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**Agenda items 3 and 4: Progress Report on Activities Carried Out during the 2016 – 2017 Biennium and Financial Implementation 2016 - 2017**

**Outcome of the Second Session of the UN Environment Assembly (Nairobi, Kenya, 23-27 May 2016): Relationship between UNEP and Multilateral Agreements, as Requested by Decision IG.22/20**

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UNEP/MAP  
Athens, 2017

1. This document is based on the “Report of the United Nations Environment Programme on the outcomes of the second session of the United Nations Environment Assembly”, and is submitted for information on the resolutions relevant to the Barcelona Convention and its Protocols, adopted by the second session of the United Nations Environment Assembly of the United Nations Environment Programme (Environment Assembly), held on 23 - 27 May 2016.

2. It follows Decision IG.22/20 of COP 19 (Athens, Greece, 9-12 February 2016) which requested “the Secretariat, in consultation with the Executive Director of UNEP, to take account of any decisions by the 2<sup>nd</sup> Session of the UN Environment Assembly on the relationship between UNEP and multilateral agreements and to submit a report thereon to the 20<sup>th</sup> Meeting of the Contracting Parties”.

3. The Environment Assembly adopted the following resolutions, which when implemented are expected to have an important impact on the implementation of the Barcelona Convention and its Protocols:<sup>1</sup>

- Resolution 2/5, on delivering on the 2030 Agenda for Sustainable Development;
- Resolution 2/6, on supporting the Paris Agreement;
- Resolution 2/7, on sound management of chemicals and waste;
- Resolution 2/8, on sustainable consumption and production;
- Resolution 2/10, on oceans and seas;
- Resolution 2/11, on marine plastic litter and microplastics;
- Resolution 2/12, on sustainable coral reefs management;
- Resolution 2/13, on sustainable management of natural capital for sustainable development and poverty eradication;
- Resolution 2/15, on protection of the environment in areas affected by armed conflict;
- Resolution 2/16, on mainstreaming of biodiversity for well-being;
- Resolution 2/17, on enhancing the work of UNEP in facilitating cooperation, collaboration and synergies among biodiversity-related conventions;
- Resolution 2/18, on the relationship between UNEP and the multilateral environmental agreements for which it provides the secretariats;
- Resolution 2/19, on the midterm review of the fourth Programme for the Development and Periodic Review of Environmental Law (Montevideo Programme IV);
- Resolution 2/20, on the proposed medium-term strategy for 2018–2021 and programme of work and budget for 2018–2019.

4. UNEP is well positioned to make a positive contribution to work on the integrated perspective and enhancement of the implementation of the international legal instruments through its medium-term strategies and programmes of work. The strategic planning is reflected in the UNEP medium-term strategy for 2018–2021 and relevant sub-programmes of the programme of work for 2018–2019 adopted by the Environment Assembly in its resolution 2/20.<sup>2</sup>

5. In its resolution 2/5, on delivering on the 2030 Agenda for Sustainable Development, the Environment Assembly outlined the contribution of UNEP to delivering on the environmental dimension of the 2030 Agenda for Sustainable Development. The resolution encouraged the Executive Director, within the mandate, programme of work and budget of UNEP, to take action to enhance coordinated, coherent and integrated delivery within the United Nations system on the environmental dimension of the 2030 Agenda for Sustainable Development, by, inter alia, fostering partnerships and other means of cooperation with other relevant United Nations bodies; engaging with regional coordination mechanisms, as appropriate; actively promoting the integration of the environmental

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<sup>1</sup> Resolutions adopted by Environment Assembly at its second session are available from <http://web.unep.org/unea/list-resolutions-adopted-unea-2>.

<sup>2</sup> [http://www.unep.org/about/sgb/cpr\\_portal/Portals/50152/UNEA%202/20.pdf](http://www.unep.org/about/sgb/cpr_portal/Portals/50152/UNEA%202/20.pdf).

dimension into United Nations development assistance frameworks at the country level; and enhancing institutional and human capacity-building at the national, regional and international levels.

