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**Budget and programme of work for the biennium 2008–2009,
programme, the Environment Fund and administrative and
other budgetary matters**

**Environment Fund budgets: proposed biennial programme and
support budget for 2008–2009**

Report of the Executive Director

Addendum

**Report of the Advisory Committee on Administrative and
Budgetary Questions**

Summary

The present report reflects the findings of the Advisory Committee on Administrative and Budgetary Questions following its consideration of the unedited version 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 2008–2009 (UNEP/GC/24/9). Among other things, the report presents the views of the Advisory Committee relating to budget presentation, income and expenditure projections and the financial reserve. The report has not been formally edited by the secretariat and, except for changes to the cross-references to reflect the paragraph numbers used in the edited version of document UNEP/GC/24/9, is issued as received from United Nations Headquarters. It is initially available in English only and the translated versions will be issued as they become available from Headquarters.

* UNEP/GC/24/1.

Environment Fund budgets: proposed biennial programme and support budget for 2008–2009

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 2008–2009 (UNEP/GC/24/9). During its consideration of the report, the Committee met with the Deputy Executive Director, who provided additional information.

II. Cooperation between UNEP and UNDP

2. Upon enquiry, the Advisory Committee was informed that a memorandum of understanding was signed in January 2005 between UNEP and UNDP. The partnership, called the UNEP-UNDP Poverty and Environment Initiative, was formally launched by the respective Heads of Agencies at the “Environment for the Millennium development goals event” which was organized by the Poverty and Environment Partnership during the World Summit in September 2005. The Advisory Committee welcomes the enhanced cooperation between UNEP and UNDP.

III. Budget presentation

3. The Advisory Committee notes that in preparing the proposed biennial programme and support budget for 2008–2009, the Executive Director has taken into account earlier recommendations made by the Committee. The Committee welcomes these efforts and encourages the Executive Director to continue undertaking further refinements in the results-based presentation for the 2010-2011 biennium. The Committee noted in its previous report (UNEP/GC/23/8/Add.1, para. 2) that the Executive Director had endeavoured to quantify both indicators of achievement and outputs. The Committee believes that a balance between quantitative and qualitative indicators, with concisely defined parameters, would facilitate measurements of programme performance. For example, the indicators of achievement for subprogramme 3 are measured against the “number of tools, guidelines, fora, programmes, action plans, projects and strategies.” These indicators should be more precisely quantified as time, effort and financial resources can vary significantly, depending on whether an implementation tool is developed and/or programmes and projects are executed.

4. The Advisory Committee was informed that the proposed biennial programme and support budget for 2008–2009 was formulated on the basis of the UNEP Strategic Framework for the period 2008–2009, as amended by the Committee for Programme and Coordination at its forty-fourth session, in June 2006, and was prepared in close cooperation with the UNEP Committee of Permanent Representatives. Also, subsequent to the approval of the Bali Strategic Plan for Capacity Building and Technology Support by the UNEP Governing Council in 2005, UNEP has streamlined the Plan across all subprogrammes in order to implement the Plan in close interaction with Governments, the UN system and other partners. UNEP intends to work with UNDP and other UNDG members in undertaking capacity building activities at the country level (see also chapter II above, on cooperation between UNEP and UNDP).

5. The Advisory Committee notes that the Committee for Programme and Coordination recommended approval of the Strategic Framework for 2008-2009 consisting of seven subprogrammes. In October 2006, following an assessment of programmatic priorities and administrative arrangements and with a view to operational effectiveness and efficiency, the Executive Director proposed to reduce UNEP’s subprogrammes from seven to six; he will submit this proposal to the Committee for Programme and Coordination in 2007.

6. With regard to UNEP’s publications, the Advisory Committee was informed that their preparation and dissemination is periodically reviewed and that obsolete publications are discontinued. The Advisory Committee welcomes this effort and encourages the Executive Director to continue making further progress in streamlining the preparation and dissemination of publications.

IV. Income and expenditure projections

7. As shown in table 1 of the report, an opening balance of \$69 million is projected as at 1 January 2008, which is significantly higher than the opening balance of \$31.7 million for 2006–2007. Total projected resources available for 2008–2009 amount to \$360.6 million, comprising income from all sources of \$347.8 million [\$12 million in United Nations regular budget resources, \$157.3 million in Environment Fund resources, \$102.6 million in trust funds, \$16.2 million in trust fund support and \$59.7 million in earmarked (counterpart) contributions] and \$12.8 million from reimbursement of services. In comparison, total projected resources for 2006–2007, as approved by the Governing Council at its twenty-third session, amounted to \$300.9 million, comprising estimated income from all sources of \$292.4 million [\$12 million from the United Nations regular budget, \$145 million in Environment Fund resources, \$74 million in trust funds, \$11.4 million in trust fund support and \$50 million in earmarked (counterpart) contributions] and \$8.5 million from reimbursement of services.

