. However, expenditure control resulted in only a marginal decrease of the operating reserve. Consequently, the net reserve of €6.53 million brought forward from 2007 decreased to only €6.51 million as at 31 December 2009 by a slight deficit in the biennium 2008-2009 of €0.02 million, after taking into account cancellation of prior biennium obligations and prior biennium adjustments.

### III. Action required of the Committee

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

Table 1  
**Regular budget**  
**Financial performance report for 2008-2009 by major programme**  
(In thousands of euros)

<i>Major programme</i>		<i>Approved budget estimates 2008-2009<sup>a</sup> (1)</i>	<i>Actual expenditure/ income 01/01/08 to 31/12/09 (2)</i>	<i>Unutilized balance as at 31/12/09 (3)=(1)-(2)</i>	<i>Percentage (4)=(3)/(1)</i>
<b>Expenditure</b>					
A.	Polycymaking Organs	4,963.9	4,665.3	298.6	6.0
B.	Executive Direction and Strategic Management	13,859.9	13,854.4	5.5	0.0
C.	Poverty Reduction through Productive Activities	24,727.1	21,324.8	3,402.3	13.8
D.	Trade Capacity-building	17,343.7	16,169.6	1,174.1	6.8
E.	Environment and Energy	21,890.6	18,722.5	3,168.1	14.5
F.	Cross-cutting Programmes and Country-level Coherence	28,584.0	25,516.0	3,068.0	10.7
G.	Support Services and General Management	28,076.8	25,815.8	2,261.0	8.1
H.	Buildings Management*			-	
I.	Indirect Costs	20,192.0	18,361.3	1,830.7	9.1
<b>Total expenditure</b>		<b>159,638.0</b>	<b>144,429.7</b>	<b>15,208.3</b>	<b>9.5</b>
<b>Income</b>					
<i>Major programme</i>		<i>Approved estimates (1)</i>	<i>Total income (2)</i>	<i>Shortfall (3)=(1)-(2)</i>	<i>Percentage (4)=(3)/(1)</i>
	Major Programmes C, D, E, F Government contribution to field operating costs	1,904.9	487.6	1,417.3	74.4
H.	Buildings Management* Miscellaneous Income				
a.	Estimated in decision GC.12/Dec.16	3,110.1	3,109.3	0.8	
b.	Not estimated in decision GC.12/Dec.16 (including currency exchange adjustments)		(1,415.1)	1,415.1	
<b>Total income</b>		<b>5,015.0</b>	<b>2,181.8</b>	<b>2,833.2</b>	<b>56.0</b>
<b>TOTAL - NET</b>		<b>154,623.0</b>	<b>142,247.9</b>	<b>12,375.1</b>	<b>8.0</b>



<i>Major programme</i>	<i>Approved budget estimates 2008-2009<sup>a</sup> (1)</i>	<i>Actual expenditure/ income 01/01/08 to 31/12/09 (2)</i>	<i>Unutilized balance as at 31/12/09 (3)=(1)-(2)</i>	<i>Percentage (4)=(3)/(1)</i>
H. Buildings Management				
Expenditure	56,927.9	41,191.7	15,736.2	27.6
Income				
Estimated	56,927.9	45,423.7	11,504.2	
Not estimated (including currency exchange adjustments)		1,184.5	(1,184.5)	
<b>Total Buildings Management</b>		<b>(5,416.5)</b>	<b>5,416.5<sup>b</sup></b>	<b>9.5</b>

<sup>a</sup> Approved in decision GC.12/Dec.16.

<sup>b</sup> The balance of the appropriation reported above is attributed to the special account of BMS and is not subject to the financial regulations 4.2 (b) and 4.2 (c).

\* Itemized separately.