6. The Environment Assembly also encouraged the Executive Director to further promote synergies between multilateral environmental agreements at the national, regional and global levels, recognizing the institutional independence of the governing bodies of those agreements, with a view to increasing efficiency, effectiveness and inclusiveness and avoiding duplication of efforts; invited multilateral environmental agreements to take into account relevant targets and indicators of the 2030 Agenda for Sustainable Development in their reporting obligations; and emphasized that UNEP, within its mandate, had an important role in the follow-up to and review of progress in implementing the environmental dimension of sustainable development, including the provision of policy-relevant information, through assessment processes such as the Global Environment Outlook, as a contribution to the *Global Sustainable Development Report* and to the annual Sustainable Development Goals progress report, all of which should support the overall follow-up and review by the High-level Political Forum on Sustainable Development.

7. At the second session of the Environment Assembly, UNEP launched a publication “*Role of Multilateral Environmental Agreements (MEAs) in Achieving the Sustainable Development Goals (SDGs)*”.<sup>3</sup> The publication provides an overview of the linkages between the current strategic plans, targets and indicators of multilateral environmental agreements and the Sustainable Development Goals, along with recommendations for national and global action, and is projected to be a major tool as the multilateral environmental agreements position themselves to play a significant role under the 2030 Agenda for Sustainable Development.

8. In its resolution 1/6, on marine plastic debris and microplastics, the Environment Assembly requested the Executive Director to present a study on marine plastic debris and microplastics. The report, *Marine plastic debris and microplastics: Global lessons and research to inspire action and guide policy change*,<sup>4</sup> which was made available for the second session of the Environment Assembly, provided a comprehensive overview of the current state of knowledge; an evidence base for urgent action, outlining potential ways for taking action; key conclusions; and a set of recommendations, including with regard to future research. UNEP also developed the first massive open online course on marine litter within the framework of the Global Partnership on Marine Litter, for which UNEP serves as Secretariat.

9. In its decision SS.XII/3, the Governing Council of UNEP recognized the importance of enhancing synergies, including at the national and regional levels, among conventions and invited the Executive Director of UNEP to undertake, as appropriate, further activities to improve the effectiveness of and cooperation among multilateral environmental agreements, to explore the opportunities for further synergies in the administrative functions of the multilateral environmental agreement administered by UNEP and to provide advice on such opportunities to the governing bodies of those agreements.

10. Further, in paragraph 89 of “The future we want”, Heads of State and Government and high-level representatives encouraged parties to multilateral environmental agreements to consider further measures to promote policy coherence at all relevant levels, improve efficiency, reduce unnecessary overlap and duplication and enhance coordination and cooperation among the multilateral environmental agreements, including the three Rio conventions, as well as with the United Nations system in the field.

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<sup>3</sup> United Nations publications, ISBN 978-92-807-3558-1. Available at <http://www.unep.org/environmental-governance/Portals/8/publications/role-mea-synergies-sdgs.pdf>.

<sup>4</sup> United Nations publication, ISBN No. 978-92-807-3580-6. Available at [http://www.unep.org/gpa/documents/publications/Marine\\_Plastic\\_Debris\\_and\\_Microplastic.pdf](http://www.unep.org/gpa/documents/publications/Marine_Plastic_Debris_and_Microplastic.pdf).

