

144th CPR Meeting - 08 January 2019

Response to question raised by the European Union and its Member States on the draft Programme of Work and Budget for 2020-2021

Q. The financial figures, particularly the allocations for the proposed budget positions, including sub-programmes, remain a subject of discussion. We therefore request the Secretariat to provide in writing the rationale behind the allocations proposed in the draft budget, including the distribution of the Environment Fund between sub-programmes.

A. The financial figures in the proposed 2020-2021 Programme of Work and Budget are a result of an internal lessons learned process that took into consideration historical trends in terms of expenditures and income, as well as the planned results for the 2020-2021 biennium. The outcome of this process is illustrated in the realistic levels of the budget envelopes against each funding source. With regards to the Environment Fund, the US \$200 million envelope envisages a level of ambition equivalent to \$50 million to be implemented in line with the 2017 approved resource mobilization strategy that is foreseen to be fully underway by the end of 2019.

Prior to demonstrating how the budget envelopes have been distributed across the various subprogrammes, executive Direction and Management, and Programme Support components, it is important to highlight the overarching criteria used to prioritize the financial resources. UNEP income is not predictable, either in terms of timing or value. The results-based budget is therefore developed against a background of an uncertain financial environment. In addition, over 60 per cent of the projected UNEP budget relates to earmarked and global funds, which could create an imbalance across the subprogrammes that would only come to light once the programme of work is implemented. In order to manage this risk during implementation, as well as to prioritize where resources should be allocated, UNEP has identified the following principles to guide decision-making:

- (a) Core work, and essential services relating to the core mandate of UNEP, such as the science-policy interface and environmental governance, will be prioritized (this is analyzed in detail in the next section).
- (b) Regional elements will be prioritized, given that the UNEP strategy is to enhance both allocation of resources towards Regional Offices as well as regional partnerships, for a strategic regional approach in order to better assist member States and stakeholders, upon request.
- (c) With regard to the availability of alternative sources of funding, areas for which project funding has already been secured will not be prioritized.

Taking the above prioritization criteria as a basis, distribution process of the budget envelopes for each funding source, especially the Environment Fund, is illustrated in the 5-steps diagram below and elaborated in the following paragraphs.



I. Review of core mandates, priorities, and emerging issues.

UNEP reviewed and analyzed the results planned for achievement in each subprogramme, as well as the core work and essential services required to deliver these results. The funding analysis and thus resulting funding strategy is different for each subprogramme, given the unique mix of available funding.

