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Item 6 of the provisional agenda\*

**Budget and programme of work for the biennium  
2012–2013 and the Environment Fund and other  
budgetary matters**

**Proposed biennial programme of work and budget for  
2012–2013**

**Report of the Executive Director**

**Addendum**

**Report of the Advisory Committee on Administrative and Budgetary  
Questions**

1. The Executive Director has the honour to submit, in the annex to the present report, a report of the Advisory Committee on Administrative and Budgetary Questions on the proposed biennial programme of work and budget of the United Nations Environment Programme for 2012–2013 (UNEP/GC.26/13).
2. The annex has been reproduced as received from United Nations Headquarters. It is initially available in English only and the translated versions will be issued as they become available from Headquarters.

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\* UNEP/GC.26/1.

## **Annex**

### **United Nations Environment Programme**

#### **Proposed biennial programme of work and budget for 2012-2013**

##### **Report of the Advisory Committee on Administrative and Budgetary Questions**

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance copy of the report of the Executive Director of the United Nations Environment Programme (UNEP) on the proposed biennial programme of work and budget of UNEP for 2012-2013 (UNEP/GC/X/X). During its consideration of the report, the Committee met with representatives of UNEP, who provided additional information and clarification.

2. In his report, the Executive Director indicates that the proposed programme of work and budget for the biennium 2012-2013 is guided by the medium-term strategy for the period 2010-2013, as approved by the Governing Council of UNEP in decision SS.X3, and based on the strategic framework for the period 2012-2013, as amended and approved by the Committee for Programme and Coordination at its fiftieth session (UNEP/GC/X/X, para. 1). The proposed programme of work and budget provides for six subprogrammes, which correspond to the six cross-cutting thematic priorities set out in the medium-term strategy for 2010-2013, namely climate change; disasters and conflicts; ecosystem management; environmental governance; harmful substances and hazardous waste; and resource efficiency and sustainable consumption and production.

3. Table 1 of the Executive Director's report shows that total projected resources for 2010-2011, as approved by the Governing Council at its twenty-fifth session, amount to \$446,502,000, comprising Environment Fund resources of \$180,000,000, trust and earmarked fund resources of \$228,200,000, programme support cost requirements of \$25,525,000 and United Nations regular budget resources of \$12,777,000. However, the Advisory Committee notes from paragraph 34 of the report that, as at August 2010, Environment Fund income was projected to fall approximately \$18 million, or 10 per cent, short of the \$180 million required to fully finance the 2010-2011 programme of work. The Committee was informed, upon enquiry, that while the projected shortfall as at 31 December 2010 had risen to approximately \$21.6 million, or 12 per cent, actual income figures for 2011 might be more positive, as a number of donors tended to pay contributions due in the first year of the biennium early in the second year.

4. As a result of the projected shortfall in Environment Fund resources, the Executive Director indicates that he is taking steps to implement efficiency measures, including a reduction in the travel budget and a corresponding increase in the use of videoconferencing, and to delay recruitment against selected vacant positions until such time as more information is received from donors. Efforts are also under way to secure additional funding from both current and potential donors (UNEP/GC/X/X, para 34). The Advisory Committee trusts that, as stated in paragraph 34 of the report, the impact of any savings on the approved programme of work and budget for the biennium 2010-2011 will be explained to the Governing Council in the context of the 2010 programme performance report.

5. In view of the projected shortfall referred to in paragraph 3 above, as well as the current economic crisis, the Executive Director has taken a prudent approach to planning and has presented the proposed budget for 2012-2013 on a zero real growth basis. Accordingly, factoring in an annual inflation rate of 3 per cent, total projected resource requirements for 2012-2013 amount to \$474,020,000, comprising Environment Fund resources of \$190,962,000, trust and earmarked fund resources of \$242,097,000, programme support cost requirements of \$28,183,000 and United Nations regular budget resources of \$12,777,000.

