



Distr.: General

12 April 2014

Original: English

**United Nations  
Environment Assembly of the  
United Nations Environment  
Programme****United Nations Environment Assembly of the  
United Nations Environment Programme****First session**

Nairobi, 23–27 June 2014

Item 7 of the provisional agenda\*

**Budget and programme of work for the biennium  
2016–2017 and the Environment Fund and other  
budgetary matters****Management of trust funds and earmarked contributions****Report of the Executive Director***Summary*

In its decision 27/14, the Governing Council of the United Nations Environment Programme (UNEP) requested the Executive Director of UNEP to prepare a report highlighting the challenges of managing multiple trust funds and to propose steps that could be taken to reduce the administrative burden of maintaining such funds. On 25 September 2013 the secretariat presented to the subcommittee of the Committee of Permanent Representatives to UNEP, at its annual meeting, a note on UNEP trust funds and their management. The note provided an overview of the various types of trusts funds administered by UNEP, as well as information regarding the increase in the number such trust funds and the contributions to them. The note also described the current structure and management of UNEP-administered trust funds and presented recommendations for the consideration of the Committee of Permanent Representatives aimed at improving the management of those funds.

UNEP administers both single-donor and multi-donor trust funds. In the case of the former, each designated donor contribution is managed as a separate trust fund; whereas for multi-donor trust funds, contributions from multiple donors are managed in a combined pool of funds. The primary multi-donor fund for UNEP is the Environment Fund.

Donor requests for the establishment of single-donor trust funds have led to the creation of a large number of relatively small trust funds whose transaction costs are relatively high owing to varying donor requirements with regard to monitoring and reporting. UNEP-administered trust funds have grown over time from one in 1972 to 124 in December 2013. The amount of contributions to trust funds is now much higher than the amount of contributions to the Environment Fund; during the biennium 2012–2013, contributions to the Environment Fund were \$152 million compared to \$773 million for trust funds, excluding the Multilateral Fund for the Implementation of the Montreal Protocol. This proliferation of single-donor funds marks a change in the approach to UNEP funding, with increasing levels of contributions earmarked for specific activities.

Multi-donor trust funds enhance effectiveness by reducing transaction costs and mitigating the high risk levels inherent in the management of single-donor and earmarked trust funds. The approved programme of work for 2014–2015 aims to move increasingly from earmarked resources to the Environment Fund, guided by the member States' collective programmatic decisions.

\* UNEP/EA.1/1.

## I. Suggested action by the United Nations Environment Assembly

1. The United Nations Environment Assembly may wish to adopt a decision along the lines suggested below:

### Decision 1/[...]: Management of trust funds and earmarked contributions

*The United Nations Environment Assembly,*

*Having considered* the report of the Executive Director on the management of trust funds,

## I

### Trust funds in support of the programme of work of the United Nations Environment Programme

1. *Notes and approves* the establishment of the following trust funds since the twenty-seventh session of the Governing Council:

#### A. General trust funds

(a) PES: Trust Fund for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), which was established in 2014 with no expiry date;

#### B. Technical cooperation trust funds

(b) CLL: Trust Fund to Support the Activities of the Climate Technology Centre and Network, which was established in 2013 with an expiry date of 31 December 2017;

(c) GRL: Technical Cooperation Trust Fund for the Implementation of Greening Economies in the Eastern Neighbourhood and Central Asia (EaP-GREEN) Programme, which was established in 2013 with no expiry date;

2. *Approves* the extension of the following trust funds, subject to the Executive Director of the United Nations Environment Programme receiving requests to do so from the relevant Governments or contracting parties:

#### C. General trust funds

(a) AML: General Trust Fund for the African Ministerial Conference on the Environment, which is extended up to and including 31 December 2017;

(b) CWL: General Trust Fund for the African Ministers' Council on Water, which is extended up to and including 31 December 2017;

(c) MCL: General Trust Fund in Support of Activities on Mercury and its Compounds, which is extended up to and including 31 December 2017;

(d) SML: General Trust Fund for the Strategic Approach to International Chemicals Management Quick Start Programme, which is extended up to and including 31 December 2017;

(e) WPL: General Trust Fund to Provide Support to the Global Environment Monitoring System/Water Programme Office and to Promote its Activities, which is extended up to and including 31 December 2017;

#### D. Technical cooperation trust funds

(f) AFB: Technical Cooperation Trust Fund for UNEP Activities as Multilateral Implementing Entity of the Adaptation Fund Board, which is extended through 31 December 2017;

