

2016 Programme Performance Overview

UN Environment this year commemorates 45 years of its existence with a track record in leading efforts to protect our environment. Established in December 1972 as a follow up to the Stockholm Conference on the Human Environment, UN Environment further strengthened its strategic leadership in 2016, exercising its role as a global authority on the environment. It implemented its Medium Term Strategy and Programme of Work, strengthening its partnership with governments, local authorities, the UN system, the scientific community, business, investors, and civil society. No stakeholder was left behind in the joint effort to address the challenges of sustainability and resilience.

A trusted partner

In 2016, the “Multilateral Organization Performance Assessment Network” conducted a thorough review of the organization’s strategy, delivery model, systems and operations. UN Environment was confirmed as a trusted partner, an actor that “meets the requirements of an effective multilateral organization” and that “shows continued strength in terms of being a global authority on environmental issues and providing a robust evidence base for advocacy and policy dialogue... with... a sound operational model, appropriate policies, processes and procedures in place that are expected of a well-functioning multilateral organization.” The review stated that strategically, we have built, over time, a ‘...results framework that provides clear vision and strategic direction’; organizational systems and processes in place that are ‘fit for purpose’ and are able to form ‘effective partnerships which are central to the service delivery model’.

The task of underpinning the organization’s strategic and programmatic work with adequate, and efficient systems remains a constant one: we now must begin using the key parameters and criteria offered by the review to improve further, to better align our programmes with the 2030 agenda and with the work of other UN agencies; to build a robust business intelligence framework that allows effective use of performance data, and greater ability to conduct analysis and reviews; and to strengthen our partnerships and alliances to successfully tackle the growing complexity of the environment and development landscape globally.

These parameters do constitute the essential kit of “fundamentals” that will constantly help us perform as a confident organization, a “trusted partner” to governments, businesses and people.

Strategic Leadership

Significant changes in the global policy landscape have occurred in 2016.

In October, the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer struck a landmark deal to reduce the emissions of powerful greenhouse gases, hydro fluorocarbons (HFCs), in a move that could prevent up to 0.5°C temperature rise by the end of the century while protecting the ozone layer. The Kigali Amendment to the Montreal Protocol, whose Secretariat is hosted by UN Environment, will be an important contribution to the world towards keeping global warming well below 2°C of pre-industrial levels. Also important is the Minamata Convention on Mercury that will likely enter into force in 2017, with only 15 additional member states’ ratifications needed.

On 4 November – less than a year after it was adopted – the Paris Agreement on Climate Change came into force following the ratification by 55 countries whose economies account for 55 per cent of all global greenhouse gas emissions. The unprecedented speed with which the Paris Agreement was ratified is a powerful confirmation of countries’ commitment to urgently tackle climate change – and a similarly powerful reminder of the huge tasks set out for us in assisting its partners in the implementation of such an ambitious agreement. 2016 was the hottest year on record since record keeping started in 1880.

With the world urban population expected to nearly double by 2050, urbanization is one of the 21st century’s most transformative trends, posing massive sustainability challenges in terms of housing, infrastructure, transport, basic services, food security, health, education, decent jobs, safety, and natural resources, among others. Member states adopted the Quito Declaration on Sustainable Cities and Human Settlements for All to take action on this front.

