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**Budget and programme of work for the biennium 2010–2011
and the Environment Fund and other budgetary matters**

Proposed biennial programme and support budget for 2010-2011

Report by the Executive Director

Addendum

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

Summary

The Executive Director has the honour to submit, in the annex to the present report, the report of the Advisory Committee on Administrative and Budgetary Questions on the proposed biennial programme and support budget of the United Nations Environment Programme for 2010–2011 (document UNEP/GC.25/12).

The annex 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.25/1.

United Nations Environment Programme

Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee has considered the report of the Executive Director of the United Nations Environment Programme (UNEP) on the proposed biennial programme and support budgets of UNEP for 2010-2011 (UNEP/GC/25/12). During its consideration of the report, the Committee met with representatives of UNEP, who provided additional information and clarification.

2. The proposed biennial programme and support budgets provide for six subprogrammes, which are in line with the six cross-cutting thematic priorities of the medium-term strategy of UNEP for 2010-2013. This represents a change from the previous budget model whereby subprogrammes reflected the organizational structure. The Committee notes that the following fundamental pillars underpin the medium-term strategy: (a) delivering on the Bali Strategic Plan for Technology Support and Capacity Building; (b) further embracing UNEP's role as the environment programme of the United Nations; (c) ensuring that UNEP's interventions are founded on sound science; and (d) making the transition to becoming a fully results-based organization.

3. As shown in table 1 of the report, total projected resources available for 2010-2011 amount to \$493.9 million, comprising income from all sources of \$476.4 million (\$13.8 million in United Nations regular budget resources, \$184.0 million in Environment Fund resources, \$188.7 million in trust funds, \$13.2 million in trust fund support and \$76.7 million in earmarked contributions) and \$17.5 from reimbursement

of services. In comparison, total projected resources for 2008-2009, as approved by the Governing Council at its twenty-fourth session, amounted to \$362.4 million, comprising estimated income from all sources of \$349.6 million (\$13.8 million from the United Nations regular budget, \$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 contributions) and \$12.8 million from reimbursement of services. The Committee notes that the assumption of a major increase in voluntary contributions underpins the budget proposal. The Committee trusts that the Governing Council will be provided with the most recent information on the status of voluntary contributions at the time of its consideration of the proposed budget. The Committee also observes that while resources under trust funds are projected to increase by 83.9 per cent (from \$102.6 million to \$188.7 million), resources under reimbursement for services provided to trust funds will increase by only 36.7 per cent (from \$12.8 million to \$17.5 million). Upon enquiry, the Committee was informed that UNEP is currently using a programme support cost rate of 13% on most trust funds with limited exceptions, as noted in paragraph 13 of the proposed budget. The Committee was further informed that, in many cases UN entities are charging 7 per cent and that efforts were being made to harmonize this approach. Consequently, in projections for 2010-11 UNEP assumes an average programme support cost rate of just above 8%.

4. The proposed budget provides for an overall increase of 55 posts compared to the biennium 2008-2009. This reflects an increase of 88 posts under the Environment Fund (58 Professional and 30 LL), a decrease of 38 posts under trust funds due to a realignment of contract types with funding sources, an increase of 2

posts under earmarked contributions and an increase of 3 posts under trust fund support.

5. Under the Environment Fund, of the 58 additional Professional posts, 45 posts are provided for under the programme budget and 13 posts under the support budget. As indicated in paragraph 15 of the budget document, since the approval of the 2008-2009 budget in February 2007, UNEP has undertaken a review and “clean-up” of IMIS to ensure that the staff post information contained therein tallies with the actual number of programme posts of divisions under the Environment Fund as reflected in the documents presented to the Governing Council. This review has resulted in a net increase of 16 posts. The remaining 42 additional Professional posts under the Environment Fund reflect the following: (i) 9 posts are proposed due to the transfer of finance and budgetary functions from UNON to UNEP; (ii) 5 posts are proposed due to the transfer of functions from the support budget to programme budget as they relate purely to implementation of substantive programmes; (iii) 20 posts are proposed to meet increased programmatic demands by Member States; and (iv) 8 posts are proposed to accommodate the new management and administrative structure composed of quality control, strategic planning and analysis, programme performance analysis, review of legal instruments, human resources programming and planning, information and communication technology and resource mobilization in UNEP.

