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**GLOBAL MINISTERIAL ENVIRONMENT FORUM
PROGRAMME, THE ENVIRONMENT FUND AND ADMINISTRATIVE AND OTHER
BUDGETARY MATTERS**

**REPORT OF THE ADVISORY COMMITTEE ON ADMINISTRATIVE AND BUDGETARY
QUESTIONS ON THE PROPOSED BIENNIAL PROGRAMME
AND SUPPORT BUDGET OF THE UNITED NATIONS
ENVIRONMENT PROGRAMME FOR 2002-2003**

Note by the Executive Director **

1. Annexed to the present note is a letter dated 14 November 2000 from the Chairman of the Advisory Committee on Administrative and Budgetary Questions transmitting the Committee's report containing its observations on the proposed programme and support budget for 2002-2003 (UNEP/GC.21/6).
2. The report is being circulated as it was received by the secretariat, without formal editing. It should therefore be noted that the paragraph references in the Committee's report do not necessarily correspond to the numbering of the text contained in document UNEP/GC.21/6.

* UNEP/GC.21/1.

** This document was submitted late to Conference Services because the policy decision on the report was taken at the end of November 2000.

Appendix

PROPOSED BIENNIAL PROGRAMME AND SUPPORT BUDGET OF THE UNITED NATIONS ENVIRONMENT PROGRAMME FOR 2002-2003

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Executive Director of the United Nations Environment Programme (UNEP) on the proposed programme and support budget of UNEP for 2002-2003 (UNEP/GC.21/xx Part I and Part II). During its consideration of the report, the Committee met with representatives of the Executive Director who provided additional information.

Budget presentation

2. The Advisory Committee notes that the report on the proposed programme and support budget of UNEP for 2002-2003 was prepared in line with the harmonized budget format of UNDP, UNICEF and UNFPA, taking into account previous recommendations of the Committee, as indicated in annex III to the budget report. The financial framework of UNEP, as presented in Part I of the report, provides resource projections for all sources of funds, i.e., the United Nations regular budget, the Environment Fund, trust funds, trust fund support and counterpart contributions. Objectives, strategies, expected accomplishments, performance indicators, activities and outputs are presented in Part II of the report for each of the seven subprogrammes of UNEP. The Committee notes that, although the Governing Council only approves the use of the Environment Fund resources, the resource plan presented in the budget report includes all other sources of funds, providing a complete financial picture of the resources available for UNEP's activities. The Committee was informed that Part II of the report was formulated according to specific objectives set for the biennium by global environment fora, in particular the Malmö Global Ministerial Environment Forum (6th Special Session of the Governing Council) that took place in May 2000.

3. The Advisory Committee was informed that the formulation of the proposed UNEP biennial programme and support budget for 2002- 2003 was carried out in close consultation with the Committee of Permanent Representatives (CPR), including guidance in respect of the income projections for 2002-2003.

Income and expenditure projections

4. As shown in table 1A, total projected income from all sources amounts to \$240.1 million for the biennium 2002-2003, comprising a projected opening balance of \$31.3 million, as at 1 January 2002, and estimated resources of \$8.7 million from the United Nations regular budget, \$119.9 million from the Environment Fund, \$81.5 million from trust funds, \$9.8 million from trust fund support and \$20.2 million from counterpart contributions. Income projections for 2000-2001, as approved by the Governing Council at its 20th session, amounted to \$242.2 million. This amount included an opening balance of \$48.6 million and estimated resources of \$8.7 million from the United Nations regular budget, \$122.2 from the Environment Fund, \$84.5 from trust funds, \$8.2 million from trust fund support and \$18.5 million from counterpart contributions.