8. The Executive Director is recommending a net increase of 35 posts (26 professional and 9 local level posts) from 562 in 2006–2007 to 597 in 2008–2009, as follows: (a) an increase of one post under the United Nations regular budget; (b) an increase of 16 posts under trust funds; (c) an increase of 9 posts under earmarked contributions; (d) an increase of 10 posts under Trust Fund Support; and (e) a decrease of 1 post under the Environment Fund (UNEP/GC/24/9, para. 20). 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 will not establish additional posts until there is assurance that income for 2008–2009 will support such an increase.

V. Environment Fund

9. The projected income for the Environment Fund for 2008–2009 amounts to \$154 million, comprising projected contributions of \$152 million and other income in the amount of \$2 million. The projected level of contributions for 2008–2009 (\$152 million) represents a \$17 million, or 12 per cent, increase over the amount of \$135 million in approved for 2006–2007. 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 2007:

Table 1

	2000–2001	2002–2003	2004–2005	2006–2007
Income projection	119.0	118.7	122.0	135.0
Actual income	95.1 (10%) ^b	105.7 (11.%) ^b	121.3 (1%) ^b	126.6 ^a (7%) ^b
Expenditures	106.4	110.0	126.3	129.6 ^a

^a Estimated figures.

^b Percentage of actual/estimated income below income projection.

10. The Advisory Committee was also provided with the following table showing outstanding pledges as at 30 September 2006:

Table 2

2003	2004	2005	Total outstanding pledges
\$25,744	\$13,000	\$11,300	\$50,044

The Advisory Committee notes that the currently outstanding amounts are relatively small. The Committee was informed that there is a reasonable expectation that pledges which have been outstanding for several years will not be received. It therefore recommends that the Executive Director may consider removing such pledges from the ledger after a pre-determined number of years.

11. In paragraph 32 of the report it is noted that “Governments are requested to increase their pledges to the Environment Fund by at least 22 per cent in 2008–2009” as the minimum requirement to ensure that UNEP can fulfil its mandate. The Advisory Committee cautions that the 22 per cent should not be viewed as forward commitment as there is no guarantee that the funds will be received.

12. In this connection, the Advisory Committee notes that income projections have been overstated by 10 and 11 per cent for 2000–2001 and 2002–2003, respectively. The Committee also notes that, for 2004–2005 and 2006–2007, the gap between income projections and actual income has narrowed to 1 per cent and 7 per cent (estimated), respectively. The Committee welcomes this development; however, it remains concerned that income projections appear to be overambitious (see UNEP/GC/23/8/Add.1). It therefore concludes that an increase in projected income for the 2008–2009 biennium may not be warranted at this time and that consideration could be given to projecting a smaller increase or to maintaining the current level.

13. In the proposed budget it is indicated that if the projection of contributions does not materialize, UNEP will adjust its budget accordingly and the Committee of Permanent Representatives may provide guidance should the actual funding fall considerably below or exceed the level of expectation (UNEP/GC/24/9, para. 11). The Advisory Committee notes from paragraph 5 of the budget document that a decision of the Governing Council is sought to authorize the Executive Director “to reallocate resources between budget lines up to a maximum of 10 per cent of the appropriation to which the resources are allocated.” In paragraph 6 of its previous report on UNEP (UNEP/GC/23/8/Add.1), the Advisory Committee requested the Executive Director to report on lessons learned and difficulties encountered in utilizing these mechanisms for making necessary adjustments to the budget. Upon enquiry, the Advisory Committee was informed that the dialogue with the Committee of Permanent Representatives continues. The Advisory Committee would have welcomed a detailed analysis of lessons learned as it would have enhanced transparency in resource management and requests the Executive Director to include such an analysis in the proposed budget for 2010–2011.

14. 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. It is indicated in paragraph 15 of the budget document that “following decision SS.VII/1 and taking into account feedback from Governments, UNEP has developed a new indicative scale for the biennium 2006–2007.” Upon request, the Committee was provided with information concerning the percentage contribution of the 15 major donors to the Fund for the period from 2002 to 2007. In the biennia 2002–2003 and 2004–2005, the amounts contributed by the 15 major donors were 89 and 92 per cent respectively, while the amount for 2006–2007 is currently estimated at 92 per cent. The Committee recommends that the Executive Director continue to monitor this trend.

