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**148th meeting of the Committee of Permanent Representatives  
to the United Nations Environment Programme**

Nairobi, 10 December 2019

Conference Room 1

9:00 – 12:00, 13:30 – 16:30

**Agenda Item 5: Status and future of funding of the UN Environment Programme**

This note serves as a background document for Agenda Item 5: Status and future of funding of the UN Environment Programme. The note provides background facts for core challenges for UN Environment Programme's funding, current status of funding and the outcome of the debate "Why Paying Your Fair Share Matters - The Future of UNEP's Funding" that was held during the side-event of the Annual Sub-Committee Meeting held on 7-11 October 2019.

Member States are invited to consider the status of funding and to provide relevant guidance to the Secretariat.

## 148<sup>th</sup> Meeting of the Committee of Permanent Representatives:

### Status and Future of Funding of UN Environment Programme

#### 1. Purpose of the discussion

This paper introduces the outcome of the panel discussion “Why Paying Your Fair Share Matters – the Future of UNEP’s Funding”, held during the Annual Sub-Committee Meeting on 10 October 2019 for further discussion in the CPR, as recommended by the Panel<sup>1</sup>.

The paper provides the background facts for core challenges for funding, current funding situation at UNEP (part 2); and the outcome of the Panel discussion, which identified issues and areas where Member States and UNEP Secretariat can work together to improve the organisation’s funding (part 3).

The purpose of this CPR discussion is to get Member States’ views of the analysis provided, and if there are other important elements to be considered related to funding that should be included in the more detailed discussions in 2020.

#### 2. Core challenges

Three core challenges have been identified for Member States and the UNEP Secretariat to work together and resolve. These are how to

- Improve the ratio between core and earmarked funding and increase Environment Fund income;
- Broaden the donor base: increase the number of Member States that contribute;
- Encourage Member States to reduce restrictions on earmarked funding; make softly earmarked funding a more compelling option.

This is a critical discussion as the demands on UNEP’s delivery on its large mandate have increased, while at the same time the organisation continues to be dependent on voluntary contributions for 95 percent of its income. The Member States have placed strong political support and trust on the Executive Director which needs to be backed up by sufficient resources if the organisation is to deliver up to the expectations. Especially core funds are critical as they give UNEP enough flexibility to direct the resources where they are most needed for efficient and effective delivery.

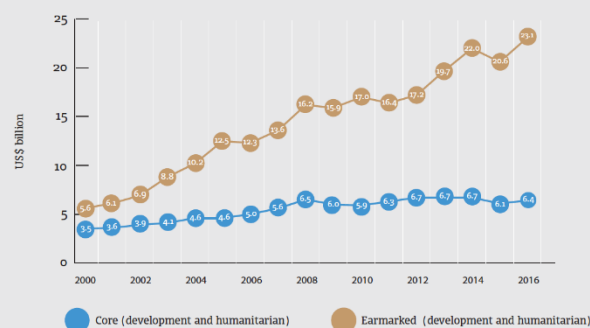
#### Challenge 1: Decrease in core funding, and imbalanced ratio between core funding and earmarked funding

##### *UN system*

In 2016, more than half of the total revenue for the whole UN system’s operational activities for development was earmarked contributions (54 percent). The more flexible core contributions, both *assessed* and *voluntary*, represented 28 percent and 10 percent respectively (the rest, 8 percent, was other income).

Whilst the earmarked contributions followed a steady upward trend, core contributions had no growth in nominal terms.

Figure 2:  
Trend of total core and earmarked contributions for UN operational activities, 2000-2016



Source: Report of the Secretary-General (A/73/63 - E/2018/8).  
For notes - see page 144.

## UNEP

Growth in earmarked funding continues to outpace that in core funding also at UNEP. In 2018, the ratio of core funding vs. earmarked funding at UNEP was 21/79. Furthermore, in the last years, the Environment Fund income has only been about 50 percent of the budget approved by the Member States.