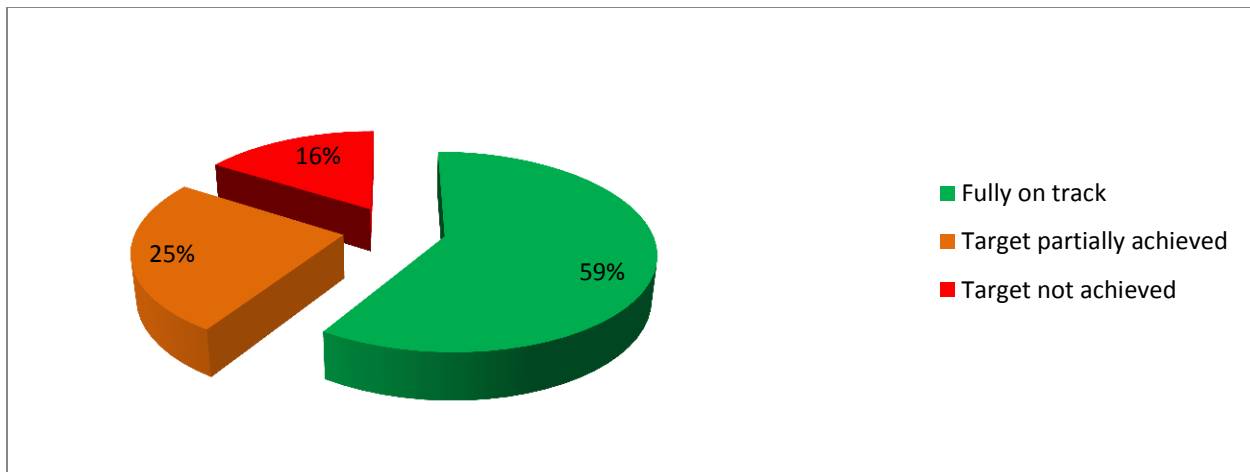
Five years of negotiations and tireless “Speedo diplomacy” from endurance swimmer and UN Environment Patron of the Oceans Lewis Pugh, Antarctica’s Ross Sea was finally declared a Marine Protected Area in October. The Ross Sea, known as the “Polar Garden of Eden”, is widely considered to be the last great wilderness area on Earth. The 1.57 million square-kilometre region is now the world’s largest protected area.

These developments, along with the actions of the UN Environment Assembly and regional ministerial forums, are building a momentum and the foundations that enable the implementation of the *2030 Agenda for Sustainable Development*. There has never been a better time than now to embed environmental sustainability into the way in which economies run. Global trends show a growing recognition, that environmental sustainability is about the economy: opportunities to invest, to create jobs, to improve peoples’ health and well-being, while at the same time maintaining the vitality and full functionality of the Planet’s assets and eco-systems, the very natural foundations that support our lives.

Programmatic relevance and scale of intervention

This is a moment to reflect on our programmatic relevance, on our ability to meet countries’ demands for services, information, solutions; to help them build stronger institutions, better legal instruments, improved investment opportunities; and to continue being a global, knowledgeable and authoritative custodian of the global scientific work and of the “safe negotiating space”, to play a much needed global role in an increasingly complex and interconnected world.

Our programme’s relevance and performance in 2016 has been critical in supporting our key constituents: countries, businesses and citizens. As of December 2016, we have 60 per cent of our targeted indicators for 2016 fully achieved, while the remaining are partially achieved. This result is based on efforts from previous years including 2016 expenditure of \$511 million, \$172 million more than the year’s projected budget of \$339 million owing to an income that exceeded the projected budget.



A number of key results were achieved in 2016. We supported more countries to integrate ecosystem-based and other adaptation approaches into national plans, bringing the cumulative total to 21 countries. We brought together first-mover financiers and renewable energy project developers to mitigate risks and share some of the early-stage investment costs. In 2016, the Seed Capital Assistance Facility signed new agreements with key players in the private sector, and now has a total capitalization of US\$ 660 million. More countries in 2016 finalized national REDD+ strategies that recognize multiple benefits and the role of private sector, an important step in enabling countries to receive results-based payments, and bringing the total 22 countries.

Over the course of 2016, we also supported 22 countries to reduce the risks of natural disasters, industrial accidents and conflicts. We responded to seven acute environmental emergencies in six countries in 2016, meeting all national requests for assistance.

To help create an *enabling environment* for countries to manage ecosystems in a sustainable way, we help countries take account of ecosystem services, assess water quality and incorporate considerations of the health and productivity of ecosystems into their policy frameworks. By the end of 2016, 11 countries had operational ecosystem accounts in place. Thirteen countries had taken steps to update their water quality frameworks. With our support, ten countries and one region adopted or even started implementing green economy policies and sustainable consumption and production actions plans in 2016, bringing the total to 49 countries, cities and regions since 2011.

We made significant contributions in 2016 to the UN system's new guidance on country Development Assistance Frameworks. The new guidance, which is informed by the 2030 Agenda, has four principles for integrated programming: leave no one behind; human rights, gender equality and women's empowerment; sustainability and resilience; and accountability. The new guidance is being piloted in different countries in the context of UN Delivering as One approach.