15. The total proposed Environment Fund budget for 2008–2009 amounts to \$152 million, consisting of \$130 million for Fund programme activities, \$6 million for the Fund programme reserve, \$5.7 million for programme support and \$10.3 million for management and administration of the organization.

16. The total number of approved posts financed from the Environment Fund for 2006–2007 was 428, whereas the number proposed for 2008–2009 is 427 (UNEP/GC/24/9, para. 21). The decrease under the Environment Fund relates to a P-3 post in the secretariat of the Governing Council; this post is proposed to be funded under the United Nations regular budget.

VI. Trust funds and earmarked contributions

17. It is projected that in 2008–2009 the use of trust fund resources will increase to \$75.7 million. In comparison, the figure for 2006–2007 was \$66.3 million (UNEP/GC/24/9, table 1). Use of trust-fund support resources will increase from \$5.6 million in 2006–2007 to \$9.4 million in 2008–2009. The projected increase of \$9.4 million in Trust Fund resources is mainly attributable to the recent negotiation and signing of trust fund agreements by donors who have traditionally been a source of earmarked funds. The increase in the trust fund budget will be offset by a projected decrease of \$5 million in earmarked contributions.

18. The Advisory Committee notes from table 3 of the budget document that for 2008–2009 a net increase of 35 posts is proposed under trust funds, earmarked contributions and trust fund support. The budget document indicates that contributions to the Trust Fund would increase by \$200,000 to fund one junior professional officer post under the Programme Coordination and Management Unit. An increase from \$5.6 million to \$9.4 million in trust fund support resources results from increased administrative support for various UNEP offices, as indicated in paragraph 41 (b) of the budget document: (a) one P-3 and three local level posts for UNEP offices in Geneva; (b) one local level post for the UNEP office in Osaka; and (c) two P-3 and one local level post for UNEP in Nairobi. In addition, an increase of 9 posts is proposed under earmarked contributions.

VII. United Nations regular budget

19. As noted in paragraph 9 of the report, UNEP has submitted a proposal for an increase in its United Nations regular budget funding for 2008–2009. Since the United Nations regular budget is subject to the approval of the General Assembly at its sixty-second session, the 2008–2009 amounts are provisional. Accordingly, no cost adjustments have been applied to this part of the resource plan for 2008–2009 and the level of projected resources remains at the 2006–2007 level, namely \$12 million.

20. Table 4 of the budget document shows the estimated distribution of posts by source of funds and category for both 2006–2007 and 2008–2009. The Committee notes that, in addition to the conversion mentioned above, one P-3 administrative officer post at the UNEP Regional Office in Latin America and the Caribbean is proposed to be upgraded to P-4 and a local level post in the Regional Office in North America is proposed to be converted to the P-3 level. Upon enquiry with regard to the latter, the Committee was informed that since the incumbent would frequently liaise with national authorities and international organizations, a higher level post level would be appropriate to reflect the requirements and qualifications needed to effectively fulfil these duties.

VIII. Support budget

21. The total proposed UNEP support budget for the biennium 2008–2009 amounts to \$30.9 million, an increase of \$4 million over the amount of \$26.9 million approved for the biennium 2006–2007. Of the \$30.9 million, it is estimated that \$5.1 million will come from the regular budget of the United Nations, \$9.4 million will relate to trust-fund support resources and \$0.4 million will be received from trust funds. The support budget portion of the Environment Fund for 2008–2009 of \$16 million constitutes the major share (52 per cent) of the overall biennial support budget (see UNEP/GC/24/9, para. 38). The overall increase of \$4 million in support budget resources for 2008–2009 includes an increase of \$0.2 million in the trust fund contribution, an increase of \$3.8 million in trust fund support; the Environment Fund budget remains unchanged at \$16 million.

IX. Financial reserve

22. As indicated in paragraph 28 of the report, in its decision 23/3 the Governing Council approved an appropriation of \$6 million for the Fund programme reserve for the biennium 2006–2007.

23. As indicated in paragraph 30 of the report, the Governing Council has urged the Executive Director to increase the level of financial reserve from \$10 million to \$20 million as and when carry-over resources become available over and above those needed to implement the programme approved for the respective biennia, and that it remains unlikely that the \$20 million level will be achieved by the end of 2007 unless large unexpected contributions are forthcoming above the level required to cover the approved programme and support budgets. 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 2007 in light of the financial situation of UNEP (see also UNEP/GC/23/8/Add.1, para. 17).