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**Programme, the Environment Fund
and administrative and other budgetary matters**

**Environment Fund budgets: proposed biennial programme and
support budget for 2006–2007; Report of the Advisory
Committee on Administrative and Budgetary Questions; State of
the environment and contribution of the United Nations
Environment Programme in addressing substantive
environmental challenges**
Report of the Executive Director

Summary

The present report document addresses the consideration of the Advisory Committee on Administrative and Budgetary Questions of the report of the Executive Director of the United Nations Environment Programme (UNEP) on the proposed biennial programme and support budget of UNEP for 2006–2007 (UNEP/GC.23/8). The document provides the views of the Advisory Committee on budget presentation, income and expenditure projections and the financial reserve.

* UNEP/GC.23/1.

Environment Fund budgets: proposed biennial programme and support budget for 2006–2007

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

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 biennial programme and support budget of UNEP for 2006–2007 (UNEP/GC.23/8). During its consideration of the report, the Committee met with representatives of the Executive Director, who provided additional information.

II. Budget presentation

2. The Advisory Committee notes that in preparing the proposed biennial programme and support budget for 2006–2007, the Executive Director has taken into account a number of the recommendations of the Committee (see UNEP/GC.23/8, annex III). The Committee welcomes the efforts made to streamline presentation and further develop the result-based formulation. In connection with the latter, the Committee is pleased to note that the Executive Director has endeavoured to quantify both indicators of achievement and outputs, and, as in the previous biennium, resource requirements are presented both by subprogramme and by source of funds. The Committee congratulates UNEP on the progress it has made in its results-based presentation and encourages the Executive Director to further refine it in the proposed budget for 2008–2009. The Committee believes that there is room for further streamlining of the budget document – tables should be consolidated where possible and repetition should be avoided in the narrative.

3. The Advisory Committee was informed that the proposed biennial programme and support budget for 2006–2007 was formulated on the basis of the UNEP Strategic Framework for the period 2006–2007 (see A/59/6 (Prog. 11)), as amended by the Committee for Programme and Coordination at its forty-fourth session, in June 2004, and was prepared in close cooperation with the UNEP Committee of Permanent Representatives.

III. Income and expenditure projections

4. As shown in table 1 of the report, an opening balance of \$31.7 million is projected as at 1 January 2006, which is significantly lower than the opening balance of \$83.5 million for 2004–2005. Total projected resources available for 2006–2007 amount to \$299.4 million, comprising income from all sources of \$290.9 million (\$10.5 million in United Nations regular budget resources, \$145 million in Environment Fund resources, \$74.0 million in trust funds, \$11.4 million in trust fund support and \$50.0 million in earmarked (counterpart) contributions) and \$8.5 million from reimbursement of services. In comparison, total projected resources for 2004–2005, as approved by the Governing Council at its twenty-second session, amounted to \$316.1 million, comprising estimated income from all sources of \$308.0 million (\$10.5 million from the United Nations regular budget, \$131.0 million in Environment Fund resources, \$129 million in trust funds, \$9.5 million in trust fund support and \$28.0 million in earmarked (counterpart) contributions) and \$8.0 million from reimbursement of services.

Environment Fund

5. The projected income for the Environment Fund for 2006–2007 amounts to \$142 million, comprising projected contributions of \$135 million and other income in the amount of \$7 million. The projected level of contributions for 2006–2007 (\$135 million) represents a \$20 million, or 17 per cent, increase over the amount of \$115 million in approved for 2004–2005. Upon request, the Advisory Committee was provided with the following information on projected and actual income and expenditure under the Environment Fund from 2000 to 2005:

	2000–2001	2002–2003	2004–2005
	(Millions of United States dollars)		
Income projection	119.0	118.7	122.0
Actual income	95.1	104.0	117.7 ^a
Expenditures	106.4	110.0	125.2 ^a

a Estimated figures.

The Advisory Committee notes that actual income does show a modest increase from biennium to biennium. What is also clear is that income projections, as the Committee has pointed out on numerous occasions, have historically proven overambitious (see UNEP/GC.22/6/Add.1, para. 6). The Committee is therefore concerned that a 17 per cent increase in projected income may not be warranted.