(g) BPL: Technical Cooperation Trust Fund for the Implementation of the Agreement with Belgium (financed by the Government of Belgium), which is extended up to and including 31 December 2017;

(h) CIL: Technical Cooperation Trust Fund to Support the Implementation of the Strategic Plan for Remediation Activities Following the Toxic Waste Incident in Abidjan, Côte d'Ivoire, which is extended up to and including 31 December 2017;

(i) GNL: Technical Cooperation Trust Fund in support of the Coordination Office of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities (financed by the Government of the Netherlands), which is extended up to and including 31 December 2017;

- (j) IAL: Technical Cooperation Trust Fund for Ireland Aid Multilateral Environment Fund for Africa (financed by the Government of Ireland), which is extended up to and including 31 December 2017;
- (k) IPL: Technical Cooperation Trust Fund to Assist the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer in Developing Countries (financed by the Government of Sweden), which is extended up to and including 31 December 2017;
- (l) MDL: Technical Cooperation Trust Fund for UNEP Implementation of the Millennium Development Goals Achievement Fund, which is extended up to and including 31 December 2017;
- (m) REL: Technical Cooperation Trust Fund for the Promotion of Renewable Energy in the Mediterranean Region (financed by the Government of Italy), which is extended up to and including 31 December 2017;
- (n) SEL: Technical Cooperation Trust Fund for the Implementation of the Agreement with Sweden, which is extended up to and including 31 December 2017;
- (o) SFL: Technical Cooperation Trust Fund for the Implementation of the Framework Agreement between Spain and UNEP, which is extended up to and including 31 December 2017;
- (p) VML: Technical Cooperation Trust Fund to Assist Developing Countries to Take Action for the Protection of the Ozone Layer Under the Vienna Convention and Montreal Protocol (Financed by the Government of Finland), which is extended up to and including 31 December 2017;

## II

### **Trust funds in support of regional seas programmes, conventions, protocols and special funds**

3. *Notes and approves* the establishment of the following trust fund since the twenty-seventh session of the Governing Council:

SMU: Trust Fund to Support the Activities of the Secretariat of the Memorandum of Understanding on the Conservation of Migratory Sharks, which was established in 2013 with an expiry date of 31 December 2015;

4. *Approves* the extension of the following trust funds subject to the Executive Director of the United Nations Environment Programme receiving requests to do so from the relevant Governments or contracting parties:

#### **General trust funds**

- (a) BEL: General Trust Fund for Additional Voluntary Contributions in Support of Approved Activities under the Convention on Biological Diversity, which is extended up to and including 31 December 2017;
- (b) BGL: General Trust Fund for the Core Programme Budget for the Biosafety Protocol, which is extended up to and including 31 December 2017;
- (c) BHL: Special Voluntary Trust Fund for Additional Voluntary Contributions in Support of Approved Activities of the Biosafety Protocol, which is extended up to and including 31 December 2017;
- (d) BIL: Special Voluntary Trust Fund for Voluntary Contributions to Facilitate the Participation of Parties, in particular the Least Developed and the Small Island Developing States among them, and Parties with Economies in Transition (Biosafety Protocol), which is extended up to and including 31 December 2017;
- (e) BTL: General Trust Fund for the Conservation of the European Bats Agreement, which is extended up to and including 31 December 2017;
- (f) BYL: General Trust Fund for the Convention on Biological Diversity, which is extended up to and including 31 December 2017;
- (g) BZL: General Trust Fund for Voluntary Contributions to Facilitate the Participation of Parties in the Process of the Convention on Biological Diversity, which is extended up to and including 31 December 2017;
- (h) CAP: Trust Fund for the Core Budget of the Framework Convention on the Protection and Sustainable Development of the Carpathians and related Protocols, which is extended up to and including 31 December 2017;