1. ***Climate change.*** UNEP's **results** in this subprogramme are to work with Member States and other partners: (a) to build the resilience of countries to climate change through ecosystem-based and other supporting adaptation approaches; (b) to promote the transfer and use of energy-efficiency and renewable-energy technologies for low emission development; and (c) to support the planning and implementation of initiatives to reduce emissions from deforestation and forest degradation. **Core work** includes: the implementation of low-carbon energy policies, adaptation to climate change as well as support for low emission development, forest preservation, cleaner energy technologies, public mass transportation systems, and clean fuels and vehicles. Essential services for UNEP to deliver this impact include conducting authoritative scientific assessments; providing policy, planning and legislative advice; facilitating access to finance; undertaking pilot interventions and promoting the integration of these approaches through national development; fostering climate change outreach and awareness raising; and sharing knowledge through climate change networks.
2. ***Resilience to disasters and conflicts.*** UNEP's **results** in this area are to build the capacity of member States and international partners to use sustainable natural resource and environmental management in ways that reduce the environmental risk and impacts of natural disasters, industrial accidents and armed conflicts. It does this through (a) promoting the use of best practice environmental approaches that reduce the risk of crisis; (b) enabling the rapid assessment and mitigation of the environmental impacts of these crises; and (c) supporting countries to reinstate best practice environmental management as part of the process of recovering after natural disasters, industrial accidents and armed conflict. **Core work** includes: building capacity for ecosystem approaches to Disaster Risk Reduction, reducing the impact of crisis related pollution, working with humanitarian and peacekeeping operations to reduce their environmental footprint, and enabling appropriate approaches to natural resource management in fragile and vulnerable areas. Essential services to achieve this impact include providing environmental risk and impact assessments, training and services to countries to enhance cooperation on environmental issues, policy guidance, and institutional support.
3. ***Healthy and productive ecosystems.*** UNEP's **results** in this subprogramme are to: (a) institutionalise ecosystem-based approaches in education, monitoring and cross-sector and transboundary collaboration frameworks, and; (b) work with public and private sectors to consider the inclusion of ecosystems in economic decision making. The aim is to enable countries to sustain ecosystem services for human well-being and biodiversity for present and future generations, taking into account the need to integrate gender perspectives, to recognize and respect the traditional knowledge, innovations and practices of indigenous and local communities; and to foster equitable social development and inclusion. **Core work** includes: working with the secretariats of the biodiversity related multilateral environmental agreements to support countries to implement those agreements; supporting the engagement of UNEP in the development and implementation of the post-2020 global biodiversity framework and preparations for its subsequent implementation; encouraging countries to integrate biodiversity values into national development planning and poverty reduction strategies and planning processes; and, catalysing the maintenance of natural capital and the protection and sustainable use of ecosystems, with the aim of promoting integrated and cross-sectoral approaches that boost the resilience and productivity of interdependent landscapes, ecosystems and species. Essential services include policy advice and capacity building to reverse ecosystem degradation and biodiversity loss, to address the challenges of food security and water quality and to promote the sustainable management of biodiversity.
4. ***Environmental governance.*** UNEP's **results** in this subprogramme are to improve coherence and synergies in environmental governance by: (a) promoting common and integrated approaches to implementing the 2030 Agenda; (b) enhancing institutional capacities to achieve internationally agreed environmental goals. **Core work** includes: providing support to interagency mechanisms and intergovernmental fora, including the regional ministerial fora, promoting the progressive development of environmental law, including through strengthen national legal frameworks and capacities, promoting the coherent implementation of multilateral environmental agreements and of the environmental dimension of the sustainable development goals.

Essential services include policy and legal advice, capacity building and the convening of interagency and intergovernmental fora.

5. **Chemicals, waste and air quality.** UNEP's **results** in this subprogramme are to lessen the negative environmental and human health impacts of chemicals, waste and poor air quality by supporting governments and partners at all levels to develop and implement policies, strategies, legislation or action plans that promote the sound management of chemicals, prevent waste and improve air quality. This is done as a part of system-wide efforts by the United Nations and in close collaboration with the entities involved in the Strategic Approach to International Chemicals Management (SAICM), the Minamata Convention on Mercury and the secretariats of the other chemical and waste-related multilateral environmental agreements. **Core work** includes: hosting and strengthening the SAICM process, adopted in Dubai in 2006; supporting the evolution and implementation of the multilateral environmental agreements on chemicals and waste (especially the Minamata Convention on Mercury which is hosted in the subprogramme); continuing efforts to enhance cooperation and coordination in the cluster of chemical- and waste-related multilateral environmental agreements at the national level; and keeping under review the trends in the production, use and release of chemicals and waste to identify issues of concern and catalyse sound management actions, including through multi-stakeholder partnerships. Essential services to achieve this impact include the provision of technical advice, policy support and capacity building to enable countries to achieve the sound management of chemicals and waste, including e-waste, throughout their life cycle.
6. **Resource efficiency.** UNEP's **results** in this area are to promote an enabling policy environment for governments to adopt green economy policies, support the private sector in adopting sustainable management practices, and increased consumer awareness as a means of reducing the impact of economic growth on resource depletion and environmental degradation. UNEP works with its network of partners to: (a) strengthen the scientific basis for decision-making, and support governments, cities and other local authorities in designing and implementing tools and policies to increase resource efficiency, including sustainable consumption and production, circularity, and green economy practices, in the context of sustainable development and poverty eradication; (b) promote the application of life-cycle and environmental management approaches, to improve resource efficiency in sectoral policymaking, in businesses and financial operations along global value chains, using public-private partnerships as a key delivery mechanism; and (c) promote the adoption of policies and tools by public institutions and private organizations that promote sustainable lifestyles and consumption patterns. **Core work** includes: the 10-year framework of programmes on sustainable consumption and production patterns the Partnership for Action on Green Economy and a large number of public-private sector partnerships such as the UNEP Finance Initiative. Essential services to achieve the subprogramme's impact include supporting countries willing to engage in such a transition in designing the appropriate policy mix and sharing experiences, best practices and knowledge; and providing guidance and support to interested stakeholders, including businesses, industries and other major groups, in their efforts to develop strategies that support national and sectoral policies for resource efficiency in the context of sustainable development and poverty eradication.
7. **Environment under review.** UNEP's **results** in this area are to keep the global environmental situation under review in a systematic and coordinated way and to provide early warning on emerging issues for informed decision-making by policymakers and the public. In so doing UNEP aims to boost the participation of stakeholders in environmental decision-making processes, including the generation, analysis, packaging, availability and dissemination of integrative environmental information. **Core work** includes: the Global Environment Outlook series which establish the global environmental goals and serve as a basis for assessing the state of the environment, as well as the Global Gender and Environment Outlook series which provide relevant gender data and indicators. Essential services to achieve these goals include enhancing the integrated assessment, interpretation and coherence of environmental, economic and social information with a view to assessing the state of the environment, identifying emerging issues and contributing data to track progress towards the Sustainable Development Goals through Environment Live. It also includes supporting capacity building efforts in developing countries that commit themselves to environmental monitoring and to posting environmental data and information on public platforms, in line with principle 10 of the Rio Declaration, Agenda 21 and the Johannesburg Plan of Implementation.