5. As indicated in paragraphs 7 and 12 of the report, the 2000- 2001 income projection for the Environment Fund, as approved by the Governing Council of UNEP at its 20th session in February 1999, proved to be over ambitious. Table 1B of the report shows proposed adjustments to the Environment Fund's resource plan for 2000-2001 and provides comparisons with both the approved budget for 2000-2001 and the proposed budget for 2002-2003. Revised income projections for 2000-2001 for the Environment Fund amount to \$111.8 million, reflecting a decrease of \$10.4 million or 8.5 per cent, as compared with income projections of \$122.2 million as approved for 2000-2001. As indicated in paragraph 12, the decrease in contributions, from \$96.3 million in 1998-1999 to \$86.2 million in 2000-2001, reflects both a loss due to the

relative weakness of the currencies of some major donors vis-a- vis the United States dollar (approximately \$4-5 million) and a decrease in contributions to the Fund from some donors (approximately \$5-6 million). The Committee notes that projected contributions from donors for 2000-2001 would decrease from \$118.0 million to a revised projection of \$86.2 million, showing a decrease of \$31.8 million or 27 per cent. The shortfall is partially offset by an increase of \$19.1 million in the opening balance of the Fund, from \$3.2 million estimated in the original submission to a revised opening balance of \$22.3 million, as at 1 January 2000.

6. As shown in table 1B of the report, for 2000-2001 the total use of resources under the Environment Fund is projected at \$119.2 million, comprising the Fund's programme of work of \$100 million, the support budget of \$14.2 million and the programme reserve of \$5.0 million. The Advisory Committee notes that the programme of work and the support budget were not adjusted in the revised resource plan for 2000-2001. The Committee further notes from table 1B and paragraph 13 of the report that an underexpenditure of \$8.6 million is projected due to changes in the exchange rate between the United States dollar and the Kenyan Shilling and savings arising from higher vacancy rates than those initially assumed in the budget. Upon enquiry, the Committee was informed that the expected under-expenditure of \$8.6 million included \$4.1 million due to changes in exchange rates and \$4.5 million for cost adjustments including savings on higher vacancy rates.

7. For the biennium 2002-2003, table 1B of the report shows income projection for the Environment Fund of \$119.9 million, comprising a projected opening balance of \$1.2 million as at 1 January 2002, projected contributions of \$116.7 million and other income projected at \$2.0 million. The Advisory Committee notes that contributions of \$116.7 million projected for 2002-2003 would increase by \$30.5 million, or 35.4 per cent, as compared with contributions of \$86.2 million projected for 2000-2001 in the adjusted resource plan.

8. As shown in table 1B of the report, the total use of resources projected for the biennium 2002-2003 amount to \$119.9 million under the Environment Fund, comprising the programme of work of \$100 million, the support budget of \$14.9 million and the programme reserve of \$5.0 million. Tables 2 and 3 show projected volume and cost changes for 2002-2003, as compared to appropriation estimates for 2000-2001, in both the support budget and in the seven subprogrammes of UNEP's programme of work under the Environment Fund.

9. The main reasons for the increases/decreases in the proposed allocations for the subprogrammes of UNEP's programme of work are briefly mentioned in paragraphs 22 to 29 of the report. In the Committee's opinion, volume changes in the subprogrammes should have been explained in a more transparent manner. For example, for the subprogramme "Technology, Industry and Economics," there is a proposed volume decrease of \$3.1 million that is not clearly explained in the report. Moreover, in Part II of the report, the Committee notes that performance indicators have neither been quantified nor linked to the expected outputs and services shown under the subprogrammes.

10. The Advisory Committee notes from paragraph 17 of the report that, should the income projections for 2002-2003 prove to be inaccurate and not realized by the beginning of the biennium, UNEP will seek a revision in its budget implementation. The Committee further notes that the Committee of Permanent Representatives will be monitoring UNEP's budget performance and may, accordingly, provide guidance to the Executive Director in introducing appropriate adjustments to the programme of work.

11. The Advisory Committee notes from paragraph 16 of the report that the Executive Director strongly believes that a number of developments will result in the strengthening of UNEP, including provision of financial resources commensurate with the expectation of governments for UNEP's programme delivery.

