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Budget and programme of work for the biennium

**2018-2019 and the Environment Fund and other budgetary
matters**

Proposed Programme of Work and Budget 2018-2019

Note by the Executive Director

Summary

The present note provides the considerations and recommendations for UNEP's budget envelope for the biennium 2018-2019. It is based on decisions and resolutions made by the member states regarding UNEP's mandate and role and presents the Secretariat's best estimate of the resources needed to fulfil the requirements set in these decisions.

* UNEP/EA.2/1.

I. Decisions and resolutions forming the foundation for the 2018-2019 budget

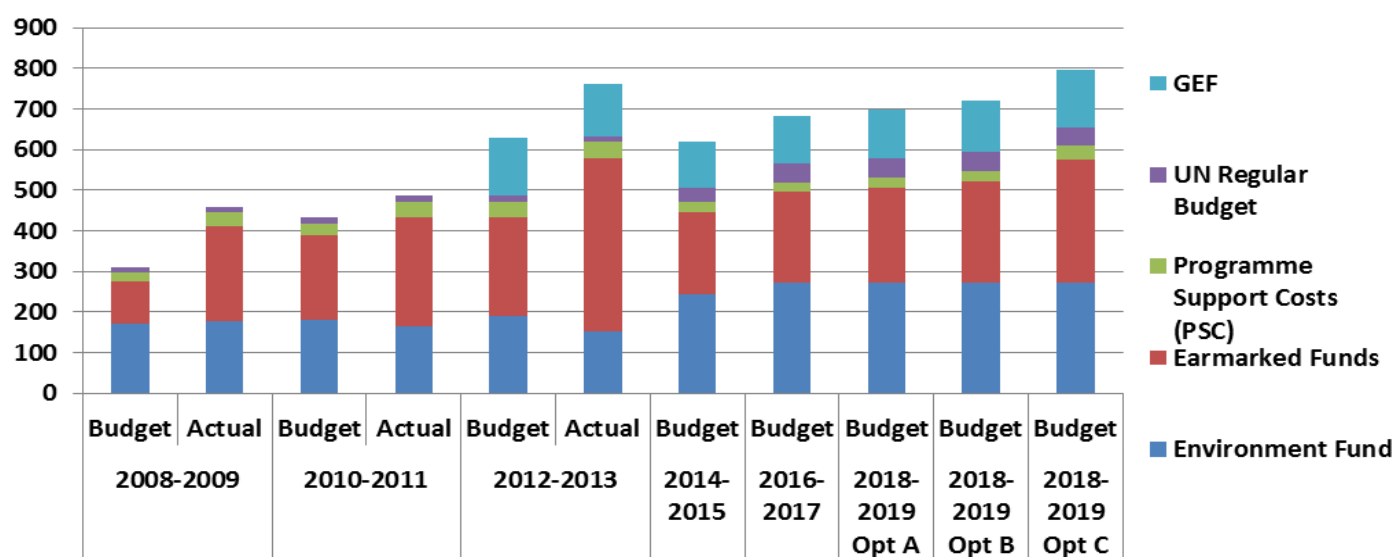
1. The foundation for the 2018-2019 budget proposal rests on the outcome of the Rio+20 Summit held in June 2012, confirmed by GA resolution A/RES/67/213, in which member States committed to strengthening the United Nations Environment Programme and in particular to providing secure, stable, adequate and increased financial resources (SSAIFR) from the UN regular budget and voluntary contributions. This support was called for to enable UNEP to fulfill its role as the leading global environmental authority and advocate, to set the global environmental agenda and to promote the coherent implementation of the environmental dimension of sustainable development within the UN system. (Rio+20 outcome document “The Future We Want”, A/RES/66/288, GC.27/2).
2. Following the adoption of the resolution, at its twenty-seventh session and its first universal session, held in February 2013, the Governing Council, in paragraph 19 of its decision 27/2, stressed the need by no later than 2016 to implement the provisions of paragraph 88 (b) of the outcome document regarding secure, stable, adequate and increased financial resources. This budget proposal builds on the premise that during the biennium 2016-2017 further progress is made in responding to this decision.
3. The Regular Budget resources to UNEP have been increased to \$35 million for the 2014-2015 biennium mainly to strengthen UNEP’s capacities to catalyze environmental action on the ground through a strengthened regional presence and by enhancing UNEP’s ability to influence and support the UN system-wide efforts to promote inclusive, sustainable development. The second phase of the proposed increases that would bring the total regular budget amount to \$45.9 million per biennium is under discussion in the subsidiary bodies of the GA with an expected resolution by the GA by end of 2015.
4. In its resolution 67/226 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, the General Assembly called for more coherent and effective use of multilateral institutions, global funds and programmes and urged countries to substantially increase their voluntary contributions to the core budgets of the United Nations funds, programmes and specialized agencies and contribute on a multi-year basis in a sustained and predictable manner. Applying these principles to UNEP’s funding, the Environment Fund together with the Regular Budget should finance the backbone and essential ability of the UNEP Secretariat to carry out its core functions, service its governing bodies, and implement its Medium Term Strategies through its Programme of Work.
5. Most recently, the UN General Assembly has adopted the Agenda 2030 for Sustainable Development including the Sustainable Development Goals (SDGs). Throughout this agenda the role of environment is recognized as an essential component of promoting inclusive, sustainable development. The UNEP 2018-2019 budget is hence formulated to meet the increased focus on environmental issues in the UN system and expectations placed on UNEP in the implementation of the agenda. With its stronger regional and system-wide presence, UNEP can provide countries and the sustainable development community strategic and practical advice that will bring its scientific knowledge and policy tools and experience to the historic challenge of finally integrating the three pillars of sustainable development in service of inclusive and equitable sustainable development for all.