II. Gathering of historical data

As we build our detailed budgets, historical data (human resources and financial) are the most helpful information. They enable using ratios to establish credibility in the budget and check for reasonableness in the requirements. The envelopes and distribution of earmarked and global funds across the various subprogrammes and budget components are based on past average expenditures and contributions as well as the active portfolio and pipeline of approved concepts and projects. The below funding analysis by subprogramme provides how resources will be used to generate results while taking into consideration the historical trends.

- 1. *Climate Change.*** Funding for climate change remains healthy because of increases in extra-budgetary income in recent years. This reflects the strong confidence on the part of Member States and donors in UNEP's ability to drive change in this area, shaped by the Paris Agreement and informed by UNEP-led assessment series such as the Emissions Gap Reports and Adaptation Gap Reports. Meanwhile, funding for UNEP's climate change programme is going through a transition, with the seventh replenishment of the GEF Trust Fund likely to allocate less to climate change. UNEP has a growing pipeline of proposed projects under the GCF amounting to \$236 million, of which \$48 million has been approved by the GCF board. In line with the previous biennium, UNEP has leveraged core resources, such as the Environment Fund, by catalysing 12.5 dollars more in earmarked funds for every dollar in core funding. While this multiplier effect is expected to continue, UNEP has experienced challenges ensuring that the extra-budgetary project portfolio delivers on the programme of work indicators. UNEP will manage the risk and uncertainty associated with this as part of its overall approach to enterprise risk management.
- 2. *Resilience to disasters and conflicts.*** The subprogramme has historically struggled to fund its risk reduction work sufficiently from extra-budgetary resources. Given the adoption of the Sendai Framework for Disaster Risk Reduction, with which the subprogramme is closely aligned, some core capacities for this work will be funded from the Environment Fund. Accordingly, this subprogramme was prioritized through a lesser proportion of reduction under the Environment Fund compared to other subprogrammes. Likewise, given the essentially unplannable nature of emergency response and the critical impact of early attention to environmental issues once crisis strikes, this work will also be partially funded through the Environment Fund. In the past this subprogramme has relied heavily on extrabudgetary resources for its post-crisis work, reflecting the ability of UNEP to raise funds through earmarked contributions in the aftermath of emergency situations. The subprogramme has not traditionally secured much funding from GEF or the GCF owing to their eligibility criteria and the fact that disasters and conflicts are not a GEF or GCF focal area.
- 3. *Healthy and productive ecosystems.*** The subprogramme has traditionally attracted significant GEF and extrabudgetary funding. The budget for 2020–2021, like that of the previous biennium, is aligned with these historical trends in income and expenditure from these sources. Given the centrality of healthy and productive ecosystems to the 2030 Agenda, the results warrant a projected increase in resources. This reflects both a short term approach to better value ecosystems combined with a long-term approach of the subprogramme to move considerations for healthy and productive ecosystems from the periphery to the centre of economic planning and management.
- 4. *Environmental governance.*** The subprogramme has traditionally relied on a combination of extrabudgetary funding and the Environment Fund for its core activities. The latter has not fully materialized but has been complemented by extrabudgetary resources provided by member States to support the environmental governance subprogramme at large or specific priorities within it. Environmental governance remains central to delivering on UNEP's core mandate and on a growing number of Environment Assembly resolutions. Thus, in addition to its regular budget, the subprogramme must be able to rely on stable and predictable resources from the Environment Fund and on an increased overall budget to be able to support the implementation of Agenda 2030 and address specific areas of global concern. Accordingly, this subprogramme was subject to a lesser proportion of the reduction brought by the overall decrease of the Environment Fund envelope from \$271 million in 2018-2019 to \$200 million in the 2020-2021 Programme of Work.