- (i) CRL: Regional Trust Fund for the Implementation of the Action Plan for the Caribbean Environment Programme, which is extended up to and including 31 December 2017;
- (j) EAL: Regional Seas Trust Fund for the Eastern African Region, which is extended up to and including 31 December 2017;
- (k) ESL: Regional Seas Trust Fund for the Implementation of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of East Asian Seas, which is extended up to and including 31 December 2017;
- (l) MEL: Trust Fund for the Protection of the Mediterranean Sea against Pollution, which is extended up to and including 31 December 2017;
- (m) MPL: Trust Fund for the Montreal Protocol on Substances that Deplete the Ozone Layer, which is extended up to and including 31 December 2017;
- (n) MSL: Trust Fund for the Convention on the Conservation of Migratory Species of Wild Animals, which is extended up to and including 31 December 2017;
- (o) MVL: General Trust Fund for Voluntary Contributions in Support of the Convention on the Conservation of Migratory Species of Wild Animals, which is extended up to and including 31 December 2017;
- (p) PNL: General Trust Fund for the Protection, Management and Development of the Coastal and Marine Environment and the Resources of the Northwest Pacific Region, which is extended up to and including 31 December 2017;
- (q) ROL: General Trust Fund for the Operational Budget of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, which is extended up to and including 31 December 2017;
- (r) RVL: Special Trust Fund for the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, which is extended up to and including 31 December 2017;
- (s) SOL: General Trust Fund for Financing Activities on Research and Systematic Observation for the Vienna Convention, which is extended up to and including 31 December 2017;
- (t) SMU: Trust Fund to Support the Activities of the Secretariat of the Memorandum of Understanding on the Conservation of Migratory Sharks, which is extended up to and including 31 December 2017;
- (u) VBL: Voluntary Trust Fund to Facilitate the Participation of Indigenous and Local Communities in the Work of the Convention on Biological Diversity, which is extended up to and including 31 December 2017;
- (v) VCL: Trust Fund for the Vienna Convention for the Protection of the Ozone Layer, which is extended up to and including 31 December 2017;
- (w) WAL: Trust Fund for the Protection and Development of the Marine Environment and Coastal Areas of West and Central African Region, which is extended up to and including 31 December 2017.

### III

#### **Funding model for flexible programming**

5. *Notes* the proposals set forth by the secretariat and urges member states to support trust fund models that are cost effective, flexible and most appropriate in the delivery of the UNEP programme of work.

## **II. Management of trust funds and earmarked contributions**

### **A. Current administration of trust funds**

2. Trust funds can be managed either as single-donor trust funds or as multi-donor trust funds. In the case of the former, contributions received from each donor are managed in a separate trust fund; in the case of the latter, contributions from more than one donor are combined and managed as a single pool of funds. UNEP administers both single-donor trust funds and multi-donor trust funds. The

primary multi-donor trust fund is the Environment Fund. Single-donor trust funds are operated for contributions that are earmarked by their donors for specific projects or programmes.

## 1. Multi-donor trust funds

3. Multi-donor trust funds can be employed by United Nations bodies to manage resources that are commingled to finance a set of project or programme priorities. As noted above, the Environment Fund is the primary multi-donor trust fund in UNEP. Its management as a multi-donor fund enhances its effectiveness by reducing transaction costs and by mitigating and managing the risks inherent in the management of multiple trust funds. The Environment Fund serves as an important instrument for UNEP resource mobilization, policy dialogue and risk and information management. The use of multi-donor trust funds is seen as a “best practice” because it is in line with the Paris Declaration on Aid Effectiveness. In the United Nations system, multi-donor trust funds have become important funding mechanisms, channelling and leveraging resources in support of programmatic activities in an effective and coordinated manner. The use of an agreed monitoring and evaluation framework ensures joint assessments of the implementation of agreed commitments on aid effectiveness (see Paris Declaration on Aid Effectiveness, paras. 43–46, indicator 11).

## 2. Single-donor trust funds

4. As noted above, each single-donor trust fund is established to receive separate donations for specific projects or programmatic activities. As a result, the resources made available to UNEP are held and managed in multiple trust funds. The use to which the contributions held in each trust fund are put can be monitored separately, and such separate monitoring is sometimes required by donors who wish to ensure that their donations are used for the purposes for which they were earmarked. The use of single-donor trust funds allows the various priorities of different donors to be met, and earmarked funds can be tracked to a specific subset of results under the programme of work.

5. With a few notable exceptions, requests for single-donor trust funds lead to the creation of a large number of relatively small funds. This raises the following challenges:

- (a) Monitoring, coordinating and reporting on single-donor or tightly earmarked trust funds are costly, time-intensive activities that usually require the use of complex grant management systems;
- (b) Delays in the payment of contributions to one trust fund can have a critical impact on programmatic delivery as funds from different trust funds cannot be used for the same purpose;
- (c) There is less coordination and coherence between different donors and an increased risk that one part of the programme of work becomes over-funded at the expense of another part;
- (d) Complying with the mutual accountability principle of the Paris Declaration on Aid Effectiveness is a challenge when using these funding modalities;
- (e) Transactional costs increase as different donors have different requirements for monitoring and reporting, which leads to higher cost recovery rates;
- (f) Contributors enjoy less overall transparency because one contributor may not be aware of what another contributor finances.

