

Introduction to Financial Management

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Overview of UNEP's Funding Arrangements

A) Assessed Contributions: 25 Trust Funds

- > Mandated through Governing Bodies of MEAs and Multilateral Fund
- > Uses a scale of assessment based on UN General Assembly Scale of Assessment to determine the amounts payable by each donor
- > Generally, finance Annual, Biennial and Triennial Budgets of UNEP and MEAs
- > Pooled Funding Mechanism - No donor specific reporting

B) Voluntary Contributions: 104 Trust Funds

- > Mainly operated through earmarked donor agreements
- > Amount of contribution negotiated with each donor
- > Multi-year in Nature – Not restricted to annual, Biannual and Triennial periods
- > Pooled Funding Mechanism(multi-donor agreements) and Donor earmarked funding mechanism
- > Includes Environment Fund which uses the Voluntary Indicative Scale of Contribution(VISC) to guide the calculation of contributions of Member States
- > Includes Programme Cooperation Agreements, GEF, GCF and JPO funds

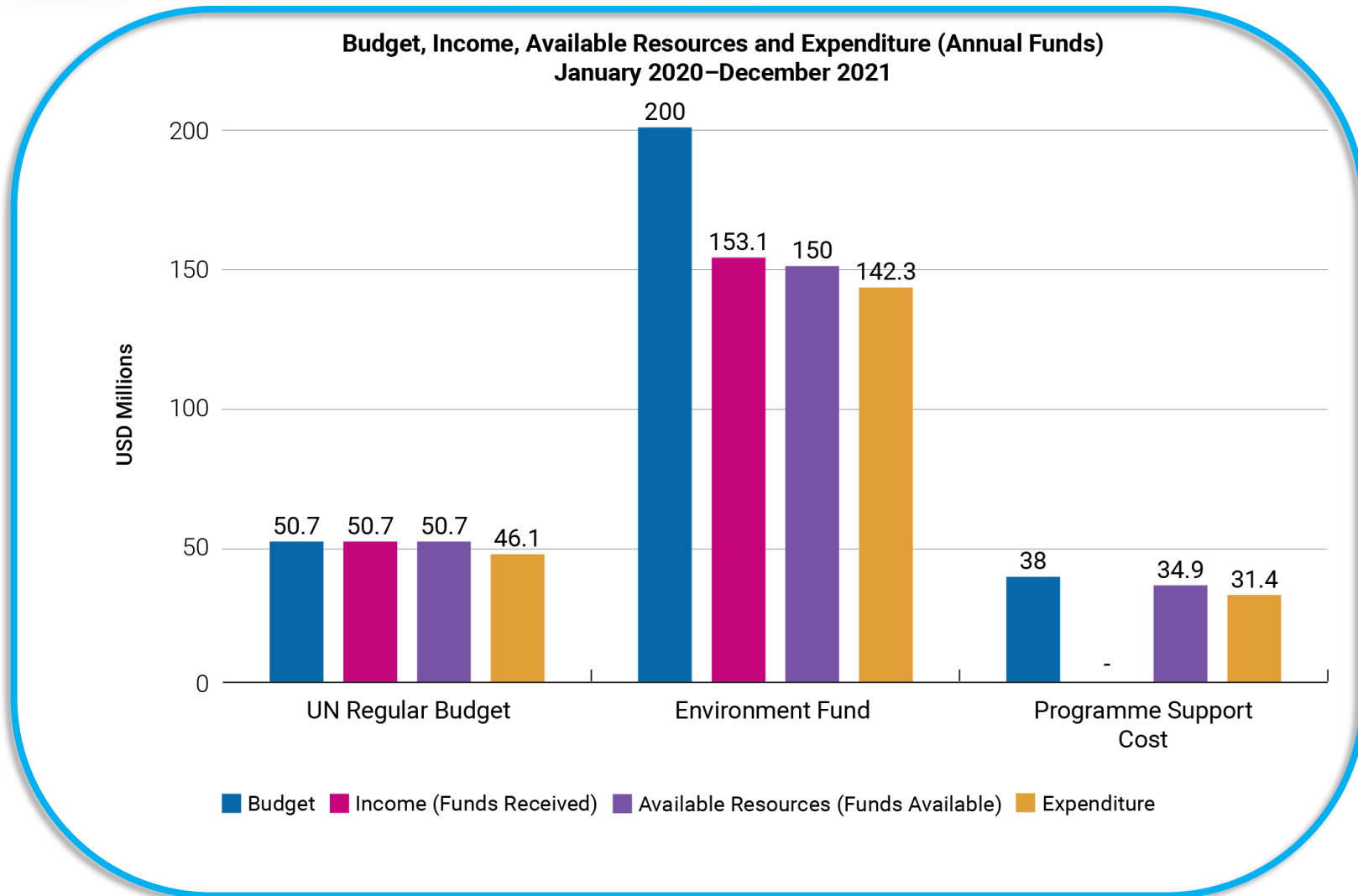
C) Other Funds – Regular Budget(Assessed), Programme Support Income, Cost recovery funds and End of Service and post-retirement benefits etc.