II. Proposed budget envelope

6. Similar to previous budget preparation exercises, the Executive Director submits to the Committee of Permanent Representatives (CPR) three options as set out in figure 1 below. The budget is broken down in the following funding categories: the United Nations regular budget, the Environment Fund, Earmarked Funds contributing towards UNEP’s PoW, Programme Support Cost; and the Global Funds including the Global Environment Fund (GEF). The options are based on:
 - (a) A nominal growth budget (option A) with an overall budget envelope of \$700 million.
 - (b) A conservative option (option B) with an overall budget envelope of \$720 million.
 - (c) “The Future we want” option (option C) with an overall budget envelope of \$795 million.
7. Once budget targets have been defined based on the presented options, the UNEP Secretariat will systematically link the budget to performance expectations as outlined in the Results Based Budgeting (RBB) framework. This relationship will entail associating dollars to performance outcomes and outputs, linking the programme budget structure to justify the funds and other resources allocated. This systematic linkage of the programme structure to the budget will improve the quality of “financial decision-making”,

improve the quality of programme and financial performance reporting and provide Member States with valuable information for appropriation decision-making.

Figure 1: Total Budget by Funding Type (Figures in millions)



Funding Type	2008-2009		2010-2011		2012-2013		2014-2015	2016-2017	2018-2019 Opt A	2018-2019 Opt B	2018-2019 Opt C
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Budget	Budget	Budget	Budget
Environment Fund	171	177	180	165	191	152	245	271	271	271	271
Earmarked Funds	104	234	210	268	242	428	202	225	235	250	305
Programme Support Costs (PSC)	21	34	29	39	39	38	23	24	26	27	33
UN Regular Budget	14	14	14	14	14	14	35	46	46	46	46
GEF					144	130	114	118	122	126	140
Total:	310	459	433	486	630	762	619	684	700	720	795

III. Elements of the budget proposal

8. In paragraph 26 of its decision 27/13, the Governing Council noted the positive effect of the voluntary indicative scale of contributions to broaden the base of contributions to, and to enhance predictability in, the voluntary financing of the Environment Fund, and requested the Executive Director to adapt the voluntary indicative scale of contributions in the light of the universal membership of UNEP, in accordance with decisions SS.VII/1 and any subsequent decisions. Furthermore, in paragraph 27 of the same decision, the Governing Council requested the Executive Director in his efforts to mobilize resources for UNEP to take action to strengthen and broaden the donor base of the Environment Fund. In its decision 1/15, the UNEA1 reiterated this position in paragraphs 18 and 22.