However, the mission is far from being accomplished. While progress towards achieving lasting results across our seven areas of focus—climate change, disasters and conflicts, ecosystem management, environmental governance, chemicals and waste, resource efficiency, and environment under review—has been generally good, a number of challenges remain if we are to contribute significantly to meet countries' abilities to implement the *2030 Agenda for Sustainable Development*. To do this, we will need to significantly increase our ability to engage the private sector; we shall have to improve the way we

inform, engage and involve citizens in our work; and we must now scale up our work in tackling key global issues: sustainable finance, environmental security, climate change, biodiversity, health and pollution.

The scaling up of green finance is critical in this regard. World leaders meeting at the G20 Summit in Hangzhou, China in September 2016 recognized the importance of scaling up green finance practices. They welcomed options put forward by the G20 Green Finance Study Group, whose secretariat is hosted by UN Environment, which shows what practical steps can be taken to improve policies and market capacity, and support the development of green bond markets.

We need to be able to scale up support to countries to enable them to review their regulatory and policy frameworks and bring about a policy transformation that creates the rules and conditions for such investment. The United Nations, with 19 banks and investors worldwide (totaling \$6.6 trillion in assets), launched a global framework aimed at channeling the money they manage towards clean, low carbon and inclusive projects. The framework – The Principles for Positive Impact Finance – is a first of its kind, setting criteria for investments to be considered sustainable. It spans different business lines, including retail and wholesale lending, corporate and investment lending and asset management. The principles provide guidance for financiers and investors to analyse, monitor and disclose the social, environmental and economic impacts of the financial products and services they deliver. We need more such game changers to create the kind of transformative change necessary to achieve the sustainable development goals.

In a related context, in Indonesia, the Tropical Landscape Finance Facility was established, with UN Environment, the World Agroforestry Centre, BNP Paribas and ADM Capital. The Facility will provide loans and grants to commercial projects, with significant positive social and environmental impact. The target is to capitalize the facility at a level of \$1 billion, mostly in private sector financing.

Such kinds of innovation will enable the transformative change member states are looking for and will provide the foundations to evolve our own delivery mechanisms through highly focused, well directed strategic partnerships. The 10 Year Framework of Programmes on Sustainable Consumption and Production with its programmes on building s and construction, food systems, tourism, consumer information, public procurement and sustainable lifestyles, and the Finance Initiative, both hosted by UN Environment, the Climate Technology Centre and Network, that we jointly host with the UN Industrial and Development Organization, the 18 regional seas programmes for which we provide the secretariat, and the UN REDD+ partnership are just some of the vehicles that can be used for such transformative change.

As the custodian agency for 26 of the Sustainable Development Goals indicators (and already reporting to the UN Secretary-General on six of these indicators in 2016), we are well placed to ensure that countries are well-equipped and able to track their progress. With some 48 UN agencies engaging with us on a UN system-wide framework on environmental strategies and aligning their strategies to the environmental dimension of the 2030 Agenda for Sustainable Development, it will also enable us to work with the rest of the UN system to leverage even further change.

We are also an accredited agency to the Green Climate Fund, besides its consolidated role as a key partner of the European Union's Programme for the Environment and Sustainable Management of Natural Resources, and an Implementing Agency for both the Multilateral Fund of the Montreal Protocol and the Global Environment Facility: there is a potential for far greater integration of these

global funding instruments with our strategic priorities; for a more organized, strategic “blending” of these funding sources in achieving lasting results and contributions to the implementation of the sustainable development goals; and for launching integrated activities and initiatives at a far greater scale.

On the biodiversity front, we have been extremely engaged as the host of key biodiversity related conventions but also through the activities implemented under the ecosystems management programme in the organization. As the negative effects of human pressure on wildlife and biodiversity rapidly increase in magnitude, global responses remain unfortunately fragmented, uncoordinated and mainly rely on “specialist” inputs and initiatives promoted by individual countries, conservation organizations, institutions, international conventions, and multilateral environmental agreements. Poaching and trafficking of wildlife are rapidly increasing, and in addition wildlife populations worldwide are significantly threatened by increasing loss of habitat as a result of rapid human population growth and agricultural expansions. Even if the fight against the current high levels of poaching were successful, habitat and range loss will continue to threaten the future of wild species across the world and exacerbate the level of human-wildlife conflicts. The currently fragmented nature of responses to biodiversity and wildlife losses reveals the difficulty decision-makers face in articulating a *mechanism – or series of coordinated mechanisms* - to successfully reverse the ongoing decline. This, however, is a significant opportunity to scale up our work on biodiversity and wildlife and address this global challenge in a more coordinated, politically impacting fashion.