6. It can be seen from table 2 of the Executive Director's report that programme support costs for 2012-2013 represent just under 7 per cent of the total proposed budget. In its resolution 35/217, the General Assembly endorsed a programme support cost recovery rate of 13 per cent for extrabudgetary activities. Upon enquiry, the Advisory Committee was informed that, while UNEP generally applied the 13 per cent recovery rate, it, like other programmes/departments of the United Nations, had granted exceptions for various reasons, such as when support costs could be shared with an implementing partner or when the activities for which voluntary contributions were provided were particularly straightforward. Table 1 of the Executive Director's report illustrates that, for the biennium 2010-2011, programme support costs account for 11.2 per cent of total trust and earmarked fund expenditures. The Advisory Committee was informed that, in 2012-2013, that figure was expected to increase to 11.6 per cent, partly as a result of a tightening of UNEP's approach to the granting of exceptions to the 13 per cent rate

endorsed by the General Assembly. The Committee was further informed that interagency discussions on programme support cost rates had been ongoing for some years but that, in UNEP's view, a harmonized approach to those rates appeared unrealistic given that the various United Nations agencies, funds and programmes did not have standardized costs.

7. The proposed budget provides for an estimated total staffing requirement of 589 posts, an overall decrease of 57 posts as compared with the 646 posts approved for the biennium 2010-2011. This is the net effect of a decrease of 58 Environment Fund posts (29 Professional and 28 Local level), offset by an increase of 1 programme support post (see table 1 of the Executive Director's report). The Advisory Committee notes that posts funded from trust and earmarked funds are not included in the staffing table, since many such posts are of a temporary nature, their levels are subject to frequent changes and they are not all administered by UNEP (see footnote to table 3). Upon enquiry, the Committee was informed that, as at 30 September 2010, there were a total of 206 Professional and 39 General Service posts funded from trust funds and earmarked contributions. The Committee was further informed that all staff administered by UNEP whose posts were funded from trust funds or earmarked contributions were awarded contracts that conformed to the provisions of the United Nations staff rules.

8. The Advisory Committee recalls that, in its report on UNEP's proposed biennial programme and support budget for 2010-2011, it noted an increase of 88 posts under the Environment Fund. While it had no objection to the staffing table proposed at that time,

the Committee nevertheless expressed the expectation that the Executive Director would phase in the additional posts on the basis of receipt of adequate resources. On that occasion, the Committee also recalled that, in its decision 24/9, the Governing Council had recommended that the Executive Director, in the light of possible financial constraints, take a cautious approach to the creation of additional posts under the Environment Fund programme (UNEP/GC.25/12/Add.1, paras. 4 and 8). In paragraph 36 of his current report, the Executive Director indicates that, mindful of the Advisory Committee's recommendation and in response to concerns raised by the Committee of Permanent Representatives, steps have been taken to allocate a larger proportion of Environment Fund resources to non-post costs, while ensuring that the programme of work is delivered in full. To date, those efforts have yielded the reduction of 58 Environment Fund posts referred to in the preceding paragraph. The Advisory Committee was informed, upon enquiry, that UNEP planned to deal with the reduction in the number of posts primarily through more robust vacancy management, rather than through the elimination of activities, as well as by working more closely with its partners in order to leverage external expertise. In this connection, the Committee notes that the proposed programme of work and budget for 2012-2013 projects an Environment Fund post to non-post funding ratio of 64:36, whereas the equivalent ratio for the preceding biennium was 66:34.

9. As indicated in paragraph 38 of the report, estimated staff costs for the biennium 2012-2013 have been calculated using United Nations standard salary costs, with a

vacancy factor of 10 per cent.<sup>1</sup> This results in an overall increase of \$2,748,000 in budgeted post costs, the net effect of an increase of \$7,281,326 attributable to inflation and the application of full United Nations standard salary costs, and a decrease of \$4,532,700 attributable to the redeployment of funds from posts to non-post expenditure. According to the Executive Director, the above-mentioned reduction of 58 posts has had a proportionately limited impact on the proposed budget for 2012-2013 because new posts for 2010-2011 were not budgeted at 100 per cent. Upon enquiry, the Advisory Committee was informed that staff costs for 2010-2011 were not calculated on the basis of United Nations standard salary costs. Rather, figures derived from actual expenditures in 2009 were used, and a significant vacancy rate factored in.