5. **Chemicals, waste and air quality.** This subprogramme has traditionally been successful in raising funding from extrabudgetary and GEF resources. As such, as in previous biennia, the budget for these funding sources remains high. These sources of funding were often earmarked for particular areas, such as mercury, intergovernmental and multi-stakeholder processes on chemicals and waste and the implementation of the SAICM. The pollution hub will also be funded through earmarked resources in this subprogramme. Other areas of the subprogramme have been less well funded, in particular new areas emerging from the resolutions adopted by the Environment Assembly at its third session.
6. **Resource efficiency.** The subprogramme has traditionally seen a higher income than the budget planned for earmarked resources. Much of the 2030 Agenda focuses on countries' ability to make the transition towards sustainable consumption and production patterns, decoupling economic growth from unsustainable resource use and negative environmental impacts while improving human well being. Earmarked contributions are therefore greater than had previously been planned. While Environment Fund resources appear to be decreasing, this is balanced by increases in extrabudgetary resources, reflecting general trends in income.
7. **Environment under review.** Given that keeping the global environment under review represents a core service and a central mandate of UNEP, this subprogramme benefits from a strong core of Environment Fund resources. The subprogramme has not traditionally attracted large volumes of extrabudgetary resources and the Environment Fund and Regular Budget funding are therefore proportionately higher for this subprogramme when compared to other subprogrammes.

III. Staffing requirements

In general, accurate and effective staffing tables are essential for proper planning and forecasting. In 2018, UNEP implemented a new budget allocation process that resulted in an approved staffing table across the various funding sources and subprogrammes. These are the staff aligned to deliver the core work of each subprogramme as set out in section I.

Division/regional directors and subprogramme coordinators were requested to revise the 2018 approved staffing tables and update them in way that reflect the staff positions required for the implementation of the PoW. Positions contributing to the core mandates are prioritized against the Environment Fund and the subprogrammes they contribute to. Others are mapped to the appropriate funding sources based historical trends and availability of extra-budgetary resources. The overall number of staff positions proposed in the 2020-2021 PoW reflect the actual number of positions in Umoja but has been slightly amended to include a series of internal efficiency measures aimed at making a more lean, efficient and effective organization.

IV. Operational and corporate costs

At this stage, the fixed operational costs associated with the positions mapped to funding sources and subprogrammes are determined and deducted from each funding source envelope. These costs relate to rent, information technology, commercial communications, office supplies...etc. Under the programme support component of each funding source, the operational costs include the portion of corporate requirements such as Umoja, UNON and UNOG, ASHI...etc.

V. Distribute and calibrate available remaining resources

Each of the five funding sources envelopes has by now been reduced by the staff and operational costs required to implement the associated results while taking the historical trends explained above. The remaining balance by funding source is then distributed across the different subprogrammes using the following methodology:

- 1) *Earmarked and Global Funds:* The distribution is based on historical expenditure trends
- 2) *Programme Support Cost:* The distribution initially mirrors 10% of the earmarked funds distribution but then the same amount is subject to a 50% shift towards the programme support component in line with the existing PSC policy.

- 3) *Regular Budget*: The distribution across the various subprogrammes and components is in line with the budget levels approved by the General Assembly. Modifications are made in cases where new proposals are being formulated.
- 4) *Environment Fund*. At this stage of the process, the envelope's (\$200M) remaining balance, after deducting the staff costs and their associated operational costs, is distributed and calibrated across the various subprogrammes and budget components to ensure financial resources are enough for the delivery of core mandates; such as GEO. This process involves various stakeholders and considers historical trends of expenditures as well as the ability for each subprogramme to attract extrabudgetary contributions.

