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GLOBAL MINISTERIAL ENVIRONMENT FORUM

REPORT ON THE IMPLEMENTATION OF THE DECISIONS OF THE TWENTY-FIRST SESSION OF  
THE GOVERNING COUNCIL/GLOBAL MINISTERIAL ENVIRONMENT FORUM

STATUS OF THE ENVIRONMENT FUND AND OTHER SOURCES OF FUNDING FOR THE  
UNITED NATIONS ENVIRONMENT PROGRAMME

Information note by the Executive Director

Introduction

1. In November 2001, the Executive Director of the United Nations Environment Programme (UNEP) issued a report on the implementation of the decisions adopted at the twenty-first session of the Governing Council/Global Ministerial Environmental Forum (UNEP/GCSS.VII/4). The present report was prepared to supplement part II ("Financial resources") of the earlier report and provides more information with regard to the status of the Environment Fund and other sources of funding based on information available at the end of January 2002. The figures in the report are provisional and subject to the closure of UNEP accounts in March 2002.

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A. The financial framework of UNEP

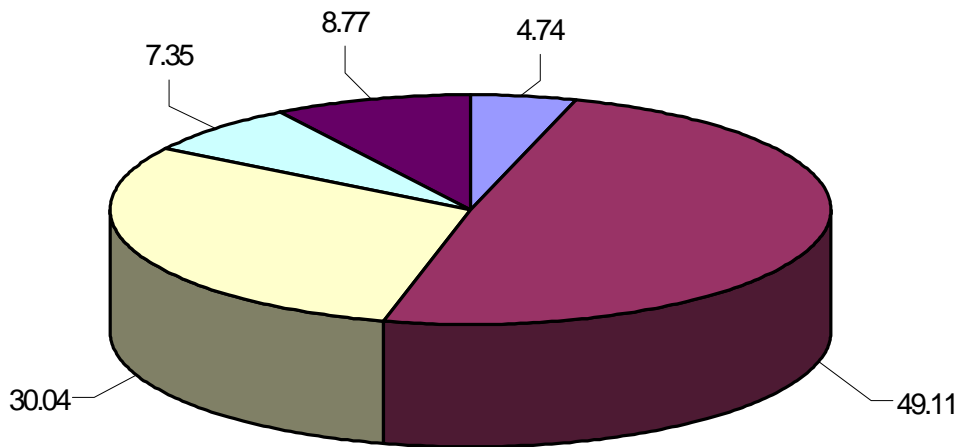
2. Table 1 below shows the projected total financial framework of UNEP for the biennium 2000-2001 (all figures are provisional and subject to the closure of UNEP accounts in March 2002). It provides a breakdown of resources and claims on resources for UNEP, including contributions from the regular budget of the United Nations (including \$1.38 million from the United Nations Development Account), the Environment Fund, trust funds and counterpart contributions related to Environment Fund activities, and trust fund support. Trust funds and counterpart contributions included in the table are those directly supporting UNEP's programme of work. Trust funds for conventions, protocols and regional seas actions plans, the Global Environment Facility and the Multilateral Fund for the Montreal Protocol are not included in the table.

Table 1. Financial framework of UNEP for 2000-2001 by all sources of funds  
(millions of US dollars)

	United Nations regular budget	Environment Fund	Trust funds	Trust fund support	Counterpart contributions	Total
<b>RESOURCES</b>						
Beginning balance on 1 January 2000	0.00	22.29	34.67	2.50	9.05	68.51
Income						
Voluntary contributions	9.98	85.47	61.11	15.24	20.80	192.60
Miscellaneous/interest income	0.00	8.11	3.12	0.50	(0.00)	11.73
Total income	9.98	93.58	64.23	15.74	20.80	204.33
Total resources available	9.98	115.87	98.90	18.24	29.85	272.84
<b>CLAIMS ON RESOURCES</b>						
Programme of work	7.98	88.32	63.24	0.00	18.46	178.00
Fund programme reserve	0.00	4.58	0.00	0.00	0.00	4.58
Management and administrative support costs	2.00	11.64	0.00	16.30	0.00	29.94
Prior-period adjustments	0.00	(1.15)	0.00	(0.83)	0.00	(1.98)
Total claims on resources	9.98	103.39	63.24	15.47	18.46	210.54
<b>EXCESS/SHORTFALL OF RESOURCES AVAILABLE OVER EXPENDITURE</b>	0.00	12.48	35.66	2.77	11.39	62.30
<b>PROVISIONAL BALANCE ON 31 DECEMBER 2001</b>	0.00	12.48	35.66	2.77	11.39	62.30