Notes

- **CPR report include** Trust Funds that **directly finance UNEP's Programme of Work only**. i.e. Environment Fund, Regular Budget, Programme Support, Global Funds and Earmarked Funds supporting POW,
- **CPR report excludes** all Trust Funds for MEAs and administrative Trust Funds like those dealing with Cost Recovery and End of Service and post-retirement benefits

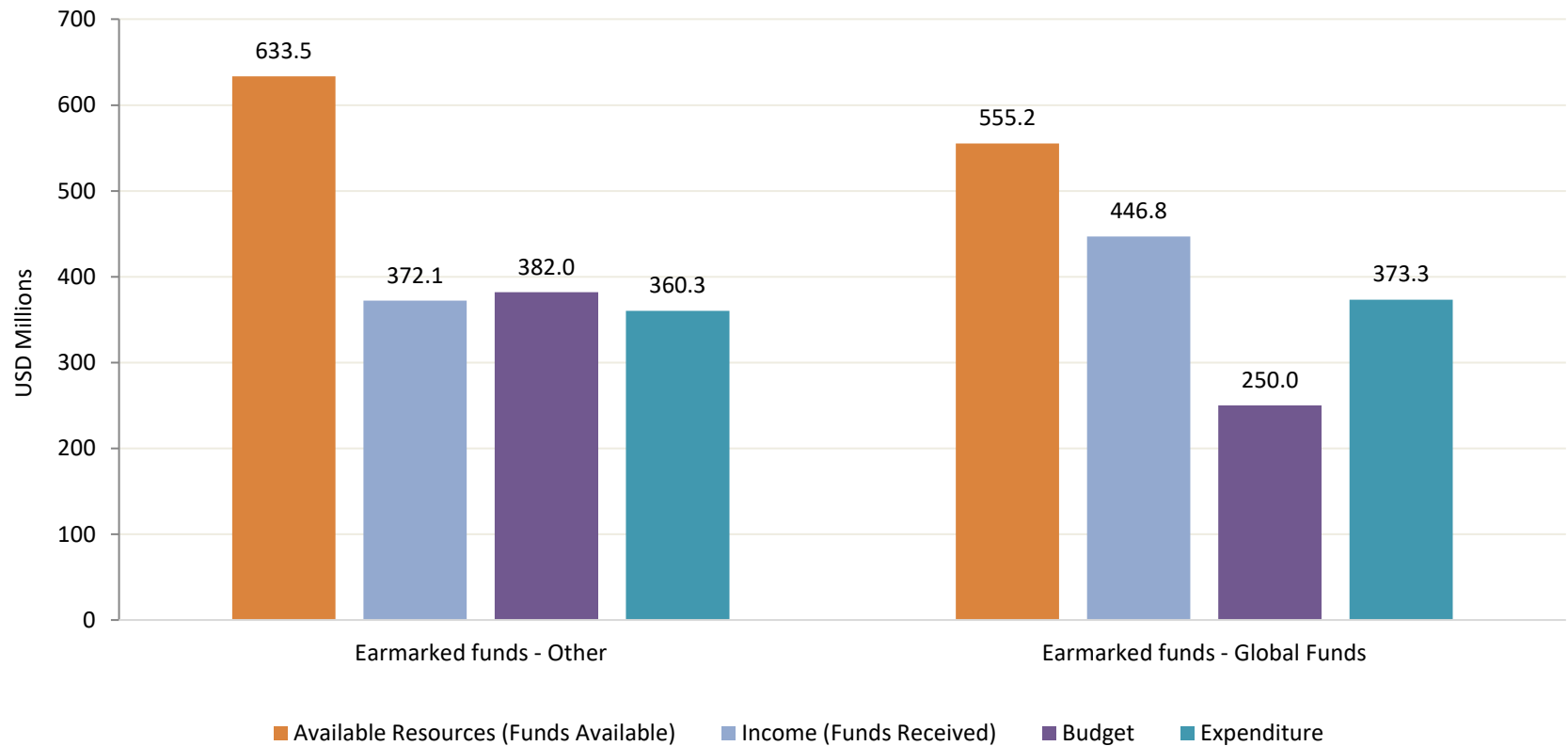
Budget, Income, Available Resources and Expenditure