In 2020-2021 PoW budget proposal, the Environment Fund budget reduced by \$71 million as compared to that of 2018-2019. This reduction will naturally have a negative impact across the subprogrammes when compared to the 2018-2019 budget levels. As part of the calibration process and to mitigate any risk in delivering our core mandates, the Environment Under Review, Environmental Governance, and Resilience to Disasters and Conflict subprogrammes were subject to a lesser proportion of reduction as compared to other subprogrammes. The table enclosed under Annex I provides the 2020-2021 resource requirements by funding source and budget component.

Annex I.
2020-2021 Resource Requirements by Funding Source and Budget Component

	Environment Fund		Earmarked Funds		Global Funds		Programme support cost		Regular budget		Total Budget	
	2018-2019	2020-2021	2018-2019	2020-2021	2018-2019	2020-2021	2018-2019	2020-2021	2018-2019	2020-2021	2018-2019	2020-2021
A. Policymaking organs	1,700	4,000	-	400	-	-	-	20	93	93	1,793	4,513
B. 1. Executive direction and management	7,800	7,200	600	300	-	-	400	-	5,722	5,722	14,522	13,222
B.2. UNSCEAR	-	-	400	-	-	-	-	-	1,521	1,521	1,921	1,521
Sub Total A+B	9,500	11,200	1,000	700		-	400	20	7,336	7,336	18,236	19,256
C. Programme of work												
1. Climate change	32,300	22,200	112,600	144,800	29,500	83,500	3,200	7,200	3,722	3,722	181,322	261,422
2. Resilience to disasters and conflicts	21,500	15,600	24,600	20,200	-	-	2,400	1,000	2,619	2,619	51,119	39,419
3. Healthy and Productive Ecosystems	41,800	28,000	39,600	42,400	80,500	112,500	3,400	2,100	4,397	4,397	169,697	189,397
4. Environmental governance	35,900	26,200	32,800	42,000	-	500	2,400	2,100	7,705	7,705	78,805	78,505
5. Chemicals, wastes and air Quality	32,300	23,400	38,400	61,100	24,300	46,000	2,400	3,000	3,041	3,041	100,441	136,541
6. Resource efficiency	39,600	28,400	41,000	61,100	-	-	2,300	3,000	3,357	3,357	86,257	95,857
7. Environment under Review	29,300	23,000	14,100	7,800	2,300	3,300	1,000	400	5,523	5,523	52,223	40,023
Subtotal C	232,700	166,800	303,100	379,400	136,600	245,800	17,100	18,800	30,363	30,363	719,863	841,163
D. Fund Programme Reserve	14,000	10,000				-	-	-			14,000	10,000
Subtotal Total Programme of Work(C+D)	246,700	176,800	303,100	379,400	136,600	245,800	17,100	18,800	30,363	30,363	733,863	851,163
E. Programme Management & Other											-	-
Corporate services	6,900	7,980	900	1,900	3,400	4,200	13,500	9,331	1,905	1,905	26,605	25,316
UNON/UNOG bills	6,650	4,020	-	-	-	-	2,000	5,180	-	-	8,650	9,200
Umoja & GSDM Costs	-	-	-	-	-	-	-	3,469	-	-	-	3,469
After Service Health Insurance	1,250	-	-	-	-	-	-	1,200	-	-	1,250	1,200
Subtotal E	14,800	12,000	900	1,900	3,400	4,200	15,500	19,180	1,905	1,905	36,505	39,185
Total (A+B+C+D+E)	271,000	200,000	305,000	382,000	140,000	250,000	33,000	38,000	39,604	39,604	788,604	909,604
<i>Percentage of the total</i>	<i>34.4%</i>	<i>22.0%</i>	<i>38.7%</i>	<i>42.0%</i>	<i>17.8%</i>	<i>27.5%</i>	<i>4.2%</i>	<i>4.2%</i>	<i>5.0%</i>	<i>4.4%</i>	<i>100%</i>	<i>100.0%</i>