3. As the table shows, the total projected resources for the biennium 2000-2001 amount to \$272.84 million, including a beginning balance as at 1 January 2000 of \$68.51 million, while total claims on resources amount to \$210.54 million. The latter is also shown graphically in figure I below. The total projected balance of funds as at 31 December 2001 amounts to \$62.30 million.

Figure I. UNEP: Claims on resources 2000-2001 (per cent)



B. The Environment Fund

3. This section presents an overview of the flow and use of resources of the Environment Fund for the biennium 2000-2001 and is structured in three sections: 2000-2001 resources available; 2000-2001 expenditures; and 2000-2001 flow and use of resources.

2000-2001 resources available

4. The resources available for 2000 and 2001 - as at 31 December 2001 - are shown below:

Table 2. The Environment Fund – resources available 2000 and 2001 as at 31 December 2001  
(millions of US dollars)

	2000	2001	2000-2001
Beginning balance on 1 January 2000	22.29	0.00	22.29
Paid pledges	40.22	41.64	81.86
Unpaid pledges	0.01	1.89	1.90
Total pledges	40.23	43.53	83.76
Additional estimated contributions	-	1.07	1.07
<b>Total contributions</b>	<b>40.23</b>	<b>44.60</b>	<b>84.83</b>
Contributions paid for previous years (projection)	-	0.64	0.64
Miscellaneous income	5.11	3.00	8.11
<b>Total resources available</b>	<b>67.63</b>	<b>48.24</b>	<b>115.87</b>

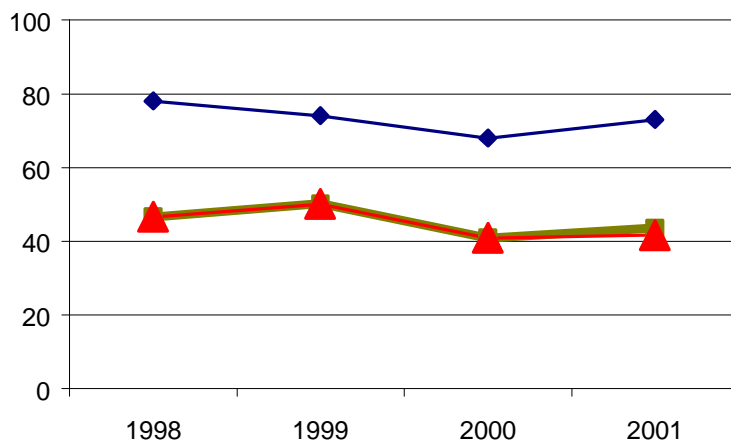
4. For 2000, as at 31 December 2001, 68 countries pledged a total of \$40.87 million to the Environment Fund. Of the pledged contributions, \$40.86 million or 99.9 per cent were paid, leaving a balance of \$9,000 unpaid for the year. As at 31 December 2001, for 2001, 73 countries pledged a total of \$43.53 million. Of the 73 countries, 65 paid \$41.64 million, leaving a balance of \$1.89 million unpaid for the year. On the basis of the past two years' performance as well as informal consultations with Governments, it is estimated that additional contributions of \$1.07 million will be received for 2002. Therefore, a level of contributions to the Environment Fund of \$44.60 million is projected for 2001, bringing the total level of estimated contributions to \$85.47 million for the biennium 2000-2001. This figure falls short of the projected income of \$118 million which formed the basis for the 2000-2001 budget approved by the Governing Council at its twentieth session.