6. The proposed staffing table under the Environment Fund reflects an increase of 2 D-2, 7 D-1, 21 P-5, 12 P-4, 10 P-3 and 6 P-2/1 posts and 30 Local Level posts. Upon enquiry, the Committee was provided with the details on the proposed changes

in Professional posts under the Environment Fund which reflect also reclassifications, transfers and internal redeployments (see annex below). The Committee also requested clarification concerning the rationale for establishing four posts in substantive divisions related to the move of budget and finance functions from UNON to UNEP. According to the information received, UNEP has used the opportunity to realign functions. UNEP has traditionally had certain support functions in the divisions, which are dedicated to the delivery of programmes, and hence are not considered as part of management and administration. The four posts in question are augmentations of existing programme support functions in the divisions, with adjusted job descriptions compared to what the functions of these posts were in UNON.

7. The Advisory Committee observes that table 3 “Total staffing by sources of fund and category” of the budget document reflects only 100-series posts for the biennium 2010-2011, while in the biennium 2008-2009 UNEP presented a combination of all core positions (100-series posts) and some project positions (200-series appointments). Comparing the two bienniums reflected in table 3, therefore, leads to a distorted picture, as the assumptions and baseline are not the same. There is an artificial decrease in the number of positions under trust funds and earmarked contributions in the biennium 2010-2011 due to the fact that 200-series posts are not included in the proposed staffing table. As indicated in paragraph 20 of the budget document, UNEP had 115 staff employed against 200-series posts as at 1 August 2008. The Committee is of the view that the presentation of proposed staffing requirements should be improved and that all changes in posts, including reclassifications, should be clearly identified and explained.

8. The Committee notes the explanation of the rationale behind the proposed staffing changes, as set out in paragraphs 17 to 19 of the proposed biennial budget. While the Committee has no objection to the proposed staffing table, it trusts that the Executive Director will phase in the additional posts on the basis of receipt of adequate resources. In this connection, the Committee recalls that, in its decision 24/9, the Governing Council recommended that the Executive Director, in the light of possible financial constraints, take a cautious approach to the creation of additional posts under the Environment Fund programme.

9 With regard to the additional D-2 post proposed for Director of Operations (see annex below, paragraph (a) (ii)), the Advisory Committee recommends that the impact of the creation of the post on the operations of UNEP be reflected in the next budget submission.

10. The Advisory Committee notes that the budget document has been prepared in line with the harmonized budget format, as previously recommended by the Advisory Committee (see UNEP/GC.21/6/Add.1) and follows the formats endorsed by the Governing Council in its decisions 21/31 and 22/20. Accordingly, the financial framework of UNEP is broken down by all sources of funding, that is, the United Nations regular budget, the Environment Fund, trust funds, trust fund support and earmarked contributions. While the Committee recognizes the efforts that have gone into improving the budget presentation in the recent past (see UNEP/GC/24/9, paras. 3 and 4), it is of the view that the report could be further streamlined to make it more reader friendly.

United Nations regular budget

11. The Advisory Committee notes that during the current biennium the United Nations regular budget contribution to UNEP was \$13.8 million, including \$1.3 million for the United Nations Scientific Committee on the Effects of Atomic Radiation (UNSCEAR), leaving \$12.5 million for UNEP. However, the United Nations regular budget funding of \$1.3 million to cover meetings of the UNEP Governing Council is provided under section 2, General Assembly and Economic and Social Council affairs and conference management, of the programme budget, and thus is not included in the UNEP financial framework.

Environment Fund

12. The Committee recalls that the Governing Council, in its decision 24/9, requested the Executive Director to prepare an Environment Fund programme activities budget for 2010-2011 amounting to \$140.0 million, excluding the fund programme reserve and the support budget. The Executive Director nevertheless proposes a 2010-2011 Environment Fund budget amounting to \$180 million, reflecting an anticipated increase in contributions to the Environment Fund. The \$180 million would consist of \$156 million for Fund programme activities, \$6 million for the Fund programme reserve, \$6.5 million for the executive function and \$11.5 million for management and administration. The projected income for the Environment Fund for 2010-2011 amounts to \$184 million, with a projected level of contributions of \$180 million and a \$4.0 million opening balance.