## B. Proposed improvements in the management of trust funds

6. The development of a specialized grant management module through Umoja is expected eventually to improve the tracking and reporting on each trust fund. In addition, subject to consideration by the Committee of Permanent Representatives, UNEP could help to reduce the administrative burden of managing trust funds, in line with Governing Council decision 27/14, by employing the following measures when establishing new trust funds:

- (a) Setting minimum funding thresholds for new trust funds, depending on the purpose of each fund;
- (b) Approving transparent criteria for the establishment of a new single-donor trust fund (if so requested by a Government);
- (c) Providing each donor wishing to establish a single-donor trust fund with:
  - (i) Information on the status of the overall financial situation of UNEP in relation to resource gaps affecting the delivery of the UNEP programme of work;
  - (ii) A list of existing trust funds that are providing funds for activities that are similar to those that the donor wishes to finance, to enable the donor to

consider contributing to the existing funds instead of requiring the creation of a new one;

- (d) In the case of both earmarked and loosely earmarked funds, reducing the programme support fee for donors that waive individual reporting on the use of their donations and agree to the use of the UNEP Programme Performance Report (PPR) as the accountability tool for their donations;
- (e) Reducing the programme support fee for donors that agree to establish multi-donor trust funds;
- (f) Merging trust funds that fund similar activities so as to reduce transaction costs.

7. In addition to the steps above, the UNEP secretariat would brief member States periodically on the status of contributions to its trust funds, by subprogramme and expected accomplishment, so that additional contributions could be directed to areas in the programme of work that were under-funded rather than providing additional resources for already fully funded operations.

## 1. Approaches to the proposed improvements

8. Broadly, three approaches have been or will be applied to implement the proposed improvements in the management of trust funds: first, internal administrative actions within UNEP; second, coordination and approval from United Nations Headquarters; and, third, guidance and approval by the Environment Assembly.

9. UNEP has recently also strengthened governance arrangements for certain trust funds to improve transparency and accountability in the use of those funds. The measures taken include the establishment of steering committees and annual donor consultations. UNEP has also enforced full cost recovery for trust funds to avoid cross-subsidization from the United Nations regular budget, the Environment Fund or other trust funds, in line with the recently promulgated guidelines from the United Nations Controller.

10. In addition, administrative actions have been or will be taken within UNEP in preparation for the implementation of the International Public Sector Accounting Standards (IPSAS) and Umoja. Such actions will include, for example, the review of all inactive projects and the closure of those for which the administrative procedures required by the financial rules have been completed. UNEP has cleaned up its books with the closure of over 750 inactive IMIS projects and will request the United Nations Office at Nairobi to close inactive trust funds once the disposal of balances has been authorized. In addition, following de facto IPSAS guidelines, UNEP implemented during the latter half of the 2012-2013 biennium more rigorous criteria for the recognition and booking of obligations that are related to future-year projects.

11. UNEP is coordinating with the Trust Fund Section in New York to seek authorization from the Office of the Controller to consolidate trust funds that have been designated for the same activity, such as the 14 separate trust funds that have been established for Junior Professional Officers under the same programme. Under this scheme, individual donors' contribution would still be recognized and reported on separately under country-specific projects financed by the Fund.

12. UNEP is also represented on the United Nations Secretariat-wide working group that has been tasked with reviewing the administration and management of voluntary contributions to trust funds and special accounts. It is expected that the Secretary-General will subsequently issue a revised bulletin to streamline the management of trust funds.

13. Decisions by the Environment Assembly and the Committee of Permanent Representatives will be required on measures proposed above such as the setting of minimum funding thresholds for new trust funds and the adoption of criteria for the establishment of a new single-donor trust fund (if so requested by a Government).

## 2. Earmarking versus flexibility of programming

14. Most of the contributions to trust funds are earmarked (strictly or loosely) for specific projects or programmes. While contributions in any form are desirable, earmarking constrains the flexibility of the secretariat in funding the programme of work. The Environment Fund is more flexible in this regard, yet contributions as a percentage of total funding (including trust funds but excluding multilateral environmental agreements) declined from 38 per cent in 2010–2011 to 30 per cent in 2012–2013. Environment Fund contributions did grow during the course of the biennium, however, from \$71 million in 2012 to \$80 million in 2013.