A. United Nations Regular Budget:

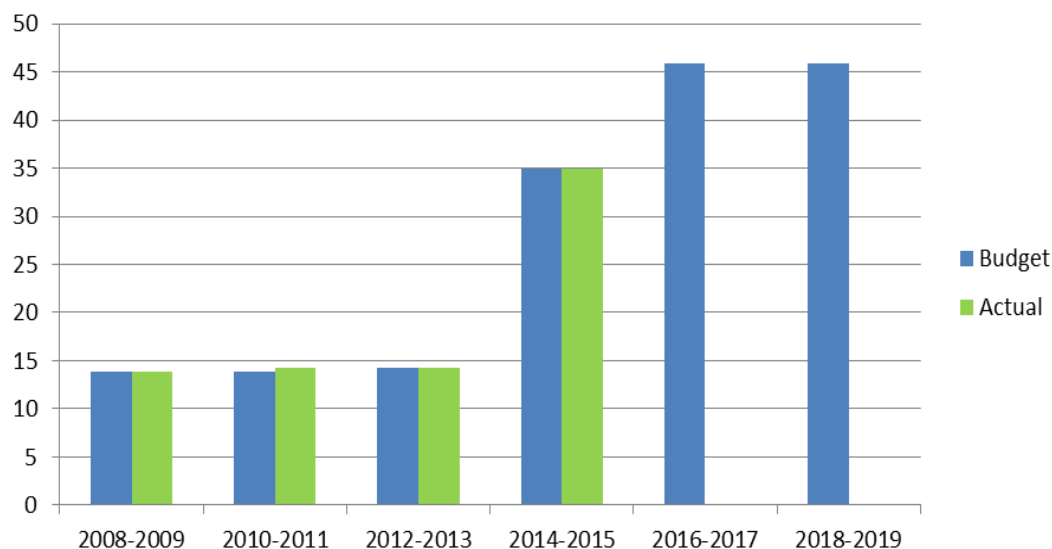
9. In line with the GA 2997 of 1972, the regular budget is to cover the secretariat of UNEP and the servicing of its Governing Bodies. Accordingly the 2016-17 programme of work and budget approved by UNEA in 2014 proposes that the entire secretariat of the Governing Bodies as well as resources necessary for the participation of least developed countries, be included in the regular budget allocation for UNEP subject to the General Assembly's approval.

10. In December 2013 for the 2014-2015 biennium, the GA provided a first phase of additional regular budget resources to strengthen the ability of UNEP to respond to the needs of member states, in-line with an ACABQ recommendation that additional support to UNEP be provided in a phased approach, with the second phase to be implemented in 2016-2017. UNEP has submitted the resource requirements for the

second phase which will complete the necessary funding reforms. Figure 2 below presents graphically the RB funding changes since the adoption of the requirements set out in paragraph 88 of the outcome document “The future we want”.

11. The United Nations regular budget projected contribution to the UNEP Secretariat for 2018-2019 currently stands at \$45.9 million (not including inflationary increase). This amount is provisional and will ultimately reflect the GA’s decision in December 2015 on the regular budget contribution to UNEP in 2016-2017.

Figure 2: UN Regular Budget (Figures in millions)



	2008-2009	2010-2011	2012-2013	2014-2015	2016-2017	2018-2019
Budget	13.8	13.8	14.2	34.9	45.9	45.9
Actual	13.9	14.2	14.2	34.9		

B. Environment Fund:

12. Acting pursuant to the RIO+20 declaration and the adoption of the 2013 Agenda for Sustainable Development, the Executive Director is proposing an Environment Fund budget of approximately \$271 million for the biennium 2018–2019. The proposal represents a zero growth to the annual budgets of \$135.5 million from 2015 to 2017. Implementation of this budget would require contributions of \$ 270 million for the 2018-2019 biennium with other income, mainly interest, projected at \$1 million for the budgeted period.

