



**Governing Council
of the United Nations
Environment Programme**

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

Administrative and other budgetary matters

Report of the Executive Director

Summary

The present report is provided pursuant to decision 22/23 I of 7 February 2003, and sets forth the Executive Director's proposal to reduce the number of trust funds in support of the programme of work of the United Nations Environment Programme (UNEP), together with information on the management of the trust funds. This document also contains information on the status of the implementation of decision 22/23 II of 7 February 2003, on a loan from the Environment Fund financial reserve.

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* UNEP/GC.23/1.

I. Suggested action by the Governing Council

1. The Governing Council may wish to consider the adoption of decisions along the lines suggested below.

A. Proposal to reduce the number of trust funds in support of the UNEP programme of work

The Governing Council,

Having considered the report of the Executive Director on the management of trust funds (UNEP/GC.23/9),

1. *Notes and approves* the proposed actions of the Executive Director to reduce the number of trust funds in support of the work programme.

B. Management of trust funds

The Governing Council,

Having considered the report of the Executive Director on the management of trust funds,¹

1. Trust funds in support of the work programme

1. *Notes and approves* the establishment of the following trust funds since the twenty-second session of the Governing Council:

- (a) General trust funds:
 - (i) RPL – General Trust Fund to Support the Participation of Developing Countries in a Regular Process for Reporting and Assessment of the State of the Marine Environment, which was established in 2003 with no fixed expiry date;
 - (ii) YPL – General Trust Fund for a Long Term Strategy for Engaging and Increasing Participation of Youth in Environmental Issues – Tunza Fund, established in 2003 with an expiry date of 31 December 2008;
- (b) Technical cooperation trust funds:
 - (i) BPL – Technical Cooperation Trust fund for the Implementation of the Agreement with Belgium (financed by the Government of Belgium), which was established in 2004 with an expiry date of 31 December 2007;
 - (ii) DPL – Technical Cooperation Trust Fund For the Partnership Agreement between the Government of the Netherlands and UNEP, which was established in 2002 with no fixed expiry date;
 - (iii) REL – Technical Cooperation Trust Fund For the Promotion of Renewable Energy in the Mediterranean Region, which was established in 2002 with an expiry date of 30 September 2006;

¹ UNEP/GC.23/9.

- (iv) TOL – Technical Cooperation Trust fund for the Provision of Junior Professional Officers (financed by L'Organisation Internationale de la Francophonie) which was established in 2004 with no fixed expiry date;

2. *Approves* the extensions of the following trust funds:

(a) General trust funds:

- (i) DUL – General Trust Fund to Support the Activities of the Dams and Development Unit to Coordinate Follow-up to the World Commission on dams, which is extended through 31 December 2007;
- (ii) ETL – Trust Fund for the Environmental Training Network in Latin America and the Caribbean, which is extended through 31 December 2007;
- (iii) MCL – General Trust Fund in Support of the Preparation of a Global Assessment of Mercury and its Compounds, which is extended through 31 December 2006;

(b) Technical cooperation trust funds:

- (i) ELL – Technical Cooperation Trust Fund to Strengthen the Institutional and Regulatory Capacity of Developing Countries in Africa (financed by the Government of the Netherlands), which is extended through 31 December 2007;
- (ii) GNL – Technical Cooperation Trust Fund in Support of the Coordination Office of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities (financed by the Government of the Netherlands), which is extended through 31 December 2007;
- (iii) GWL – Technical Cooperation Trust Fund for the Provision of Support to the Global International Waters Project (financed by the Government of Finland), which is extended through 31 December 2007;

3. *Notes and approves* the closure of the following trust funds by the Executive Director subject to completion of their activities and satisfaction of all financial implications:

(a) General trust funds:

- (i) BKL – General Trust Fund for the Clean-up of Environmental Hotspots following the Kosovo Conflicts and Preparation of Guidelines on Assessment and Remedial Measures for Post-conflict Environmental Damages;
- (ii) EEL – General Trust Fund for Environmental Emergencies;
- (iii) EGL – General Trust Fund to establish a Secretariat to the Environment Management Group in the International Environment House, Geneva;
- (iv) IGL – General Trust Fund to Support the Activities of the Open-ended Group of ministers or their Representatives on International Environmental Governance, including the Participation of Developing Countries;
- (v) MCL – General Trust Fund in support of the Preparation of a Global Assessment of Mercury and its Compounds;

- (vi) RCL – General Trust Fund in Support of the Implementation of Governing Council Decisions in the North America Region;
- (b) Technical cooperation trust funds:
 - (i) AHL – Technical Cooperation Trust Fund to Assist the Implementation of Agenda 21 in Europe and to Strengthen Pan-European Environmental Cooperation (financed by the Government of the Netherlands);
 - (ii) ANL – Technical Cooperation Trust Fund in Support of the UNEPnet Implementation Centre (financed by the Government of Norway);
 - (iii) BNL – Technical Cooperation Trust Fund for the Provision of a Senior Technical Cooperation Advisor/Liaison Officer for the UNEP Office in Brussels (financed by the Government of the Netherlands);
 - (iv) CGL – Technical Cooperation Trust Fund to Assist the International Agricultural Research Centres (IARCs) of the Consultative Group on International Agricultural Research (CGIAR) in the use of Geographic Information Systems in Agricultural Research Management (financed by the Government of Norway);
 - (v) FGL – Technical Cooperation Trust Fund for the Provision of a Senior Programme Officer to the UNEP/GPA Office in The Hague (financed by the Government of France);
 - (vi) GTL – Technical Cooperation Trust Fund in Support of UNEP Implementation of Enabling and Pioneering Environmental Projects (financed by the Government of Germany);
 - (vii) IPL – Technical Cooperation Trust fund to Assist the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer in Developing Countries (financed by the Government of Sweden);
 - (viii) ITL – INFOTERRA Technical Cooperation Trust fund (financed by the Government of the United States of America);
 - (ix) JGL – Technical Cooperation Trust fund to Support Activities on Environmental Issues (financed by the Government of Japan);
 - (x) KTL – Technical Cooperation Trust Fund for the Promotion of Cleaner Production Investments in Developing Countries (financed by the Government of Norway);
 - (xi) PUL – Technical Cooperation Trust Fund to Support the UNEP Executive Director’s Implementation of Personnel Reforms in the UNEP Secretariat (financed by the Government of the United States of America);
 - (xii) RUL – Technical Cooperation Trust Fund in Support of Meetings of Sub-committees or Working Groups on Programmatic and Administrative Reform of UNEP (financed by the Government of the United States of America);
 - (xiii) SNL – Special Purpose Trust Fund for the Provision of a Programme officer to UNEP/SBC (financed by the Government of Switzerland-SAEFL);
 - (xiv) TAL – Technical Cooperation Trust Fund for Provision of Junior Professional Officers (financed by the Government of Austria);

- (xv) TCL – Technical Cooperation Trust Fund for the Provision of Junior Professional Officers (financed by the Nordic Governments through the Government of Sweden);
- (xvi) UCL – Technical Cooperation Trust Fund for the Enhancement of Cooperation between UNEP and the United Nations Compensation Commission (UNCC) in the Implementation of the United Nations Security Council Resolution 687(1991) financed by UNCC;
- (xvii) UKL – Technical Cooperation Trust Fund for the Provision of an Executive Assistant of the Executive Director (financed by the Government of the United Kingdom);

2. Trust funds in support of regional seas programmes, protocols and conventions and special funds

4. *Notes and approves* the establishment of the following trust funds since the twenty-second session of the Governing Council:

- (a) General trust funds:
 - (i) BFL – General Trust Fund for Biosafety, which was established in 2002 with an expiry date of 31 December 2005;
 - (ii) BGL – General Trust Fund for the Core Programme Budget for the Biosafety Protocol, which was established in 2004 with an expiry date of 31 December 2007;
 - (iii) BHL – Special Voluntary Trust Fund for the Additional Voluntary Contributions in Support of Approved Activities, which was established in 2004 with an expiry date of 31 December 2007 (Biosafety Protocol of the Convention on Biological Diversity);
 - (iv) BIL – Special Voluntary Trust Fund for Facilitating Participation of Developing Country Parties, in Particular the Least Developed and Small Island Developing States amongst them, and Parties with Economies in Transition, which was established in 2004 with an expiry date of 31 December 2007 (Biosafety Protocol of the Convention on Biological Diversity);
 - (v) SOL – General Trust Fund for Financing Activities on Research and Systematic Observations relevant to the Vienna Convention, which was established in 2003 with an expiry date of 31 December 2007;
- (b) Technical cooperation trust funds:
 - (i) LDL – Technical Cooperation Trust for the Management of UNEP/GEF National Adaptation Programme of Action for Least Developed Countries established in 2002 with no fixed expiry date;
 - (ii) RSL – Technical Cooperation Trust Fund to Support the Implementation of the Rotterdam and Stockholm Conventions in Developing countries and Countries with Economies in Transition (financed by the Government of Switzerland) which was established in 2002 with no fixed expiry date;

5. *Approves* the extension of the following trust funds subject to the Executive Director of the United Nations Environment Programme receiving requests for extension from the relevant Governments or contracting parties:

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- (a) General trust funds:
- (i) AWL –General Trust Fund for the Conservation of African-Eurasian Waterbirds Agreement (AEWA), through 31 December 2008;
 - (ii) BAL –General Trust Fund for the Conservation of Small Cetaceans of the Baltics and North Seas (ASCOBANS) through 31 December 2009;
 - (iii) BCL – Trust Fund for the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, through 31 December 2007;
 - (iv) BDL – Trust Fund to Assist Developing Countries and other Countries in need of Technical Assistance in the Implementation of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, through 31 December 2007;
 - (v) BEL –General Trust Fund for Additional Voluntary Contributions in Support of Approved Activities under the Convention on Biological Diversity, through 31 December 2007;
 - (vi) BFL –General Trust Fund for Biosafety, through 31 December 2007;
 - (vii) BTL –General Trust Fund for the Conservation of the European Bats , through 31 December 2009 ;
 - (viii) BYL –General Trust Fund for the Convention on Biological Diversity, through 31 December 2007;
 - (ix) BZL –General Trust Fund for Voluntary Contributions to Facilitate the Participation of Parties in the Process of the Convention on Biological Diversity, through 31 December 2007;
 - (x) CRL –Regional Trust Fund for the Implementation of the Action Plan for the Caribbean Environment Programme, through 31 December 2007;
 - (xi) CTL –Trust Fund for the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), through 31 December 2008;
 - (xii) EAL –Regional Seas Trust Fund for the Eastern African Region, through 31 December 2007 (Nairobi Convention);
 - (xiii) ESL –Regional Trust Fund for the Implementation of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of East Asian Seas, through 31 December 2007;
 - (xiv) MEL –Trust Fund for the Protection of the Mediterranean Sea against Pollution, through 31 December 2007 (Barcelona Convention);
 - (xv) MSL –Trust Fund for the Convention on Conservation of Migratory Species of Wild Animals, through 31 December 2008;
 - (xvi) PNL –General Trust Fund for the Protection, Management and Development of the Coastal and Marine Environment and the Resources of the Northwest Pacific Region, through 31 December 2007 (NOWPAP);
 - (xvii) WAL–Trust Fund for the Protection and Development of the Marine Environment and Coastal Areas of the West and Central African Region, through 31 December 2007 (Abidjan Convention);

(b) Technical cooperation trust funds:

GFL –Technical Cooperation Trust Fund for UNEP Implementation of the Activities Funded by the Global Environment Facility, through 30 June 2007.