(Annual Funds) January 2020 - December 2021



(Multi-year Funds) January 2020 – December 2021

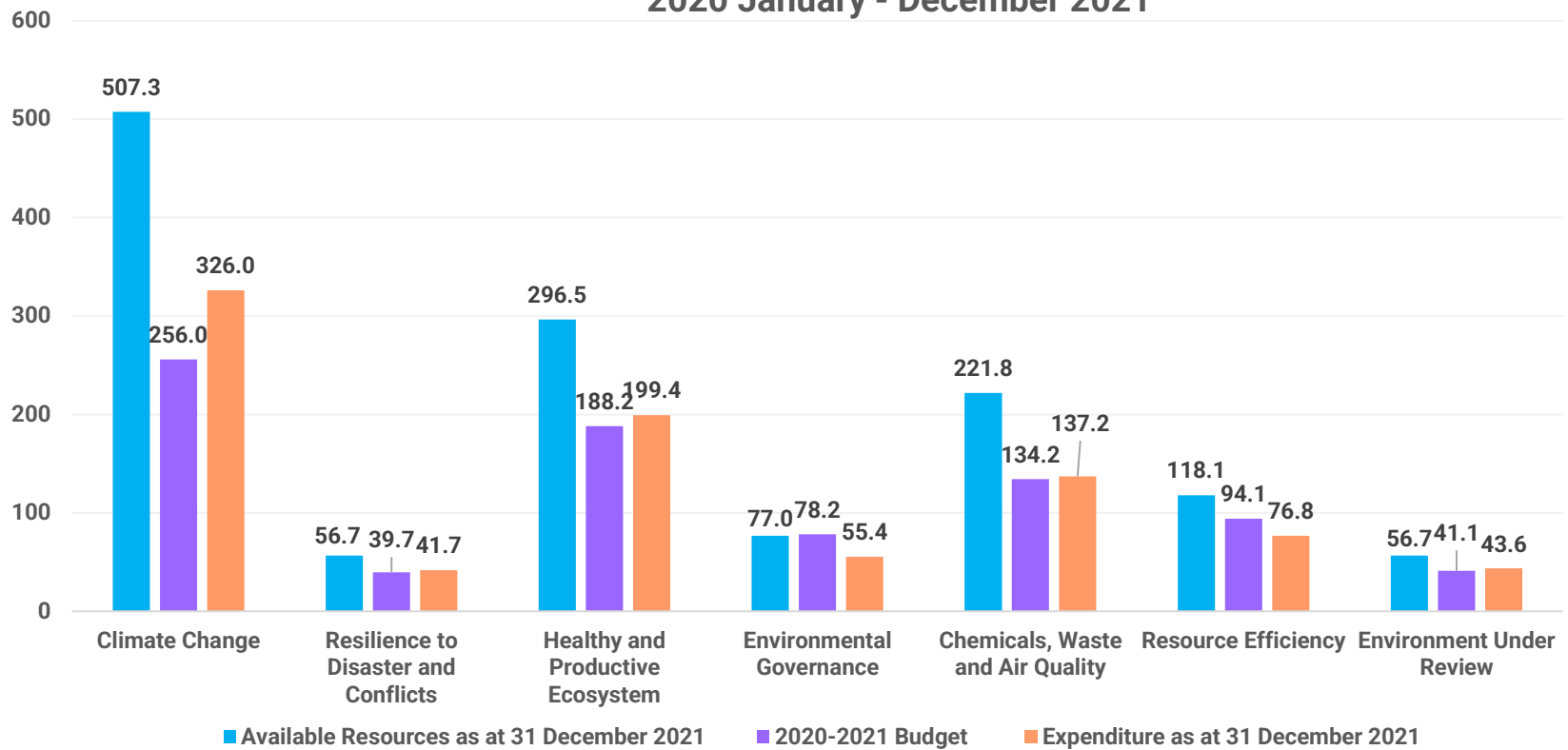
**Budget, Income, Available Resources and Expenditure (Multi-Year Funds)
January 2020- December 2021**