5. Table 3 and figure II below compare the contributions pledged and received for 2001 with the three previous years.

Table 3. Contributions to the Environment Fund between 1998 and 2001 as at 31 December of each year  
(millions of US dollars)

	1998	1999	2000	2001
Number of pledges (countries)	73	68	64	73
Pledged contributions	46.08	49.74	40.23	43.53
Paid contributions	45.76	48.46	40.19	41.64
Percentage	99.3	97.4	99.9	95.7

Figure II. Contributions to the Environment Fund, 1998-2001  
(millions of US dollars)



—◆— Number of pledges (countries) —■— Pledged contributions —▲— Paid contributions

6. As table 3 and figure II above show, the level of pledged contributions as at 31 December and the number of countries that made pledges for 2001 show an improvement compared to the year 2000. However, as at 31 December 2001 neither the number of countries nor the amount of contributions pledged and paid for 2001 had reached the levels of 1998 and 1999 respectively. The Executive Director therefore strongly urges Governments which have not yet made pledges or payments for 2000-2001 to do so in the same positive manner as in 1998-1999. The current financial situation underlines the need to broaden the donor base of contributions to the Environment Fund.

#### 2000-2001 expenditures

7. Regarding the use of Environment Fund resources for 2000-2001, the Governing Council at its twentieth session approved appropriations in the amount of \$119.24 million for the Environment Fund programme and biennial support budget. Therefore, the projected available resources of \$115.87 million fell short by \$3.37 million as compared to the appropriations approved by the Council. In decision 20/31 (sect. III, para. 3), the Council authorized the Executive Director to adjust on a pro rata basis the level of expenditure on programme activities to bring it into line with possible variations in income. Taking into account the above-mentioned projected resources available to the Environment Fund, the Executive Director has issued 2000-2001 allocations both for Fund programme activities and for the Environment Fund support budget - Management and administrative support costs (MASC) at the level of 90 per cent of the appropriations approved by the Governing Council, or \$102.82 million, as shown in table 4 below. Allocations for the Fund programme reserve have been issued at the level of 100 per cent, or \$5 million. The projected expenditures for 2000-2001 total \$104.54 million: \$88.32 million (or 85 per cent) for Fund programme activities, \$4.58 million (4 per cent) for the Fund programme reserve and \$11.64 million (11 per cent) for MASC.

8. With respect to the expenditures for 2000, table 4 shows total expenditure from the Environment Fund at \$44.34 million, consisting of \$37.83 million for Fund programme activities (or 85 per cent), \$1.38 million for the Fund programme reserve (3 per cent) and \$5.13 million for MASC (12 per cent).

Table 4. The Environment Fund – appropriations, allocations and projected expenditures as at 31 December 2001  
(millions of US dollars)

		2000-2001 appropriations	2000-2001 allocations	2000 actual expenditures	2001 projections	Estimated expenditures for 2000-2001
Fund	programme	100.00	90.00	37.83	50.49	88.32
activities						
Fund	programme reserve	5.00	5.00	1.38	3.20	4.58
Environment Fund		14.24	12.82	5.13	6.51	11.64
support costs (MASC)						
Total		119.24	107.82	44.34	60.20	104.54

The Environment Fund – flow and use of resources

5. Table 5 below shows the overall flow and use of Environment Fund resources for the biennium 2000-2001. The last column shows a total income of \$115.87 million for the biennium. With total projected expenditure of \$104.54 million and a prior-year adjustment credit of \$1.15 million, UNEP will end the biennium with a carry-over balance of \$12.48 million.

6. It should be noted that UNEP has built up a financial reserve of \$10 million to guarantee the financial liquidity of the Environment Fund and to compensate for uneven cash flows. In accordance with Governing Council decision 21/31, this reserve will be further increased to \$20 million as and when carry-over resources become available over and above those needed to implement the programme of work approved for the biennia 2000-2001 and 2002-2003.

Table 5. The Environment Fund - flow and use of resources in 2000-2001 and 2002  
(millions of US dollars)

	2000 actual	2001 projections	2000/2001 total	2002 projections
<b>RESOURCES</b>				
Beginning balance on 1 January	22.29	24.44	22.29	12.48
Pledges	40.23	43.53	83.76	0.53
Paid pledges	40.22	41.64	81.86	0.05
Unpaid pledges	0.01	1.89	1.90	0.48
Additional estimated contributions	0.00	1.07	1.07	43.16
Total pledges and estimated contributions	40.23	44.60	84.83	43.69
Contributions received for previous years	0.00	0.64	0.64	0.00
Miscellaneous income	5.11	3.00	8.11	1.82
<b>TOTAL RESOURCES</b>	<b>67.63</b>	<b>72.68</b>	<b>115.87</b>	<b>57.99</b>

