

Committee of the Permanent Representatives
Subcommittee meeting
Nairobi, 3 December 2024
09:00 – 12:00 and 13.00 – 16:00 (GMT+3)
Hybrid meeting
Conference Room 4 (in person)
and Microsoft Teams (online)

Agenda item 3: Budget Envelope Options for UNEP Programme of Work 2026-2027

This background document has been developed by the Secretariat in preparation for the discussions expecting to take place under agenda item 3 of the subcommittee meeting to be held on 3 December 2024.

This document includes three budget options for the Programme of Work for 2026-2027 , aligned with the first phase of the Medium-Term Strategy for 2026-2029.

Following the presentation, the Committee is invited to take note of the briefing and engage in an exchange of views with Committee members and the Secretariat.

Budget Envelope Options for UNEP Programme of Work 2026-2027

I. Summary

1. UN Environment Programme's 2026-2027 budget is formulated to meet the increased focus on environmental issues in the UN system and the 2030 Agenda for Sustainable Development which represents major opportunities for the UN Environment Programme. We are embarking on the development of the next two-year Programme of Work for 2026-2027 (PoW), which is the first half of the of the four-year Medium-Term Strategy for 2026-2029 approved by the sixth session UN Environment Assembly (UNEA 6). Having a realistic yet ambitious PoW and budget is crucial for UNEP to maintain its role as a leading global environmental authority and to promote the coherent implementation of the environmental dimensions of sustainable development within the UN system.
2. Like previous budget preparation exercises the Executive Director submits to the Committee of Permanent Representatives three options as set out in table 1 below. The budget is broken down in the following funding categories: Environment Fund, UN Regular Budget, Earmarked Funds, Programme Support Fund and Global Funds. The options and rationale are as follows:

Option A: Taking a zero nominal growth approach, this option presents a total budget envelope of \$1,168 million for the biennium 2026-2027.

- (a) For the Environment Fund, this option keeps the budget amount for the biennium 2024-2025;
- (b) For the UN Regular Budget, this option applies the proposed programme budget for 2025 of \$24.6 million (i.e. \$49.2 million for the biennium) after UNHQ's recosting exercise in September 2024;
- (c) For the Earmarked Funds, this option uses the average **expenditures** from 2020-2024¹;
- (d) The Programme Support Cost (PSC) Fund type assumes a 10% PSC rate against the Earmarked Funds budget;
- (e) For the Global Funds, this option uses the average **expenditures** from 2020-2024 as well².

Option B: Taking a zero real growth approach, this option accounts for inflation and applies a 5% increase³ to the amounts in Option A for all funding types, except that the UN Regular Budget is maintained at \$49.2 million. The total budget envelope under this approach is \$1,224 million⁴.

Option C: Taking a growth approach, this option assumes an overall growth rate of 10% on the amounts in option A for all fund types, except that the UN Regular Budget is maintained at \$49.2 million. This option can confidently accommodate the existing and further potential staffing cost increases elaborated in Option B.

¹ The consultation with the fund managers of the Earmarked Funds regarding the projected income of the biennium 2026-2027 has assured that the projected income is sufficient to cover the budget. The expenditure figures for 2020-2023 are actual and the figure for 2024 is a projection as at 15 November 2024.

² Similarly, the consultation with the Global Environment Facility (GEF) and the Green Climate Fund (GCF) coordination teams has provided reasonable assurance that the projected income of the biennium 2026-2027 is sufficient to cover the budget.

³ Based on the global inflation rates for 2024/2025 projected by IMF: <https://www.imf.org/external/datamapper/PCPIPCH@WEO/OEMDC>

⁴ The growth rate of 5% accommodates the current increase in staffing costs. This however does not account for potential further standard staffing cost increase and the cost impact arising from the UN mandatory mobility exercise for the professional and higher categories that will come into effect during the biennium for all new recruits since October 2023.

Table 1: Total Budget by Funding Type (million USD)

Funding Type	2016-2017		2018-2019		2020-2021		2022-2023		2024-2025		2026-2027		
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actuals at 15 Nov 24	Option A	Option B	Option C
											Budget	Budget	Budget
Environment Fund	271	128	271	132	200	141	200	175	200	79	200	210	220
UN Regular Budget	46	42	40	43	40	43	47	42	44	17	49	49	49
Earmarked Funds	225	353	305	355	382	373	322	490	322	257	461	484	507
Programme Support Funds	23	50	33	45	38	45	32	51	32	22	46	48	51
Global Funds	118	391	140	322	250	374	272	517	272	124	411	432	452
Total	684	964	789	897	910	976	873	1,276	870	500	1,168	1,224	1,280

II. Recommendation

3. UNEP would like to recommend **Option C** with a total funding requirement of \$1,280 million, in line with its ambition in strengthening resource mobilization and enhancing programme delivery.
4. Through anchoring against the average expenditures rather than the budgets of 2020-2024, the recommended option addresses the recurrent issue of underbudgeting of the Earmarked Funds and Global Funds in the previous biennia, as well as the Board of Auditors' (BOA) question on the same.
5. The recommended option has consulted with the trust fund managers and coordination offices, and obtained reasonable assurance that the projected income is sufficient to cover the recommended budget in achieving the Organisation's objectives during the PoW biennium 2026-2027.
6. This recommended option will be able to adequately cover the potential increases in staffing costs and operational costs (such as rent and utilities).
7. Upon receiving guidance from the Committee of Permanent Representative on the overall budget targeted for 2026-2027, UNEP will formulate a detailed budget to accompany the Programme of Work 2026-2027.