6. As indicated in the proposed budget, if the projection of contributions proves to be inaccurate and the income projections for 2006–2007 are not realized by the beginning of the biennium, the budget will be adjusted (UNEP/GC.23/8, para. 17). The Advisory Committee was informed that the Executive Director has the authority to shift resources up to 20 per cent of the actual appropriation to which the resources are reallocated. Furthermore, the Committee of Permanent Representatives, which meets quarterly and may also hold ad hoc meetings, monitors budget performance and may provide guidance to the Executive Director in introducing adjustments to the programme of work and related budgeted expenditures should actual funding fall considerably below or exceed the level of expectations (*ibid.*). Upon enquiry, the Committee was informed that experience had shown these mechanisms for dealing with discrepancies between projected and actual income to be effective for making swift adjustments to the budget when needed. The Committee welcomes the close cooperation between the Executive Director and the Committee of Permanent Representatives and requests the Executive Director, in his proposed budget for 2008–2009, to report on lessons learned and difficulties encountered in utilizing these mechanisms for making necessary adjustments to the budget.

7. The Advisory Committee notes that in accordance with decision SS.VII/1, adopted at the seventh special session of the Governing Council/Global Ministerial Environment Forum, a voluntary indicative scale of contributions was introduced in 2003. As anticipated, the application of the scale has resulted in a significant widening of the base for voluntary contributions. In 2003, a total of 124 countries pledged or contributed to the Environment Fund, as compared with 91 in the previous year (see UNEP/GC.23/8, para. 14). Upon request, the Committee was provided with information concerning the percentage contribution of the 15 major donors to the Fund from 2000 to 2005. In the biennia 2000–2001 and 2002–2003, the percentage contributed by the 15 major donors was approximately the same: 93 and 92 per cent respectively. For 2004–2005, the percentage has decreased to 86 per cent. The Committee considers this an important development and recommends that the Executive Director monitor the trend.

8. The total proposed Environment Fund budget for 2006–2007 amounts to \$144 million, consisting of \$122 million for Fund programme activities, \$6 million for the Fund programme reserve, \$5.8 million for programme support and \$10.2 million for management and administration of the organization; a closing balance of \$1 million is projected based on total estimated resources available of \$145 million (see UNEP/GC.23/8, tables 1 and 2).

9. The Executive Director is recommending a net increase of 16 posts for the Environment Fund – an increase of 20 Professional posts and a decrease of 4 Local-level posts (*ibid.*, para. 27). Upon enquiry, the Advisory Committee was informed that under the Fund's programme of work, an overall

increase of 12 posts, comprising an increase of 18 Professional posts and a decrease of 6 Local-level posts, was proposed to strengthen the capacity of various divisions. Under the Fund's support budget, a net increase of four posts is proposed, comprising five new posts (three Professional and two Local-level) and a reduction of one post, which was converted to regular budget funding in 2004. Of the five new posts, two (one Professional and one local level) were previously funded from the Trust Fund support budget and the three others for new functions to strengthen administration and management capacities of the organization.

10. In the light of the statistics given in paragraph 5 above, which show a continuing trend of overambitious income projection, the Advisory Committee believes that a more modest increase is called for. Accordingly, the Committee recommends that the Executive Director reassess the need for the new posts, with a view to making reductions where possible. The Committee trusts, in any case, that the Executive Director would not establish additional posts under the Environment Fund until there is assurance that income for 2006–2007 will support such an increase.

Trust funds and earmarked contributions

11. It is projected that in 2006–2007 the use of trust fund resources will decrease to \$66.3 million. In comparison, the figure for 2004–2005 was \$78.5 million (*ibid.*, table 1). Use of trust-fund support resources will decrease from \$7.3 million in 2004–2005 to \$5.6 million in 2006–2007. The projected decreases are mainly attributable to the conversion of several trust funds from the category of trust funds directly supporting the UNEP programme of work to the category of trust funds supporting multilateral environmental agreements. The reduction in the trust-fund budget will be offset by a projected increase of \$20 million in earmarked contributions.