	2000 actual	2001 projections	2000/2001 total	2002 projections
<b>CLAIMS ON RESOURCES</b>				
Environment Fund support costs (MASC)	5.13	6.51	11.64	5.98
Fund programme activities (FP)	37.83	50.49	88.32	45.00
Fund programme reserve activities (RA)	1.38	3.20	4.58	2.50
Subtotal	44.34	60.20	104.54	53.48
Projected saving	0.00	0.00	0.00	0.00
Prior-period adjustments	0.69	0.00	0.69	0.00
Cancellation of prior-period obligations	(1.84)	0.00	(1.84)	0.00
<b>TOTAL CLAIMS ON RESOURCES</b>	<b>43.19</b>	<b>60.20</b>	<b>103.39</b>	<b>53.48</b>
<b>BALANCE OF FUND</b>				
	24.44	12.48	12.48	4.51
Financial reserve			10.00	10.00
<b>TOTAL BALANCE ON THE FUND AND THE FINANCIAL RESERVE</b>			<b>22.48</b>	<b>14.51</b>

### C. Trust funds

9. There were 100 trust funds as at 31 December 2001 – 73 trust funds directly supporting the UNEP programme, 22 conventions and regional seas trust funds and 5 special accounts trust funds.

10. The projected income and expenditures remain at the same levels as previously reported, of \$816.86 million and \$650.71 million respectively. A breakdown of projected expenditure is given in table 6 below.

Table 6. Trust funds: breakdown of projected expenditure, 2000-2001  
(millions of US dollars)

Trust Funds	2000 actual	2001 estimate	Total
Directly in support of the UNEP programme of work	24.92	38.32	63.24
Conventions, regional seas and protocols	26.51	36.34	62.85
Special accounts, including:			
Multilateral Fund	225.15	249.39	474.54
Global Environment Facility	14.28	35.65	49.93
Executive Assistant to the Executive Director <u>a/</u>	0.07	0.08	0.15
<b>TOTAL</b>	<b>290.93</b>	<b>359.78</b>	<b>650.71</b>

a/ Supported by the Government of the United Kingdom of Great Britain and Northern Ireland.

11. Table 7 below shows, for the biennium 2000-2001, the flow and use of estimated resources of the trust funds which directly support UNEP's programme of work. The resources of the other UNEP-administered trust funds for conventions, regional seas programmes and protocols and special accounts are not included.

Table 7. Trust funds – flow and use of resources for 2000-2001  
(millions of US dollars)

	2000 actual	2001 projections	2000-2001 projections
Resources available			
Balance as at 1 January	34.67	42.78	34.67
Contributions	31.39	29.72	61.11
Interest income	1.64	1.48	3.12
Total resources available	67.70	73.98	98.90
Claims on resources			
Direct project expenditures	24.92	38.32	63.24
Balance on 31 December	42.78	35.66	35.66

#### D. Counterpart contributions

12. In accordance with the Financial Rules of the Fund of UNEP (rules 204.1 and 204.2), the Executive Director may accept counterpart contributions in the form of agreed contributions from Governments or cooperating agencies or supporting organizations or others made in cash or in kind to support specific activities, services and facilities as set out in individual project documents.

7. There were no changes in the projected 2000-2001 income and expenditure for counterpart contributions directly supporting UNEP's programme of work, which remain at \$20.80 million and \$18.46 million respectively.

8. Table 8 shows the flow and use of counterpart contributions directly supporting UNEP's programme of work.

Table 8. Counterpart contributions – flow and use of resources  
(millions of US dollars)

	2000 actual	2001 projections	2000-2001 projections
Resources available			
Balance as at 1 January	9.05	11.34	9.05
Income (including interest income)	10.80	10.00	20.80
Total resources available	19.85	21.28	29.85
Claims on resources			
Expenditures (including prior-year adjustments)	8.51	9.95	18.46
Balance on 31 December	11.34	11.39	11.39

13. The 2000-2001 income and expenditure for counterpart contributions in support of conventions and regional seas activities remain at the projected levels of \$2.68 million and \$2.18 million respectively.