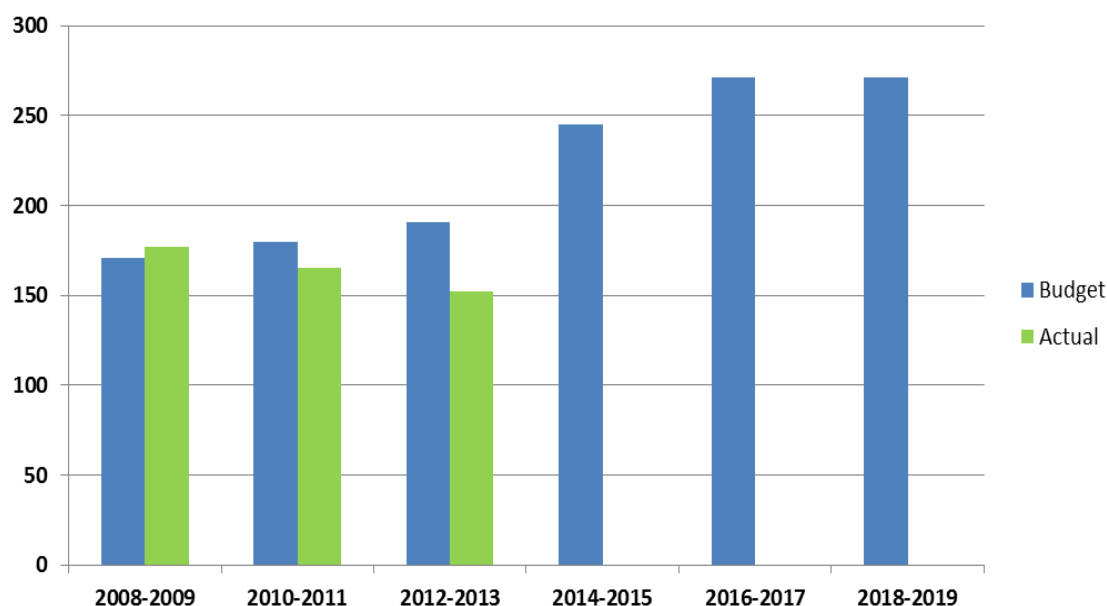
13. The UNEP Secretariat has estimated that the proposed budget for the Environment Fund would be adequate to furnish the Secretariat with the critical mass of expertise and programme resources to fulfil its strengthened mandate and secure UNEP’s ability to deliver its role in the implementation of the 2030 Agenda. The Environment Fund needs to compliment the Regular Budget resources in providing the core secretariat that is essential to the functioning of the organization. This includes, amongst others, strengthened regional presence, support to the UNEA, ability to provide capacity building support to member states and other stake holders as well as expertise to lead the integration of environment UN system-wide. The Environment Fund also needs to supplement the Regular Budget funds in providing support to programme development and management, and to a robust corporate oversight function able to ensure that all resources are used efficiently ensuring the organisation’s ability to provide value for money for its stakeholders.

14. Furthermore, the Environment Fund supports activities that stand at the core of our mandate but are not yet mainstreamed into programmes that can attract additional, earmarked funding. This includes innovative, cutting edge work in identifying emerging environmental issues and the development of policies based on sound science. In order to be the voice for the environment, UNEP also needs resources for the dissemination and sharing of evidence based information. Ultimately, the Environment Fund is the

core resource for the Executive Director to direct the organisation to an efficient, effective and balanced delivery of the programme of work that respects the joint decisions the member states have made. It is also the most cost-effective fund in terms of its overhead cost.

15. The UNEP Secretariat recognizes that in the current global financial climate member states have some challenges in securing stable and adequate resources for the Environment Fund and for political reasons the tendency towards earmarking funding may be attractive. However, if UNEP is expected to deliver its mandate, it is essential that the member states universally support a pooling of investments to ensure a stronger delivery of results from environmental initiatives across national boundaries and specific thematic issues. By the beginning of the 2018-2019 biennium UNEP will be in a stronger position to provide the supporting evidence to this statement by having perfected its performance and financial management system (Umoja).

Figure 2: Environment Fund Budget (Figures in millions)



	2008-2009	2010-2011	2012-2013	2014-2015	2016-2017	2018-2019
Budget	171	180	191	245	271	271
Actual	177	165	152.2			

C. Earmarked funds and programme support costs:

16. The voluntary indicative scale of contributions for 2014–2015 was adjusted accordingly taking into account the decisions made by the Governing Council establishing the indicative scale and with emphasis on the following:

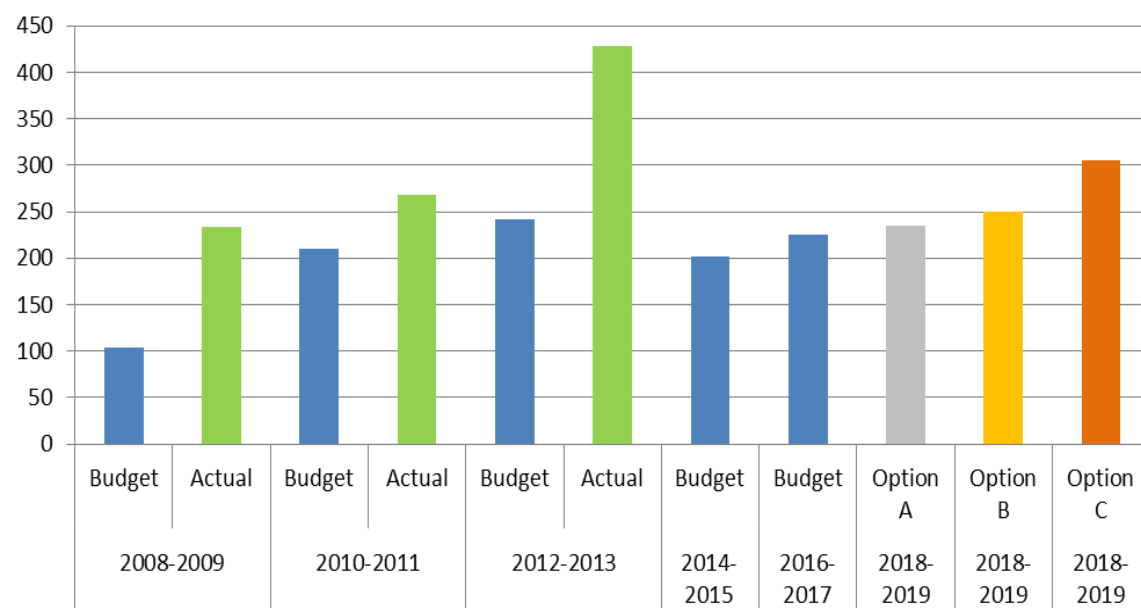
17. Earmarked funds refer to all sources of funds that directly support the UNEP programme of work other than the UN Regular Budget and the Environment Funds. They exclude trust funds and other earmarked contributions that relate to multilateral environmental agreements, including the Multilateral Fund for the Montreal Protocol on Substances that Deplete the Ozone Layer. As noted in figure 1, funding from Global Funds is shown separately in this budget proposal.

18. The earmarked resources compliment the work of the organization in its delivery of Programme of Work in areas specified by the donors. They facilitate receipt of contributions to the organization where direct support to the Environment Fund is not possible. In order to ensure that the earmarked funding compliments the Regular Budget and Environment Fund in the implementation of the Programme of Work, the member States and other donors and partners are encouraged to provide their funding at the programme level, rather than tightly earmarking at project level. The Secretariat is developing more flexible instruments and avenues towards this end and is also improving its funding gap-analysis to better advise donors and partners on the organisation's funding needs.

19. Furthermore, in line with UNEP's funding strategy the UNEP Secretariat is seeking to expand the donor base and generate support from non-traditional sources for UNEP such as private sector and other non-governmental sources. However, these are considered complimentary and cannot replace the support provided by the member states.

20. A considerable amount of the 2018-2019 estimated earmarked resources are not covered by long-term agreements or confirmed pledges which makes it difficult at the time of formulation of the programme budget to estimate the volume of earmarked contributions. The current estimates are based on historical trends and information. The Committee of Permanent Representatives is kept up to date on the status of the earmarked budget estimates through its half yearly reports and meetings.

Figure 3: Earmarked Funds (Figures in millions)



	2008-2009	2010-2011	2012-2013	2014-2015	2016-2017	2018-2019	2018-2019	2018-2019
	2008-2009	2010-2011	2012-2013	2014-2015	2016-2017	Option A	Option B	Option C
Budget	104.4	210	242.1	202	225.4	235	250	305
Actual	233.6	267.9	427.8					

Program Support Cost Budget:

21. UNEP PSC charge is expressed as a percentage of direct costs. The purpose of the PSC charge is to recover incremental indirect costs incurred in supporting activities financed from earmarked contributions. This charge is intended to ensure that the additional cost of supporting activities financed from earmarked contributions is not borne by UNEP's other core resources. In accordance with the United Nations Financial Regulations and Rules, UNEP charges a 13% programme support cost on actual expenditures of earmarked contributions. The regulatory requirement for charging PSC is stipulated in ST/SGB/188 on Establishment and Management of Trust funds and in ST/AI/286 on Programme Support Accounts.

22. However, some situations justify the application of a lower level programme support cost including technical cooperation earmarked funds for UNEP Implementation of Activities Funded by the United Nations Foundation through the United Nations Fund for International Partnerships (UNFIP); certain large umbrella bilateral Cooperation Agreements, and earmarked funds for projects supported by the European Commission. Support costs for project finance received from the GEF are reimbursed through the GEF fee-based system and are not subject to programme support costs. For 2018-2019, UNEP is budgeting for programme support cost resources at approximately 10% of proposed budget of earmarked contributions.