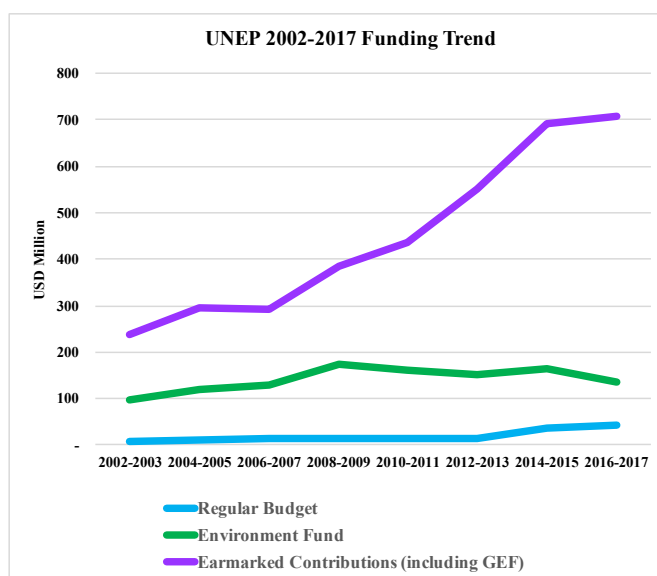
The Environment Fund, UNEP's main source of core funding, is not tied to specific projects. It allows the organisation to direct funds to the core business, as represented by the Programme of Work, and where they are needed the most for efficient and effective delivery of results. It funds the seven sub-programmes, strategic direction, oversight, management and programme support etc.

These negative trends for core funding speak a different language than the decisions made. The General Assembly Resolution 71/243 from 2017 urges donor countries to **maintain and substantially increase their core contributions** to the UN development system, in particular its funds, programmes and specialized agencies, and to contribute on a multi-year basis, in a sustained and predictable manner. It also urges the entities of the UN development system, through their governing bodies, to take **concrete steps to address** on a continuous basis **the decline of core contributions and the growing imbalance between core and non-core resources**.

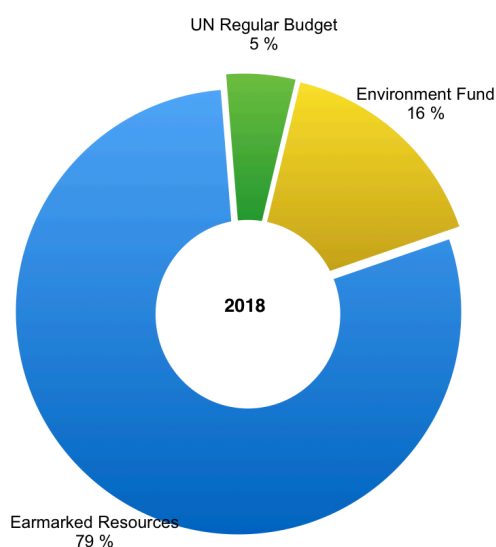
More specifically related to UNEP, already in 2012, following the Rio+20 UN Conference, the General Assembly adopted a resolution that reaffirmed and strengthened the governance and the role of UNEP in the UN system. UNEP went from having a Governing Council of 58 Member States to an Environment Assembly with universal membership encompassing all 193 UN Member States. To enable the organization to deliver on its strengthened mandate, the world leaders also committed to ensure secure, stable, adequate and increased financial resources to UNEP (paragraph 88b in the *The Future We Want* outcome document).

The UN Environment Assembly decisions have also called on the Member States to increase their contributions to UNEP. For example, the latest decision UNEP/EA.4/2 urged Member States and others in a position to do so to increase voluntary contributions to UNEP, notably the Environment Fund, taking into account the universal membership of the Environment Assembly.

The total and relative increase in earmarked resources, largely for specific projects, heralds a situation where UNEP has reduced overall ability to direct resources towards the priorities mandated by the Member States in the Programme of Work. Earmarked contributions principally reflect donor preferences rather than institutional priorities or internationally agreed goals and targets.