6. *Notes and approves* the closure of the following trust funds by the Executive Director subject to completion of their activities and satisfaction of all financial implications:

Technical cooperation trust funds:

- (i) BSL – Technical Cooperation Trust Fund to Support Establishment of Regional Centres under the Basel Convention (financed by the Government of Switzerland);
- (ii) PHL –Technical Cooperation Trust Fund for the Provision of Professional Officers to the Ozone Secretariat (financed by the Government of the Netherlands).

C. Loan from the Environment Fund financial reserve

The Governing Council,

Recalling its decision 21/33 of 9 February 2001, by which the Governing Council authorized the Executive Director to approve an advance of up to eight million United States dollars from the Environment Fund financial reserve to the United Nations Secretariat towards the construction of additional office accommodation at the United Nations complex in Nairobi, and its decision 22/23 II of 7 February 2003, by which the Governing Council requested the Executive Director to report to the Committee of Permanent Representatives on the further progress of loan drawdowns and the status of the construction project and to report to the Governing Council at its twenty-third session on the implementation of decision 22/23 II;

1. *Notes* with appreciation the report of the Executive Director on the loan from the Environment Fund financial reserve and the progress achieved in the implementation of the first phase of the construction project;
2. *Requests* the Executive Director to report to the Committee of Permanent Representatives on further progress on loan drawdowns and the status of the construction project.

II. Proposal to reduce the number of trust funds in support of the UNEP programme of work

2. In paragraph 5 of its decision 22/23 I of 7 February 2003, The Governing Council requested the Executive Director to make proposals to the Governing Council/Global Ministerial Environment Forum at its twenty-third session for the review, and, if possible, reduction, of the number of trust funds in support of the work programme, in order to improve the efficiency of the United Nations Environment Programme.
3. In line with decision 22/23 I, the Executive Director, as a first step, has reviewed the 70 trust funds in support of the work programme that were reported to the Governing Council at its twenty-second session, which are shown in table 1 below, to determine the number of trust funds that should have their activities rapidly completed and be closed.

Table 1. Active trust funds as on 15 November 2002

Description	General trust funds	Technical cooperation trust funds (general)	Technical cooperation trust funds (personnel)	Special trust funds	Total
Direct support to UNEP	21	27	22	0	70
Support to conventions, regional seas programmes and protocols	20	2	1	0	23
Special category of trust funds	0	3	1	1	5
Subtotal	41	32	24	1	98

4. The Executive Director identified three trust funds whose activities were completed and 24 whose activities were near completion. The three trust funds with completed activities have been closed and 24 will have their activities completed and be closed during the current biennium. One trust fund, the Technical Cooperation Trust Fund for UNEP Implementation of Multilateral Fund Activities (IM), has been reclassified and transferred to the category of regional seas programmes, protocols and conventions. In the meantime, the Executive Director has established 6 new trust funds under this category since the twenty-second session of the Governing Council. Taking the above into account, the total number of active trust funds in support of the work programme on 15 November 2004 is 48, distributed as shown in table 2 below.

Table 2. Status of trust funds in support of the work programme as on 15 November 2004

Description	General trust funds	Technical cooperation trust funds (general)	Technical cooperation trust funds (personnel)	Special trust funds	Total
As at GC 22	21	27	22	0	70
Closed trust funds	(1)	(1)	(1)	0	(3)
Activities to be completed	(6)	(13)	(5)	0	(24)
Reclassified	0	(1)	0	0	(1)
New trust funds	2	3	1	0	6
Total	16	16	17	0	48