Table 2  
**Regular budget**  
**Financial performance report for 2008-2009 by major object of expenditure**  
(In thousands of euros)

<i>Major object of expenditure</i>	<i>Approved budget estimates 2008-2009<sup>a</sup> (1)</i>	<i>Actual expenditure/ income 01/01/08 to 31/12/09 (2)</i>	<i>Unutilized balance as at 31/12/09 (3)=(1)-(2)</i>	<i>Percentage (4)=(3)/(1)</i>
Expenditure				
1. Staff costs	107,796.8	95,844.8	11,952.0	11.1
2. Official travel	3,525.9	3,272.3	253.6	7.2
3. Operating costs	27,786.3	25,601.9	2,184.4	7.9
4. Information and communication technology	5,719.7	5,384.0	335.7	5.9
5. RPTC and SRA activities	14,809.4	14,326.7	482.7	3.3
<b>Total expenditure</b>	<b>159,638.0</b>	<b>144,429.7</b>	<b>15,208.3</b>	<b>9.5</b>
<i>Major programme</i>	<i>Approved estimates (1)</i>	<i>Total income (2)</i>	<i>Shortfall (3)=(1)-(2)</i>	<i>Percentage (4)=(3)/(1)</i>
a. Estimated in decision GC.12/Dec.16	5,015.0	3,596.9	1,418.1	
b. Not estimated in decision GC.12/Dec.16 (including currency exchange adjustments)		(1,415.1)	1,415.1	
<b>Total income</b>	<b>5,015.0</b>	<b>2,181.8</b>	<b>2,833.2</b>	<b>56.5</b>
<b>TOTAL - NET</b>	<b>154,623.0</b>	<b>142,247.9</b>	<b>12,375.1</b>	<b>8.0</b>

<sup>a</sup> Approved in decision GC.12/Dec.16.

Table 3  
**Operational budget**  
**Financial performance report for 2008-2009 by major programme**  
(In thousands of euros)

<i>Major programme</i>	<i>Approved budget estimates 2008-2009<sup>a</sup> (1)</i>	<i>Actual expenditure/income 01/01/08 to 31/12/09 (2)</i>	<i>Variance (3)=(1)-(2)</i>
<b>Expenditure</b>			
B. Executive Direction and Strategic Management	273.8	223.2	50.6
C. Poverty Reduction through Productive Activities	4,173.4	3,741.2	432.2
D. Trade Capacity-building	4,060.8	2,997.2	1,063.6
E. Environment and Energy	4,252.2	4,042.5	209.7
F. Cross-cutting Programmes and Country-level Coherence	5,480.3	4,125.6	1,354.7
G. Support Services and General Management	4,518.6	3,915.9	602.7
<b>Total expenditure</b>	<b>22,759.1</b>	<b>19,045.6</b>	<b>3,713.5</b>
<b>Income</b>			
<i>Major programme</i>	<i>Approved estimates (1)</i>	<i>Total income (2)</i>	<i>Shortfall (3)=(1)-(2)</i>
<b>Income</b>			
Major Programmes C, D, E, F			-
Government contribution to field operating costs			
Miscellaneous Income			
a. Estimated in decision GC.12/Dec.16	619.2	343.0	276.2
b. Not estimated in decision GC.12/Dec.16 (including currency exchange adjustments)		193.0	(193.0)
<b>Total income</b>	<b>619.2</b>	<b>536.0</b>	<b>83.2</b>
<b>TOTAL - NET</b>	<b>22,139.9</b>	<b>18,509.6</b>	<b>3,630.4</b>

<sup>a</sup> Approved in decision GC.12/Dec.16.

Table 4  
**Operational budget**  
**Financial performance report for 2008-2009 by major object of expenditure**  
(In thousands of euros)

<i>Major object of expenditure</i>	<i>Approved budget estimates 2008-2009<sup>a</sup> (1)</i>	<i>Actual expenditure/income 01/01/08 to 31/12/09 (2)</i>	<i>Variance (3)=(1)-(2)</i>
<b>Expenditure</b>			
1. Staff costs	22,234.6	18,354.7	3,879.9
2. Official travel	-	125.7	(125.7)
3. Operating costs	524.5	565.2	(40.7)
<b>Total expenditure</b>	<b>22,759.1</b>	<b>19,045.6</b>	<b>3,713.5</b>
<i>Major programme</i>	<i>Approved estimates (1)</i>	<i>Total income (2)</i>	<i>Shortfall (3)=(1)-(2)</i>
a. Estimated in decision GC.12/Dec.16	619.2	343.0	276.2
b. Not estimated in decision GC.12/Dec.16 (including currency exchange adjustments)		193.0	(193.0)
<b>Total income</b>	<b>619.2</b>	<b>536.0</b>	<b>83.2</b>
<b>TOTAL - NET</b>	<b>22,139.9</b>	<b>18,509.6</b>	<b>3,630.3</b>

<sup>a</sup> Approved in decision GC.12/Dec.16.