12. The Advisory Committee was informed that for 2006–2007 an overall decrease of 72 posts was proposed under Trust Funds. Of these, 54 (36 Professional and 18 Local-level) relate to multilateral environmental agreements and have now been included under the staffing complement for trust funds supporting multilateral agreements. The remaining 18 posts have been absorbed in part by the increases in posts under the Environment Fund, earmarked contributions or projects management of the Global Environment Facility. A net decrease of one post is proposed under trust fund support; this will involve the conversion of two posts to funding under the Environment Fund and three posts to the category for reimbursement of services for support provided to multilateral environmental agreements, offset by an increase of four posts to extend the support provided to administer the trust funds supporting the UNEP programme of work.

13. An increase of 16 posts is proposed under earmarked contributions owing to additional programme requirements arising from increased levels of contribution. In this connection, the Committee notes the statement in paragraph 18 of the report that it is “difficult at the time of formulation of the programme budget to estimate the volume of trust fund and earmarked activities with a high degree of accuracy” and that estimates of the 2006–2007 trust fund resources and earmarked contributions will be periodically updated and brought to the attention of the Committee of Permanent Representatives. The Committee trusts that new posts will not be established until there is assurance that the potential income of UNEP for 2006–2007 will be realized and that increased levels of earmarked contribution would warrant the establishment of the new posts.

United Nations regular budget

14. As noted in paragraph 9 of the report, since the United Nations regular budget is subject to the approval of the General Assembly at its sixtieth session, the amounts projected in the proposed budget for UNEP for 2006–2007 are provisional. Accordingly, no cost adjustments have been applied to this part of the resource plan and the level of projected resources remains at the 2004–2005 level, namely \$10.5 million. The UNEP submission to the regular budget is currently under preparation. The Committee understands that the proposal would include a request for conversion of posts from the Environment Fund to regular-budget funding.

15. Summary table III shows the distribution of posts by source of funds and organizational unit for both 2004–2005 and 2006–2007. A P-5 support budget post is listed for conversion from the Environment Fund to regular budget funding; the Committee was informed that the conversion had been approved by the General Assembly for 2004–2005 subsequent to the submission of the proposed

programme and support budget for 2004–2005 to the Governing Council (General Assembly resolution 58/270). The Advisory Committee enquired as to the reason for moving three regular budget posts (1 D-1 and 2 Local-level) from the programme of work to the support budget under the Office of the Executive Director. The Committee was informed that these posts, which previously had been placed under the Division of Assessment and Early Warning, were for the Secretary of the Scientific Committee on the Effects of Atomic Radiation and support staff. While UNEP had been designated by the General Assembly as the responsible secretariat for the Committee, its activities were not directly related to a specific element of the UNEP programme of work. It was therefore felt that it was better organizationally to place it directly under the Office of the Executive Director. The Advisory Committee was also informed that UNEP intended to request an additional regular budget post for the Committee.

Support budget

16. The total proposed UNEP support budget for the biennium 2006–2007 amounts to \$26.1 million, a decrease of \$0.9 million from the amount of \$27 million approved for the biennium 2004–2005. Of the \$26.1 million, it is estimated that \$4.2 million will come from the regular budget of the United Nations, \$5.6 million from trust-fund support resources and \$0.2 million from trust funds. The support budget portion of the Environment Fund for 2006–2007 of \$16 million constitutes the major share (61 per cent) of the overall biennial support budget (see UNEP/GC.23/8, para. 40). The overall decrease of \$0.9 million in support budget resources for 2006–2007 includes a decrease of \$1.70 million in trust fund support, a decrease of \$0.2 million in the trust fund contribution and an increase of \$1.0 million in the Environment Fund budget.

IV. Financial reserve

17. As indicated in paragraph 32 of the report, in its decision 20/31 of 9 February 1999 the Governing Council noted the steps taken by the Executive Director to increase the financial reserve to the level of \$10 million. In the same decision, and again in decisions 22/31 and 22/20, the Governing Council urged the Executive Director to further increase the level of the financial reserve to \$20 million as and when carry-over resources became available over and above those needed to implement the programme approved for the respective biennia. The Advisory Committee notes that it continues to be unlikely that the \$20 million level of the financial reserve will be reached by the end of 2005 in the light of the financial situation of UNEP.