5. It is expected that another 15 trust funds will have their activities completed in 2005 and will be closed. With the coming into effect of the both the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade and the Stockholm Convention on Persistent Organic Pollutants, two current trust funds, namely, the General Trust Fund in Support of the Preparation for and Negotiation of an Internationally Legally Binding Instrument for International Action on Persistent Organic Pollutants and Related Information Exchange and Technical Assistance Activities (PO) and the General Trust Fund in Support of the Preparation for and Negotiation of an Internationally Legally Binding Instrument for the Application of the Prior Informed Consent Procedure for Certain Hazardous Chemicals in International Trade (PP), will either be reclassified to conventions trust funds if the Parties to those Conventions decide to retain them, or will be wound up and closed. The Executive Director expects, therefore, that by the end of the current biennium, the total number of active trust funds in support of the work programme will be reduced to about 31, or approximately half the number of trust funds reported at the twenty-second session of the Governing Council (see table 3 below). It is also expected that another five trust funds will have their activities completed and will be closed within the first year of the biennium 2006–2007, thus reducing further the number of trust funds.

Table 3 Anticipated status of trust funds in support of the work programme as on 31 December 2005

Description	General trust funds	Technical cooperation trust funds (general)	Technical cooperation trust funds (personnel)	Special trust funds	Total
As at GC 23	16	15	17	0	48
Expected to be closed	(5)	(7)	(3)	0	(15)
To be reclassified	(2)	0	0	0	(2)
Total	9	8	14	0	31

6. Secondly, the Executive Director has developed a new policy of “partnership agreement” whereby bilateral donor Governments provide funding for a number of UNEP programmes and/or activities. A single, instead of several, trust funds, is then established for each partnership agreement. This is in contrast with the current policy of establishing trust funds for funding agreements that cover a single programme and/or activity. Through this new policy, the Executive Director expects to reduce to the minimum the number of trust funds in support of the work programme, especially since the trust funds to be closed will not be replaced by an almost equal number of new trust funds, as has been the case in the past. Furthermore, this system would enable the Executive Director to ensure that the resources made available are distributed evenly, since it would be easier to identify programmes that have received sufficient funding and those that have not.

7. The third possible option that would reduce the number of trust funds in support of the work programme even further, would be to merge into one the 14 personnel trust funds that are expected to be active in 2006–2007. These are trust funds established bilaterally between individual donor Governments and UNEP in order to provide experts at both Senior and Junior Professional levels. The proposal to merge these trust funds did not meet with the approval of the majority of participating Governments when put to them by UNEP in response to decision 16/46, paragraph 16, which requested the Executive Director to produce options for reducing the number of trust funds administered by UNEP. Despite the passage of time, more than 12 years, the Executive Director is reluctant to reconsider this option since there has been no encouragement from the participating Governments and other donors towards this goal.

III. Management of trust funds

8. This section describes the various actions that the Executive Director has taken and intends to take with regard to the trust funds managed by UNEP.

A. Background

9. The United Nations system has two types of trust funds, namely, technical cooperation trust funds and general trust funds. Technical cooperation trust funds provide economic and social development assistance to developing countries. In UNEP, this category also includes the trust funds that finance the employment of Junior Professional Officers and Senior Programme Officers. General trust funds support activities other than those of an exclusively technical cooperation nature.

B. UNEP trust fund categories

10. In addition, UNEP distinguishes between the following categories of trust funds:

- (a) Those that provide direct support to the UNEP programme of work;
- (b) Those that provide support to UNEP-administered conventions, protocols and regional seas programmes;
- (c) Those that belong to a special category of activities supported by UNEP.