13. The Advisory Committee notes the projected increase in voluntary contributions for 2010-2011 as compared to the estimates for 2008-2009. Upon request, the Advisory Committee was provided with updated information on projected contributions to the Fund for 2008-2009 as at 30 November 2008, in which it was indicated that, by the end of the current biennium, UNEP expects total income to amount to \$176 million, which would result in a surplus of \$24 million over the appropriation of \$152 million for the current biennium. The Advisory Committee points out that the realization of the anticipated level of contributions is critical to the implementation of programmes of activities provided for under the proposed budget of UNEP.

Trust funds and earmarked contributions

14. As indicated in the proposed budget, the projected use of trust fund resources will increase to \$162.2 million from \$75.7 million and the earmarked contributions will increase to \$66 million from \$40 million.

Trust fund support budget

15. UNEP generally charges 13 per cent for programme support costs on actual expenditures for trusts funds and earmarked contributions with limited exceptions (see para.13 of the budget document and para.3 above). UNEP expects that total trust support resources of \$13.2 million will be available for 2010-2011. As indicated in table 1 of the budget document, projected trust funds support resources are estimated at \$30.7 million for 2010-2011, as compared with \$29.0 million in the approved budget for 2008-2009.

Financial reserve

16. The Committee notes that the Governing Council, in its decision 24/9, urged the Executive Director to increase the level of the financial reserve to \$20 million as and when carry-over resources become available over and above those needed to implement the programme approved for the bienniums 2006-2006 and 2008-2009. The Advisory Committee also observes that, by the same decision, the Governing Council approved an appropriation of \$6 million for the Fund Programme Reserve for the biennium 2008-2009. The Advisory Committee further notes that the biennial programme and support budget includes a provision of \$6.0 million for the programme reserve for the biennium 2010-2011. As indicated in para.28 of the budget document, at the end of 2006-2007, the Executive Director increased the level of financial reserve from \$10 million to \$15 million.

Board of Auditors

17. The Advisory Committee notes, that the Board issued a modified opinion with one emphasis of matter on the financial statement for UNEP for the biennium ended 31 December 2007. The emphasis of matter relates to non-expendable property. The Board states that it was unable to corroborate the amount of \$17.5 million disclosed in the financial statements due to the absence of comprehensive physical inventory. The Advisory Committee was informed that bar-coding of all non-expendable items at UNEP headquarters had been completed by 30 April 2008 and a physical inventory was also carried out and reconciled. The same exercise was to be carried out for non-expendable items in UNEP offices away from headquarters during the last quarter of 2008 and first half of 2009. The Advisory Committee stresses the importance of full and expeditious implementation of the Board's recommendations.

Annex

Proposed changes in Professional posts under the Environment Fund

(a) Under the Support Budget:

(i) Executive Office – the reclassification of a P-4 post to a P-5 post and the outward redeployment of a P-4 post and a P-2 post to the Quality Assurance Section;

(ii) Director of Operations – the establishment of a D-2 post to oversee the management and administration of UNEP, including the development of administrative and management strategies, policies and processes. The Director will be responsible for the Corporate Services Section, Quality Assurance Section and Resource Mobilization Section;

(iii) Corporate Services Section – the transfer of five posts (1 D-1, 1 P-5, 2 P-4 and 1 P-3) from UNON to UNEP following the transfer of finance and budget functions from UNON to UNEP; the establishment of 1 P-5 Senior Officer on ICT to lead and coordinate information and communication technology work and standards across UNEP and the establishment of 1 P-3 Human Resources Officer for coordination of HR programming and planning with UNON, as well as for the implementation of new UNEP HR initiatives;

(iv) Quality Assurance Section – the inward redeployment of a P-4 post and a P-2 post from the Executive Office to provide additional capacity on programme performance and support divisions and regional offices on project and programme development; the establishment of 1 P-5 post for Senior Gender Advisor to mainstream gender into the UNEP programme of work, 1 P-5 post and 1 P-3 post to strengthen UNEP's strategic capacity towards the implementation of the programme of work and of continued implementation of the reform agenda; the establishment of a

P-2 Associate Legal Officer post for analysis of legal instruments and documents and under the direct guidance of the Chief of Section, for ensuring consistency in the application of United Nations regulations and rules and UNEP procedures and processes;