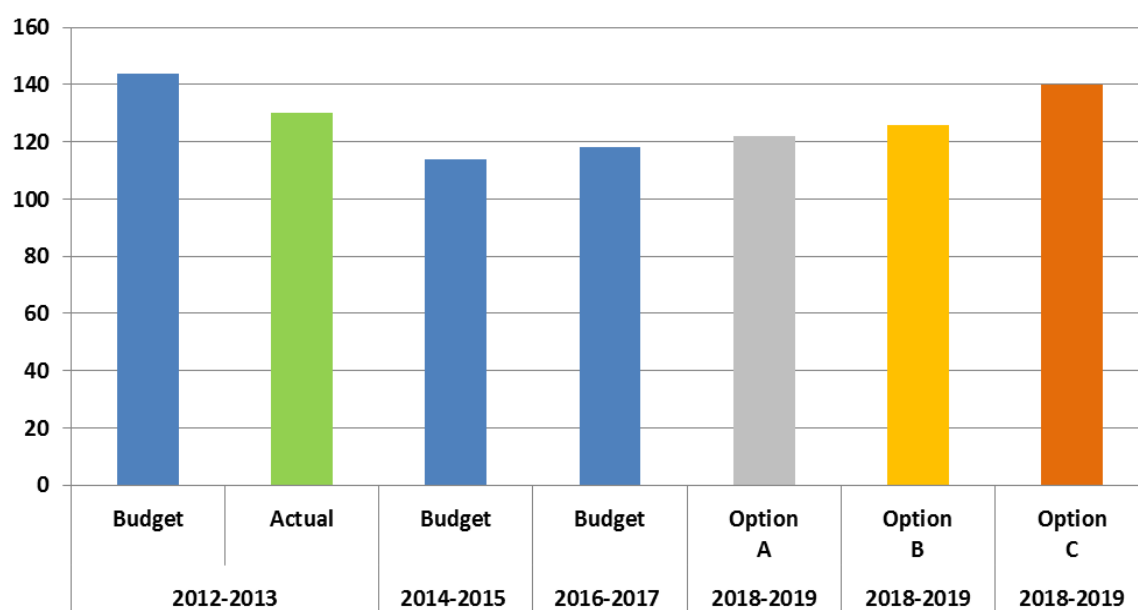
Global Funds including GEF:

23. The Global Environment Fund continues to be the largest single source of earmarked funding complementing the implementation of the PoW in the fund's focal areas. The security of the funding from

the GEF has been built on a stable partnership since 1990, UNEP being one of the founding members. The estimated budgetary figures for GEF are based on average annual expenditure in the implementation of the multi-year projects included in the letters of commitment by the GEF Trustee and endorsed by the Chief Executive Officer.

24. The Green Climate Fund is expected to become the main global fund for financing climate change mitigation and adaptation measures in developing countries in the coming years. UNEP was accredited by the GCF Board in July 2015 as one of its implementing entities and is actively engaging with the GCF Secretariat to build its portfolio supporting countries to implement climate change adaptation and mitigation projects, while also supporting countries efforts to strengthen their institutional capacities for direct access to GCF funds, as well as to prepare climate change mitigation and adaptation investment strategies, programmes and projects.

Figure 4: GEF & Other Global Funds (Figures in millions)



	2012-2013	2014-2015	2016-2017	2018-2019 Option A	2018-2019 Option B	2018-2019 Option C
Budget	143.6	113.9	118.3	122	126	140
Actual	130.1					

IV. Recommendations

25. As the international community prepares to implement the ambitious, transformative agenda embodied in the Sustainable Development Goals, governments, not only environment ministries, and the entire UN system will be called upon to link pragmatically environmental realities to inclusive and sustainable economic growth and the achievement of the full range of social goals. The international environmental effort has been building to this point for decades and must seize this opportunity to the fullest. More than ever, therefore, UNEP must have the capacity to strengthen the integration of the environmental pillar of sustainable development into the multi-faceted constellation of actions to come.

26. The complexity of these goals, coupled with the current global financial situation, challenges all governments to deliver a SSAIFR future for UNEP. Because the demand for UNEP far outstrips its current capacity to assist and because our Programme of Work directly speaks to the implementation of the 2030 agenda, UNEP believes that additional resources will be forthcoming and has the confidence to recommend option C with a total funding requirement of \$795 million for the biennium 2018-2019. This option takes into account the new SDGs for which sustainability underpins virtually all of the goals and represents a conservative growth from the approved 2016-2017 budget.

27. As a part of the PoW preparation process, Subprogramme Strategies were elaborated to provide a more detailed strategic framework for each subprogramme and as part of the budget allocation processes UNEP will be going through an iterative and internal consultative process attaching resources to the Subprogrammes in the coming weeks. At the December 2015 CPR meeting UNEP will be presenting a more detail budget by Subprogramme and with staffing requirements attributed to each component.