11. The special trust funds category includes the Trust Fund for the Multilateral Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer. UNEP acts as the treasurer to the Multilateral Fund and accounts for its receipts and disbursements of resources (which include promissory notes). UNEP is also one of the implementing agencies of the Multilateral Fund programme and has established a separate trust fund, the Technical Cooperation Trust Fund for UNEP Implementation of Multilateral Fund Activities. Trust funds funded by the Global Environment Facility (GEF), for which UNEP is an implementing agency, also fall under this category. These are the Technical Cooperation Trust Fund for the Global Environment Facility, which is the main trust fund for implementation by UNEP of the GEF programme, and the Technical Cooperation Trust Fund for Strategic Partnership Projects, which funds implementation by UNEP of special initiatives approved by GEF. The Technical Cooperation Trust Fund for the Fee Based Programme of the Global Environment Facility funds the provision of administrative support for implementation by UNEP of the GEF programme, and the first priority of the Technical Cooperation Trust Fund for the Management of the UNEP/GEF National Adaptation Programme of Action for Least Developed Countries (LDCs) is to provide support to Least Developed Countries for the quick preparation of national adaptation programmes of action. The last in this category is the Technical Cooperation Trust Fund for the Provision of an Executive Assistant to the Office of the Executive Director, which falls into neither the category of direct support to the UNEP Environment Fund Programme nor that of UNEP-supported conventions, protocols and regional seas programmes.

C. Overall status of trust funds administered by UNEP

12. Over the period between the twenty-second session of the Governing Council and 15 November 2004, the Executive Director established 13 new trust funds, which are distributed as shown in table 4 below and described in paragraphs 2 and 5, above, on suggested action by the Governing Council. It should be noted that UNEP establishes trust funds with programmes and objectives that fall within the UNEP programme of work.

Table 4 New trust funds established since the twenty-second session of the Governing Council

Description	General trust funds	Technical cooperation trust funds (general)	Technical cooperation trust funds (personnel)	Special trust funds	Total
Direct support to UNEP	2	3	1	0	6
Support to conventions, regional seas programmes and protocols	5	1	0	0	6
Special category of trust funds	0	1	0	0	1
Total	7	5	1	0	13

13. As of 15 November 2004, there were 74 active trust funds administered by UNEP and distributed as shown in the table 5 below. While the highest number of trust funds, 48, is in the category of trust funds that support the work programme, the number is expected to be reduced during the biennium 2004–2005 through the proposed actions described in paragraphs 3 to 5 above.

Table 5. Active UNEP-administered trust funds as on 15 November 2004

Description	General trust funds	Technical cooperation trust funds (general)	Technical cooperation trust funds (personnel)	Special trust funds	Total
Direct support to UNEP	16	15	17	0	48
Support to conventions, regional seas programmes and protocols	19	2	0	0	21
Special category of trust funds	0	4	0	1	5
Subtotal	34	23	17	1	74

IV. Loan from the Environment Fund financial reserve

14. The following has been prepared pursuant to Governing Council decision 22/23 II of 7 February 2003, which requested the Executive Director to report to the Governing Council at its twenty-third session on the implementation of the decision.

A. Background information

15. The UNEP Governing Council, at its twenty first session, authorized the Executive Director to approve an advance to the United Nations Secretariat of \$ 8million from the Environment Fund financial reserve on a loan basis towards the construction of additional office space at the United Nations complex in Nairobi.

16. The Executive Director signed an agreement with the United Nations Secretariat in July 2002 and administrative arrangements were made in accordance with the recommendations of the Advisory Committee on Administrative and Budgetary Questions. It was agreed that interest would be calculated at 6 per cent per annum, compounded annually. It was also agreed, in line with the decision of the UNEP Governing Council, that the loan would be subject to immediate repayment in the event that the Executive Director should so request.

17. Subsequent to signing the agreement, an amount of \$ 1.4 million was drawn down in September 2002 to cover the cost of the pre-construction phase.

B. Actions taken

18. The Executive Director has kept the Committee of Permanent Representatives informed of all developments to date.

19. Progress in construction has been somewhat slower than expected, with the final proposal for the award of the contract only approved on July 2004. The selected architectural firm is now engaged in the design development phase, which is estimated to take five months. It is anticipated that bills of quantities will then be raised and a request to tender for construction will be prepared. The tender process could be completed and a company engaged for the construction phase in mid-2005, and final completion of the project would then be achieved by September 2007.

20. No further drawdowns have been made, and it is expected that the next instalment will be made in 2005.