11. The final report of the Executive Director of UNEP on the work of the task team on the effectiveness of administrative arrangements and programmatic cooperation between UNEP and UNEP-administered convention secretariats was submitted to the United Nations Environment Assembly at its second session.<sup>5</sup> The recommendations in that report formed the basis for Environment Assembly resolution 2/18, on the relationship between UNEP and the multilateral environmental agreements for which it provides the secretariats.<sup>6</sup>

12. The resolution calls for the Executive Director, *inter alia*, to develop a flexible draft template of options for the provision of secretariat services in an appropriate form; to maintain the flexibility required on a case-by-case basis in establishing the delegations of authority to the heads of the multilateral environmental agreement secretariats; to waive Programme Support Costs on voluntary contributions for participation costs when arranging participation is done by administrative staff financed by the Programme Support Costs on the operating budget; to prepare information for the governing bodies of the multilateral environmental agreements on the implications of the International Public Sector Accounting standards on their operational budgets; promote programmatic cooperation. UNEP responded to these requests during the 2016 -2017 period. In particular, UNEP Headquarters have initiated the development of the draft template of options for the provision of secretariat services, which will be consulted in late 2017 with Secretariats of MEAs. The third session of the UN Environment Assembly will be informed of the progress on this matter.

13. The new Delegation of Authority Policy and Framework for the management and administration of Secretariats of Multilateral Environmental Agreements came into force on 1 November 2016. It simplifies, standardizes and streamlines the Delegation of authority from the Executive Director to Heads of Secretariats of Multilateral Environmental Agreements and heads of other bodies for which UNEP provides the Secretariat or Secretariat functions. The Policy was adopted following consultations with the respective Convention Secretariats, and took into consideration their comments.

14. UNEP has also prepared standardized guidelines and procedures for financial matters for the Multilateral Environment Agreements for which UNEP provides secretariat services. The financial guidelines will assist the governing bodies of Multilateral Environmental Agreements in budget preparation, financial monitoring and preparation of financial statements and other financial matters. The guidelines are part of UNEP work towards enhancing internal processes and policies to make them more efficient, streamlined and transparent.

15. UNEP has prepared a report on the implications of the International Public Sector Accounting Standards for the governing bodies of the Multilateral Environmental Agreements and their operational budgets, in response to the request from the UN Environment Assembly in paragraph 6 of resolution UNEA.2/18 on the “Relationship between UNEP and the multilateral environmental agreements for which it provides the secretariat”. This report is attached in Annex I of the present document.

16. Finally, there are very close links between the theme of the third session of the UN Environment Assembly “Pollution free planet: delivering a deal to detoxify the world” with the theme of the 20<sup>th</sup> Ordinary Meeting of the Contracting Parties of the Barcelona Convention and its Protocols (COP 20) “Implementation of SDG 14 within the 2030 Agenda for Sustainable Development, with a Focus on Marine Pollution and Biodiversity”. It is expected therefore that COP 20 will provide a very timely opportunity for the translation of the key messages and decisions of the Environment Assembly at the regional level in the Mediterranean.

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<sup>5</sup> <http://web.unep.org/unea/documents>.

<sup>6</sup> [http://www.unep.org/about/sgb/cpr\\_portal/Portals/50152/UNEA2%20RES/18.pdf](http://www.unep.org/about/sgb/cpr_portal/Portals/50152/UNEA2%20RES/18.pdf).

**Annex I**



09 December 2016

# Budgetary Implications of implementation of International Public Sector Accounting Standards on Multilateral Environmental Agreements

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## Background

1. International Public Sector Accounting Standards (IPSAS) are a set of accounting principles and standards, recommended as best practice in the preparation of financial statements for public sector entities including governments, city and municipal authorities, non-profit organizations and UN system organizations. IPSAS replaces the United Nations System Accounting Standards (UNSAS), which were the accounting standards previously used by the UN system organizations.
2. The General Assembly in its Resolution 60/283 of July 2006, requested United Nations entities to adopt International Public Sector Accounting Standards (IPSAS). In 2014, UN Environment Programme successfully implemented IPSAS for the first time in the preparation of 2014 and 2015 financial statements. The the UN Board of Auditors issued a clean audit opinion on these statements, which was a significant milestone in IPSAS implementation.