(v) Resource Mobilization Section – the establishment of a D-1 post to lead UNEP’s efforts to broaden its donor base, as well as further strengthen the relationship with existing donors;

(b) Programme Budget:

(i) Division of Early Warning and Assessment (DEWA) – the increase of 4 Professional posts (1 D-1, 2 P-5 and 1 P-2) due to the review and “clean-up” of IMIS (see para.5 above); the establishment of a Chief Scientist post at the D-1 level to strengthen UNEP’s scientific work; the reclassification of two P-5 posts in environmental assessment and capacity building to the D-1 level in order to attract the required level of knowledge and capacity into the organization; the inward redeployment of a D-1 post from the Division of Environmental Law and Conventions; and the establishment of a P-2 Associate Programme Officer to support the Chief Scientist with research and outreach;

(ii) Division of Environmental Law and Conventions (DELIC) – the increase of 1 P-4 post due to the review and “clean-up” of IMIS (see para.5 above); the inward redeployment of a D-2 post from the Division of Regional Cooperation in order to vest UNEP’s key structures related to international environment governance within that Division; the outward redeployment of 1 D-1 post to DEWA and 1D-1 post to the Division of Technology, Industry and Economics (DTIE); the reclassification of a P-4 post to the P-5 level to strengthen the UNEP’s role in the field of water and

environmental law; the establishment of a P-4 Legal Officer post for the Regional Office for Europe and a P-4 Financial Management Officer post following the move of finance and budget functions from UNON to UNEP; as well as the establishment of 2 P-2 posts to support UNEP's work on environmental law, in particular on climate change and water management;

(iii) Division of Environmental Policy Implementation (DEPI) – the increase of 6 professional posts (3 -4, 2 P-3 and 1P-2) due to the review and “clean-up” of IMIS (see para.5 above); the reclassification of 1 P-5 post to a D-1 post and 1 P-4 post to a P-5 post and the establishment of 1P-4 post to strengthen UNEP's work in the area of disaster and conflicts; the reclassification of 1 P-4 post to a P-5 post and the establishment of 3 P-5 and 1 P-4 posts in connection with strengthened emphasis on climate change adaptation and ecosystems management; and the establishment of a P-3 Financial Management Officer post following the move of finance and budget functions from UNON to UNEP;

(iv) Division of Technology, Industry and Economics (DTIE) – the increase of 4 Professional posts (2 P-4 and 2 P-3) due to the review and “clean-up” of IMIS (see para.5 above); the inward redeployment of 1 D-1 post from the DELC to strengthen the Division's role as lead coordinator for UNEP's climate change activities; the establishment of a D-1 post as lead coordinator for UNEP's energy work at its collaborating centre in Risoe, as well as the establishment of 2 P-5 and 1P-4 posts in the field of resource efficiency and climate change; the establishment of 1 P-3 post and the reclassification of 3 P-2 posts to the P-3 level to respond to increased level of activities and responsibilities in the area of resource efficiency, energy and climate change;

(v) Division of Regional Cooperation (DRC) – the outward redeployment of 1 D-2 post to the DELC; the establishment of 4 P-5 posts to be located in China, Russia, South Africa and Kenya to strengthen UNEP’s capacity at the regional level; the establishment of 1 P-4 post of Information Officer in the Regional Office for Europe in order to strengthen outreach activities of the Programme, in particular in the Eastern Europe and CIS countries; the transfer of 1 P-5, 3 P-4 and 1 P-2 posts from the Support Budget to Programme budget to fully reflect the functions of these posts which is programme implementation; the establishment of 1 P-3 Financial Management Officer post following the move of finance and budget functions from UNON to UNEP;

(vi) Division of Communication and Public Information (DCPI) – the increase of 2 Professional posts (1 P-5 and 1 P-4) due to the review and “clean-up” of IMIS (see para.5 above); the reclassification of a D-1 post of Director to the D-2 level with the aim of significantly and strategically upgrading UNEP’s outreach efforts; the establishment of 1 P-5 for Deputy Director to support the increase in management and administrative responsibilities related to the Division; and the establishment of 1 P-4 Financial Management Officer post due to the move of finance and budget functions from UNON to UNEP;