E. Trust fund support

14. The trust fund support account is generated from the 13 per cent administrative overhead charge levied on trust funds on the basis of their actual expenditures, in accordance with United Nations regulations and rules.<sup>1</sup> The rationale behind the trust fund support provision is to ensure that activities financed through trust funds and counterpart contributions do not place an additional burden on the United Nations regular budget, or, in the case of UNEP, the Environment Fund budget. Approximately 50 per cent of the trust fund support resources are directly allocated to convention secretariats and other offices away from headquarters for the provision of financial and administrative expertise. The remainder is allocated to cover the administrative costs of managing trust funds at Nairobi headquarters.

15. The total projected resources available in 2000-2001 are \$18.24 million, while expenditures are \$15.47 million and the fund balance at the end of 2001 is estimated at \$2.77 million.

16. The total resources available in 2000 amounted to \$8.78 million, composed of a \$2.5 million carry-over balance at the beginning of the year and income of \$6.28 million, while the expenditures totalled \$8.4 million. As a result the balance available at the beginning of 2001 was drastically reduced and amounted to only \$0.38 million. An operating reserve for trust fund support has also been reduced, by \$0.5 million, and is maintained at the level of \$2.0 million in accordance with the provisions of the United Nations Headquarters administrative instruction on programme support accounts (ST/AI/286).

17. The flow and use of trust fund support costs for 2000-2001 are set out in table 9 below:

Table 9. Trust fund support – flow and use of resources  
(millions of US dollars)

	2000	2001	2000-2001
<u>Resources available</u>			
Balance as at 1 January	2.50	0.38	2.50
Income	6.04	8.70	14.74
Miscellaneous income	0.24	0.26	0.50
Transfer from operating reserve	-	0.50	0.50
Total resources available	8.78	9.84	18.24
<u>Claims on resources</u>			
Expenditures	9.23	7.07	16.30
Prior-period adjustments	(0.83)	-	(0.83)
Total claims on resources	8.40	7.07	15.47
Balance on 31 December	0.38	2.77	2.77
Operating reserve	2.50	(0.50)	2.00

<sup>1</sup> There are, however, three exceptions: the Multilateral Fund for the Implementation of the Montreal Protocol, the trust fund for the United Nations Fund for International Partnerships and the Global Environment Facility.

F. Regular budget

18. The regular budget of the United Nations provides support to UNEP in line with General Assembly resolution 2997 (XXVII) establishing UNEP. The Assembly decided that "the costs of servicing the Governing Council and providing the small secretariat ... shall be borne by the regular budget of the United Nations".

19. For the biennium 2000-2001, the total revised appropriation from the regular budget is \$8.6 million, of which \$6.4 million is allocated to and directly administered by UNEP headquarters. The balance is allocated to the UNEP offices in New York and Geneva, and to the secretariat of the United Nations Scientific Committee on the Effects of Atomic Radiation in Vienna. For the biennium, the expenditures incurred by UNEP headquarters as at 31 December 2001 amounted to \$6.4 million.

20. The flow and use of regular budget resources for 2000-2001 are as follows:

Table 8. Regular budget – flow and use of resources (for UNEP headquarters Nairobi)  
(millions of US dollars)

	2000	2001	2000-2001
Resources available			
Allotment	2.9	3.5	6.4
Claims on resources			
Expenditures	2.3	4.1	6.4
Balance on 31 December	0.6	(0.6)	(0.0)

21. In addition to the \$8.6 million provided to the Environment Programme from the regular budget of the United Nations, an amount of \$1.38 million is also allocated to UNEP from the United Nations Development Account. As at 31 December 2001, two projects – “Urban pollution and groundwater aquifers in Africa”, with a cost of \$0.25 million, and “Development of a collaborative institutional and data framework for integrated environmental assessment and reporting for West Africa”, with a cost of \$0.64 million – have been approved, and two other projects – “Improving participation and capacity-building in the implementation of certified environmental management systems in West Asia”, with a cost of \$0.23 million, and “Renewable energy for information and the provision and communication services in rural areas of developing countries”, with a cost of \$0.26 million – have been approved in principle for funding from the United Nations Development Account under section 33 of the regular budget.

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