12. Nevertheless, the Advisory Committee notes from paragraph 34 of the report that contributions to the Environment Fund have continued to decrease and that the base of contributions to the Fund has not been broadened. In 1997, 91 countries pledged contributions to the Environment Fund and in 1998 the number decreased to 73. In 1999, only 67 countries pledged and further reductions appear to be apparent in 2000, as

only 37 countries made pledges as at 30 June 2000. The Advisory Committee recalls its comments in paragraphs 12, 14 and 15 of its report on UNEP's proposed programme budget for the biennium 2000-2001 and revised estimates for the biennium 1998-1999 (UNEP/GC.20/XX). The Committee is of the view that the projected level of contributions for 2002-2003 for the Environment Fund is again over ambitious. The Committee reiterates its views that, in the light of the significant decrease in the level of contributions to the Environment Fund in the previous biennia, UNEP's projected expenditure for 2002-2003 should be based on more firm assurance that income would be attainable.

13. As indicated in paragraph 32 and tables 4 and 5 of the report, for 2002-2003 the Executive Director proposes to establish 34 additional posts (9 Professional and 25 General Service) under the Environment Fund and one additional General Service post under the support budget. The Advisory Committee notes from table 6.2 of Part II of the report that 4 out of 9 new posts are requested at the D-1 level. The Committee requested but did not receive clarification on the level of the new posts and related job descriptions.

14. Although the Advisory Committee is aware that the authority to create and abolish posts funded from the programme budget of the Environment Fund, trust fund support budget and counterpart contributions rests with the Executive Director, in the light of the current critical resource constraints of UNEP, the Committee trusts that the Executive Director will wait to establish additional posts under the Environment Fund until there is assurance that UNEP's potential income for 2002-2003 will be realized. The Committee notes from paragraph 39 that the additional General Service post proposed under the support budget would be for the Secretariat of the Governing Council. The Committee has no objection to this proposal.

Support budget

15. As indicated in paragraphs 44 to 46 and table 7 of the report, the total support budget for 2002-2003 amounts to \$23.8 million, comprising \$1.5 million under the United Nations regular budget, \$14.9 million under the Environment Fund, \$7.0 million under trust fund support resources and \$0.5 million trust fund provision for Junior Professional Officers (see also annexes 4 and 6).

16. The Advisory Committee notes from paragraph 47 of the report that the vacancy rates assumed for the overall biennial budget for 2002-2003 were 8 per cent for Professional posts and 3 per cent for General Service posts. The Committee notes that the average vacancy rates for the period from 1 January to 30 June 2000 stood at 17 per cent for Professional posts and 11 per cent for General Service posts, the Committee sought clarification on the reasons for the vacancy situation in UNEP. The Committee was informed that UNEP'S problems relating to recruitment and retention of staff are related to the conditions of service in Nairobi, including issues concerning the current methodology of calculating post adjustment at that duty station. The Committee trusts that the United Nations Office of Human Resources Management will address these problems as a priority.

17. As shown in table I and II, the estimate of \$ 5,710,700, proposed as reimbursement for services provided by the United Nations Office in Nairobi (UNON) for 2002-2003, has been maintained at the same level as in the biennium 2000-2001 and is conditional upon the approval of the regular budget of the United Nations.

18. In this connection, the Advisory Committee recalls its comments in paragraph VIII.111 of its first report on the proposed programme budget for the biennium 2000-2001 (A/57/7) that "on the basis of its examination of the budgets of UNEP and Habitat, the Committee concluded that there was currently no agreed procedure for determining the total cost of the United Nations Office in Nairobi and the rates for reimbursement of services rendered to other organizations at Nairobi. The Committee requests that the United Nations, UNEP and Habitat establish a mechanism for determining the costs of the United Nations Office at Nairobi and how they should be apportioned. In this exercise the relevant experience in other duty stations, such as Vienna, where the United Nations shares costs with other programmes and/or agencies should be considered. A uniform presentation of these costs should be established prior to the submission of the proposed programme budget for the biennium 2002-2003 and the related budgets of UNEP and Habitat."

Financial reserve

19. In its decision 20/31 of 9 February 1999, paragraph 14, the Governing Council noted the steps taken by the Executive Director to increase the financial reserve to its present level of \$10.0 million and urged the Executive Director to further increase the level of the financial reserve to \$20 million, as and when carry-over resources become available over and above those needed to implement the programme approved for the biennia 1998-1999 and 2000-2001. The Advisory Committee notes from paragraph 37 of the report that it is very unlikely that the \$20 million level of the financial reserve will be reached by the end of 2003 in the light of the financial situation of UNEP.