Budget performance by Sub-Programme

Jan 2020 - Dec 2021

Performance by Sub-Programme 2020 January - December 2021



Multi-year Funding Arrangements

- **Voluntary contributions that finance Project/Programme for multi years**

Impact of Multi-Year on operations and reporting

Hypothetical example: A Donor agreement of US3 million is concluded to finance a five-year project and Donor agrees to make payments to UNEP in 2 instalments

Reporting Element	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Total</u>
Budget	3,000,000	-	-	-	-	3,000,000
Expenditures	600,000	850,000	350,000	430,000	770,000	3,000,000
Budget Balance(in ERP)	2,400,000	(850,000)	(350,000)	(430,000)	(770,000)	-
Cash	1,500,000	-	1,500,000	-	-	3,000,000
Income (Financial Statements)	3,000,000	-	-	-	-	3,000,000

1. Budgets – Full budgets established in ERP in the year of approval of the agreement but spend in several future periods. The ERP does not allow establishment of budgets against future years.
2. Reports: ERP reports of future years shows expenditures without corresponding budgets as budget balances of prior years are used in future years.
3. Cash payments are received in instalments over the period of the agreements – this affects the liquidity of the Trust Funds and Grants.
4. Income recognition for IPSAS financial statements – Full income is recognized in the year of signing the donor agreement although the income is spent in future years

CPR progress reports Vs UNEP's annual financial statements

1. UNEP's annual Financial Reports and Audited financial statements
 - (a) Reports for the years 2000 to 2021 available on UN Board of Auditors (UNBOA) link ([United Nations Board of Auditors](#))
 - (b) UNEP has Unqualified Audit Opinions from UNBOA for all these years
2. CPR progress reports are based on financial information in Umoja (UN ERP) which is also used to prepare the audited financial statements, **However,**
3. Audited Financial Statements are prepared in accordance with International Public Sector Accounting Standards (IPSAS). IPSAS are a set of accounting standards for use by public entities around the world in preparation of financial statements;
4. Differences between CPR reports and Audited Financial Statements arise from:
 - a) Different basis of preparation including IPSAS provisions on Income, Expense and unliquidated obligations
 - b) Audited Financial Statements include all Trust Funds administered UNEP (RB, i.e. RB, EF, MEA trust funds, PSC account, cost recovery e.t.c.
- 5.. More information sharing sessions on Financial Management may be organized in future .