10. The Advisory Committee recalls that, during the biennium 2010-2011, UNEP pioneered a matrix management approach to programme implementation. The reasons for adopting that approach were described in the proposed programme of work and budget for that biennium, and included a desire to strengthen results-based management and increase managerial accountability for programme delivery and resource utilization while at the same time ensuring that relevant sectoral experience benefited all subprogrammes (see UNEP/GC.25/12, para. 57). According to the Executive Director, in implementing this approach UNEP has improved its results focus and made better use of existing resources through enhanced coordination and the elimination of the silos, duplication and overlap inherent in subprogramme-specific organizational divisions (UNEP/GC/X/X, para. 27). Upon enquiry, the Advisory Committee was provided with more detailed

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<sup>1</sup> Since the UNEP programme of work and budget for the biennium 2012-2013 has been formulated in advance of the issuance of United Nations standard salary scales for 2012 and 2013, the standard scales for 2011 have been used, to which an annual inflation rate of 3 per cent has been added.

information on the status, as at 3 December 2010, of UNEP reform initiatives adopted as part of the matrix management approach (see annex).

11. In paragraph 27 of his report, the Executive Director acknowledges that the process of implementing the matrix management approach has not been without difficulty, and indicates that the lessons learned during the planning and early implementation phase of the programme of work and budget for the biennium 2010-2011 strongly influenced the formulation of the programme of work and budget for the biennium 2012-2013. Those lessons, which touch on a diverse range of issues, including responsibility and accountability, programme coordination, communication, monitoring, evaluation and reporting and the attribution of funds to subprogrammes, are discussed in detail in section I.B of the Executive Director's report. The Advisory Committee notes, in particular, that the Office of Internal Oversight Services (OIOS) found that there was a need for clarity as regards the assigning of authority, responsibility and accountability to the various divisions and staff members involved in the implementation of subprogrammes. In response to that finding, UNEP has adopted a new and simplified programme accountability framework that clearly describes divisional responsibility for the results required in the programmes of work for 2010-2011 and 2012-2013 (UNEP/GC/X/X, para. 28). Section IV of the proposed programme of work and budget for the biennium 2012-2013 shows how responsibility and accountability are assigned to the relevant divisional directors.



12. The Executive Director also indicates that the introduction of the matrix management approach has meant that individual divisions are no longer exclusively responsible for the delivery of a single subprogramme and that, in order to deal with that situation, UNEP has strengthened its corporate planning, monitoring and evaluation functions, established new consultation and coordination mechanisms and appointed subprogramme coordinators (*ibid.*, para. 29). Upon enquiry, the Advisory Committee was informed that three dedicated posts for subprogramme coordinators (for subprogrammes 1, 3 and 6) had been provided for in the 2010-2011 budget and were currently encumbered. The coordinators for the remaining three subprogrammes were discharging their coordination role in addition to their existing responsibilities.

13. With regard to the presentation of the budget document, the Advisory Committee notes that it has evolved to reflect the added complexities of the matrix management approach. In paragraph 4 of his report, the Executive Director indicates that the programme of work and budget for the biennium 2012-2013 reflects a refined prioritization, a streamlined presentation and a deeper results-orientation, and includes expected accomplishments and indicators of achievement for the principal elements of what was previously termed the support budget, namely executive direction and management and programme support. It also facilitates a comprehensive review of UNEP's subprogrammes by presenting resource estimates and requirements under each subprogramme, and responds to the request of the Governing Council that divisional resources be linked to programmes.

14. In paragraph 32 of the report, however, the Executive Director points out that some of the costs incurred by UNEP's divisions and regional offices cannot be easily assigned, and consequently charged, to a specific subprogramme. In particular, the time dedicated to each subprogramme by a divisional or regional director cannot be cost-effectively identified and accounted for under each of the subprogrammes concerned, and, furthermore, the current resource management systems used by the United Nations do not readily allow for the assignment, through cost accounting, of staff-related charges to multiple subprogrammes. The Advisory Committee notes that, in order to address those challenges, UNEP has aggregated its cross-cutting programme management costs and assigned them to specific subprogrammes on a pro-rated basis. Tables 10 and 11 of the report serve to illustrate that approach.