UNEP income by funding type 2018



## Challenge 2: Uneven burden sharing among Member States of UNEP funding

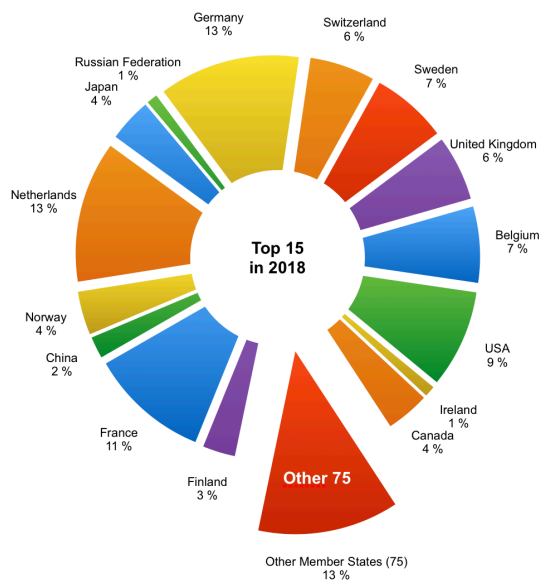
The overall burden sharing of funding the wider UN is uneven. The top 12 countries account for 57 percent of the overall funding for UN Operational Activities for Development, and about 60 percent of core and 56 percent of earmarked contributions (in 2016).

In UNEP, 15 Member States, or less than 10 percent of the 193 Member States, provide 90 percent of the income to the Environment Fund.

This is despite the fact that all 193 Member States have approved the Programme of Work and Budget, and despite the establishment of the Voluntary Indicative Scale of Contributions (VISC) in 2002 by the Member States, which was meant to help broaden the base of contributions and to enhance predictability of funding to the Environment Fund.

The VISC-level is, simply put, a percentage figure that is applied to the Environment Fund budget to determine each Member State's **fair share** of the budget. It is based on the UN Scale of Assessments, but it also considers other factors, such as previous high-levels of contributions.

90 Member States pledged to contribute to UNEP's Environment Fund in 2018 (figures as at 30/09 2019)



Funding in accordance to the VISC should have yielded contributions of USD 271 million in 2016–2017, but only half the target was realized. At the same time, donors are shifting their funding towards earmarked contributions, sometimes exceeding their pledge to the Environment Fund.

The number of Member States that contribute to the Environment Fund has decreased from an all-time high in 2003, when 125 Member States contributed. For 2018, only 90 of the 193 Member States pledged to contribute to UNEP and the Environment Fund. Of these, only 46 Member States pledged to contribute 100 percent (or more) of their fair share/VISC. As of end September 2019, 74 Member States had paid their pledges for 2018. Around 49 Member States of the 90 also provided earmarked funding which is 26% of the total earmarked supported provided. (Figures as at 30 Sep 2019)

## Challenge 3: Most earmarked funding is strictly tied to specific programmes or projects

Across the UN, the shifting balance between core and earmarked resources has given rise to a variety of efforts to improve the quality of non-core funding by favouring less-tightly earmarked resources, such as earmarking at the outcome or thematic level. The General Assembly Resolution 71/243 urges Member States and other contributors providing non-core contributions, to the extent possible, to make them more flexible and aligned with the UN Development Assistant Frameworks, or equivalent planning framework, as well as the strategic plans of UN funds, programmes and specialized agencies.

The UN Secretary General's report on repositioning the UN Development System includes specific proposals for a **doubling of more flexible non-core resources**, either those provided at the level of the UN development system as inter-agency pooled funds, or at the level of an individual UN entity – as entity specific thematic funds.

A few UNEP Member States (Sweden and Norway) have championed the move towards flexible funding and provided “corporate funds” that are softly earmarked to sub-programmes or larger programmes under them. Most of the other earmarked funding at UNEP is for specific programmes and projects in line with the priorities of the Member States.

### 3. Views and proposals

To address the questions and realities of the funding challenges, the following arguments and recommendations have been put forward by the Member States and the Secretariat to initiate a more detailed discussions and to identify concrete ways forward to address them.