## Umoja & IPSAS

3. As part of the major UN administrative reforms, a new Enterprise Resource Planning (“ERP”) system, Umoja, was implemented by UN secretariat entities. This system is designed to support IPSAS.
4. IPSAS standards provide better quality general purpose financial reports through better disclosure, more transparency, more consistency and comparability between entities. More information is available in the additional disclosures contained in the notes to the financial report by the External Auditors’ report and their recommendations. The financial information contained in the financial statements contributes to informed decision-making and amplifies accountability for the use of resources and management of assets. IPSAS-based financial information provides a vast amount of information on the resources of the organization and its future obligations.



## Budgetary implications of IPSAS

5. *Umoja costs:* Although the deployment costs of Umoja were initially absorbed by UN Headquarters and UN Environment Programme centrally, the future operating costs, including license fees, will be passed on to user entities. The estimated costs per year have not yet been confirmed, but UN Environment Programme, including Multilateral Environment Agencies (MEAs), Conventions and Regional Seas, will be required to contribute to these expenses costs based on a defined formula yet to be announced.

6. *Unfunded liabilities:* IPSAS is based on accrual accounting which fully discloses future obligations of the organizations in terms of accrued liabilities, including the unfunded portions of those liabilities. The United Nations partially accrue for some longer term benefits such as pension, workers compensation under Appendix D of the Staff Rules, and repatriation grant by setting aside the respective costs each month to ensure sufficient funds are available in the future to pay for the respective benefits. However, under the old UNSAS system, UN does not provide for most of the unpaid after service and health entitlements. As at 31 December 2015, UN Environment Programme had unfunded liabilities in this category of \$109 million. This obligation will have to be shared by different budget centres of UN Environment, including all MEAs, Conventions and Regional Seas. Guidance is expected from UNHQ on the budgetary implications for these provisions.

7. *Audit fees:* Under UNSAS, audited financial statements were produced biennially. Under IPSAS, they must be produced annually. This has a budgetary implication on audit fees and related expenses. Therefore this implies an increase in the share that will be contributed by MEAs, Conventions and Regional Seas to the audit budgets.

8. *Audit Opinion:* Financial statements of all funds relating to MEAs, Conventions, Protocols and the multilateral fund are consolidated. Any deficiencies leading to an adverse audit opinion on any one of them will imply that the consolidated set of financial statements would suffer the same adverse opinion. Such a scenario would have far reaching implications on the organizations and could lead to reduced contributions and strain strategic relationships with donors and partners.

9. *Liquidity management:* IPSAS supported by Umoja, operates a very stringent liquidity management regime, where inter-project/inter-fund cash borrowing is highly restricted. This is consistent with the financial rules in as far as adherence to the requirement that “funds are utilized for intended purpose”. While there are legitimate mechanisms that facilitate inter-project or inter-fund cash borrowing, MEAs, Conventions and Regional Seas have specific mandates and therefore do not readily have access to the broader liquidity pool of other general funds. This has a critical



implication not only on the level of contributions, but on the **timing of when the contributions are made**. Parties will therefore be urged to make contributions in a timely manner and avoid arrears.

10. *Operating Reserves Requirements:* In view of the liquidity management concerns as highlighted in paragraph 9 above, the UN Board of Auditors recommended that all MEAs, Conventions and Regional Seas, establish a funded operative reserve of 15% to cushion uneven cash flows as well as unanticipated programme budget fluctuations, within limited thresholds set by the governing bodies. The secretariats of the respective MEAs have or will propose time schedules within which this requirement will be met.

## Summary

11. IPAS has far reaching budgetary implications, not only in terms of the required level of contributions to factor in 15% for operating reserves, but also timely payments of the pledged contributions is important to support the strict liquidity management regime. Additional resources will be required to fund Umoja operating costs, unfunded liabilities (including ASHI) as well as increased audit fees due to the increased frequency from once every two years to annual audits by the United Nations Board of Auditors. The actual budget implications will be known once the respective bodies within the United Nations complete the reviews and assessments of the rates to be used in accruing the liabilities or when the actual additional amounts required are determined.