15. The Advisory Committee commends UNEP for its continued implementation of the matrix management approach, which focuses on results rather than the structures required to achieve them, as well as for the efforts it has undertaken to overcome the challenges encountered. The Committee also takes note of the adjustments made to the format of the budget document in response to its own request (see UNEP/GC.25/12/Add.1, para. 10) and to that of the Governing Council. The Advisory Committee recommends that UNEP keep a detailed record of its experiences with the matrix management approach so that relevant lessons learned can be shared, as appropriate, with other United Nations system entities.

16. In paragraph 25 of the report, the Executive Director indicates that UNEP will continue to integrate gender equality and equity into all its policies, programmes and projects with special attention given to the role of women in environmental policymaking, environmental management and early warning and disaster management. Upon enquiry, the Advisory Committee was provided with the following table illustrating the gender balance of UNEP staff:

	USG	ASG	D-2	D-1	P-5	P-4	P-3	P-2	Total Professional	Total General Service
<b>Female</b>										
Number	0	1	4	9	28	73	90	81	286	372
Percentage of total	0%	50%	44%	18%	26%	38%	48%	68%	43%	78%
<b>Male</b>										
Number	1	1	5	40	81	121	98	38	385	103
Percentage of total	100%	50%	56%	82%	74%	62%	52%	32%	57%	22%

It can be seen from the table that 43 per cent of UNEP's Professional staff are female. In this regard, the Advisory Committee was informed that, while UNEP remained strongly committed to achieving the 50/50 gender balance target set by the Secretary-General, it had proven difficult to attract female candidates for senior-level posts, partly because a large number of existing male staff members were awaiting promotion. Indeed, for most vacancies, there were four or five times as many male applicants as there were female. In addition, many potential female applicants did not view Nairobi as an attractive duty station because of security concerns. The Advisory Committee encourages UNEP to take all necessary measures to recruit more female staff, particularly at the higher levels.

17. Annex III to the Executive Director's report lists the recommendations of the Board of Auditors, as contained in its report for the biennium ended 31 December 2009 (A/65/5/Add.6), that are still under implementation or awaiting implementation. In response to concerns expressed by the Advisory Committee about the length of time taken to comply with those recommendations, representatives of UNEP explained that implementation of a number of them depended on the activation of other, system-wide initiatives. For instance, the Board had recommended that UNEP take advantage of the installation of the new enterprise resource planning system to set up indicators for the regular monitoring of the cash situation (*ibid.*, para. 29). Action could not be taken on that recommendation until the enterprise resource planning system was functioning. Similarly, until the United Nations Secretariat adopted the International Public Sector Accounting Standards, the Board's recommendation that UNEP clarify the legal status of the Multilateral Fund and decide on the consolidation of its financial statements into the financial statements of UNEP could not be implemented (*ibid.*, para. 52). The Advisory Committee stresses the importance of full implementation of the Board's recommendations.

**Annex****Status of UNEP reform initiatives as at 3 December 2010**

<b>Completed</b>	<b>Pending</b>
Results-based management approaches refined	
Revamped programme and project review processes adopted and in use	New project manual
Programme accountability framework adopted	Framework to be used in the review of UNEP's performance
Monitoring policy and plan adopted and under implementation	
Evaluation policy and plan adopted and under implementation	
Options for aligning human resources with the programme of work agreed on by management and under implementation	
First phase of in-house capacity development strategy implemented	Second phase of strategy yet to be implemented. Funding secured in December 2010
Partnership strategy adopted	Strategy to be refined to include operational details
Resource mobilization strategy adopted	
Science strategy adopted and under implementation	
Programme information management system (PIMS) launched	PIMS to be used for monitoring UNEP's performance
Approach for improving delivery at the regional level adopted	Approach yet to be implemented
	Knowledge management strategy