#### **Factors that influence Member States decisions to fund the Environment Fund**

These arguments speak in favour of core funding according to Member States:

- It is a global responsibility: Member States have collectively agreed priorities for UNEP, which should be collectively supported;
- Core funding supports all areas of the Programme of Work, which means that Member States can take credit for all the results;
- Core funding is more cost effective, both in management (less administration and specified oversight, less reporting etc.) and for programme delivery;
- Core funding leverages other funding; every dollar a Member State spends generates many more in favour of environmental action;
- Paying their Fair Share gives Member States higher legitimacy to engage in global environmental governance;
- Believing in the mandate of UNEP and trusting the organisation to deliver on it.

Member States' also highlighted challenges they face:

- Competing priorities of the government might mean that environmental issues/UNEP are not a top priority;
- Funding is voluntary – there is no “stick” and no means for UNEP to collect unpaid pledges;

#### **Proposed actions for the Secretariat**

Issues that the Secretariat is addressing in response to member states requirements:

- Increase its focus and clarity of its niche: Secretariat is undergoing transformation process with focus on strategy, culture and results. It is also positioning itself in the UN Reform to maximise its relevance and impact globally, regionally and nationally;
- Strengthen its programme planning: Secretariat is preparing for a new Medium-Term Strategy and Programmes of Work with more focus on clarity and results. Member States have also requested the Secretariat to prioritise the programme and better explain the consequences of funding to programme delivery;
- Increase efficiency and effectiveness of its operations: Secretariat has introduced and is implementing management reform “Five Lines of Defence”;
- Provide more recognition and visibility to member States who support the Environment Fund – both for funding and for their contributions to key results;
- Increase outreach to Member States: Member States are asking the Secretariat to increase its well-timed and -targeted outreach to Member States in various fora including UN Headquarters in New York, UNGA, through regional groups etc.;
- Prioritise programme and explain consequence of lack of funding better, including results that will not be achieved;
- Continue improving messaging on the Fair Share (Voluntary Indicative Scale of Contributions = VISC) and explore other tools.

#### **How Member States themselves could contribute to wider financial support to UNEP, increasing core funding and softly earmarked funding:**

- Discuss openly and regularly UNEP's funding situation, the needs for funding and the reasons for funding, especially core funding, with other Member States;
- Encourage Ministers of Environment to make the case for UNEP to other Ministers, e.g. Finance, Foreign Affairs, Planning etc.
- Discuss the Fair Share/VISC – clarifying its purpose, the fact that it was agreed by Member States, its fairness in facilitating the realisation of the budget as agreed to by 193 Member States, and discuss ideas to improve compliance;
- Consider soft earmarking rather than tight earmarking for their contributions, and encourage other Member States to do the same;

- Increase visibility of UNEP in their countries, engage national media for UNEP high-level visits to country; consider writing joint op-eds with UNEP Executive Director and Minister.

**To increase the flexibility of the earmarked funding the Member States asked Secretariat to**

- Create criteria for earmarking ranging from tight project focused earmarking to flexible sub-programme level earmarking and their respective pros and cons;
- Help improve understanding of reasons for earmarking. Member States can be persuaded to provide softly earmarked or even core funding if UNEP can show that Member States' interest can be served without tight earmarking;
- Provide clearer information about earmarked funds and what they comprise of.

<b>4. Proposal for way forward</b>
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The Secretariat would like to propose that the issues raised in this background paper and during the discussion in the CPR are brought to the discussion of the CPR sub-committee and regional groups early in the new year 2020 and reported back to the full CPR session.

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<sup>i</sup> **The panellists were:**

Ms. **Inger Andersen**, Executive Director of UNEP

H.E. Mr. **Sunil Da Silva**, High Commissioner and Permanent Representative of Sri Lanka

H.E. Ms. **Agrina Mussa**, High Commissioner and Permanent Representative of Malawi

H.E. Ms. **Jillian Dempster**, Ambassador and Permanent Representative of New Zealand

Ms. **Gudi Alkemade**, Deputy Permanent Representative of the Netherlands

Ms. **Elisabeth Folkunger**, Senior Programme Specialist, Swedish Sida

Moderator: Ms. **Elizabeth Mrema**, Director of Law Division