



Distr.: General
15 February 2013

Original: English



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

**Twenty-seventh session of the Governing Council/
Global Ministerial Environment Forum**
Nairobi, 18–22 February 2013
Item 6 of the provisional agenda*

**Budget and programme of work for
the biennium 2014–2015 and the
Environment Fund and other budgetary matters**

**Proposed revisions to the Financial Rules of the Fund of the
United Nations Environment Programme and the General
Procedures Governing the Operations of the Fund of the
United Nations Environment Programme**

Report of the Executive Director¹

Summary

The present document sets out the updated proposal by the Executive Director on the proposed revisions to the financial rules of the Fund of the United Nations Environment Programme.

* UNEP/GC.27/1.

¹ Issued without formal editing.

United Nations General Assembly (UNGA) resolution 2997 of 1972, which created UNEP, decided on the creation of the Environment Fund, and decided (section III, paragraph 7) that the UNEP Governing Council “shall formulate such general procedures as are necessary to govern the operation of the Environment Fund”. Through Resolution 3192 of 1973, the UNGA also authorized UNEP to establish its own financial rules.

The General Procedures were originally adopted by the Governing Council in June 1973, and the Financial Rules of the United Nations Environment Programme (UNEP) were issued by the Secretary General of the United Nations in December 1975. The general procedures and financial rules have been amended on a number of occasions since then, previous approval by its Governing Council, lately in its decisions 19/25 of 7th February 1997 (general procedures) and 22/22 of 7th February 2003 (financial rules).

In preparation for the 2013 Session of the First Universal Session of the UNEP Governing body, the UNEP Secretariat shared, at the request of the Committee of Permanent Representatives (CPR), information concerning the current procedures regarding the approval of financial rules of several other UN Funds and Programmes, including those attached to the UN Secretariat.

In accordance with UNGA Resolution A/RES/60/283, the United Nations Secretariat, including UNEP, will implement the International Public Service Accounting Standards (IPSAS), effective 2014, replacing the current United Nations System Accounting Standards. The UNEP Secretariat has drawn the attention of the CPR on the fact that some of the current UNEP Financial Rules are inconsistent with IPSAS; the decision to adopt these Standards will result in certain changes in accounting approaches which would therefore necessitate a revision of the UNEP financial rules. Having consulted with the United Nations Office at Nairobi, the UNEP Secretariat identified, and submitted to the CPR's consideration, the minimum changes required to ensure the UNEP Financial Rules are consistent with IPSAS.

The UNEP Secretariat had also drawn the attention of the Committee of Permanent Representatives to a number of obsolete or unclear UNEP Financial Rules that would require review and possible update. These include, for example Rule 203.3 according to which voluntary contributions from non-governmental sources in excess of \$ 500,000 require prior approval of the GC or subsidiary body; Rule 204.1 on Earmarked Contributions for Specific Projects that makes an unclear and unnecessary distinction between voluntary contributions and earmarked contributions; or Rule 204.2 following which earmarked contributions from profit-making organizations for any amount may only be accepted by the Executive Director with prior approval of the Governing Council or subsidiary body.

The Executive Director held consultations at the UNEP Committee of Permanent Representatives, and received guidance on the way forward, sustained by prior on comments and suggestions from the CPR sub-committees. The Committee's view was that, rather than a piecemeal approach through which IPSAS-related issues would be addressed immediately, and changes requiring more in-depth analysis would be submitted for approval at a subsequent session, it would be preferable to address all such modification in a single raft of amendments, applicable to the Environment Fund and trust funds administered by UNEP, which would enabling a more efficient management of the UNEP secretariat; further facilitate partnerships, in particular with non-governmental actors including the private sector; and further clarify the accountability of the Executive Director vis-à-vis the Secretary General and the Member states, while also ensuring consistency of UNEP financial rules with IPSAS.

The Executive Director further consulted with UNON and the Controller of the United Nations, who provided assurances that UNEP could proceed to implement IPSAS within the framework of the current financial rules, applying mutatis mutandis the UN rules, which are themselves being amended to ensure consistency with IPSAS. The meeting confirmed that the final authority for the issuance of UNEP's financial rules rests with the UN Secretary-General.

Based on the above, the Executive Director proposes to proceed with the drafting of a more substantive revision of UNEP financial rules during the course of 2013, in collaboration with the UN Department of management, the internal and external auditors, and intergovernmental bodies as may be required. He would then submit the proposed improvements to the UNEP Governing body or the subsidiary body it may wish to designate for this purpose, prior to submission to the Secretary-General for approval, within the UN Financial Regulations approved by the General Assembly.