We also need to create the "enabling conditions" to scale up the results we are currently achieving on other fronts. The global financial system, for instance, can be a powerful enabler for a greener and sustainable future. Green finance is critical in this regard. Realizing the sustainable development goals will require a major rechanneling of financial flows – both public and private as well as changes to the global financial system. Similarly, we need to demonstrate how cities can be low-carbon, resource-efficient and resilient, while also offering opportunities for new jobs and investments and other social and economic benefits.

We also need to create a significant movement globally in which society sees the reduction of pollution as critical to health and in our oceans, critical to livelihoods and fisheries. In turn, this movement needs to create a political momentum for change. We need to shift public opinion on the criticality of ecosystem health to economic growth and well-being. Together with a greater government, citizen and business movement, we can help countries tackle root causes of critical problems.

FINANCIAL OVERVIEW

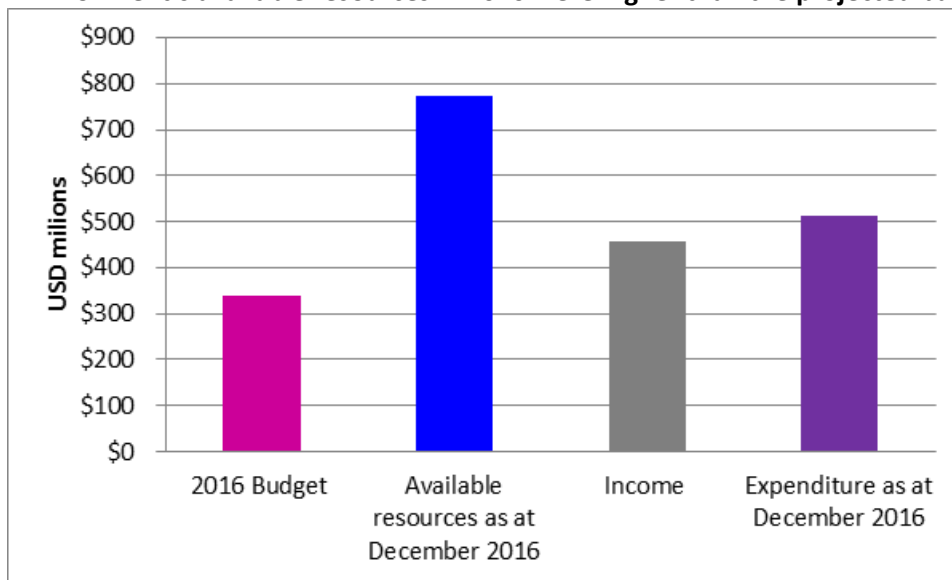
UN Environment’s projected overall budget for the 2016-2017 biennium was \$683.6 million. This budget comprises the Environment Fund, Trust Funds and Earmarked Contributions, the Global Environment Facility, the Regular Budget of the UN, including UNSCEAR and UN Development Account allocations, and Programme Support Costs.

The 2016 available resources for all funding sources amounted to \$773.8 million, in comparison to the budgeted amount for the year of \$338.8 million¹. It is important to understand what is meant by

¹ The 2016 annual budget is calculated as 50% of the approved 2016-2017 Programme of Work and Budget, but adjusted due to a variance in the actual UN Regular Budget provision.

“available resources” under the UN Secretariat-wide new Enterprise Resource Planning (ERP) system, Umoja. Available resources for the Environment Fund, Regular Budget and Programme Support Costs are annual allocations. This is not the case for multi-year funding categories. Under Umoja, Trust Funds and Earmarked Contributions and GEF trust funds are set up as multi-year funds that do not have a fiscal year dimension to allow reporting their annual or biennial budgetary allocation. On the contrary, reporting on these funds occurs when they have been expended. Moreover, the funds become available for spending when relevant donor agreements are signed and the cash received.

UN Environment’s available resources in 2016 were higher than the projected budget

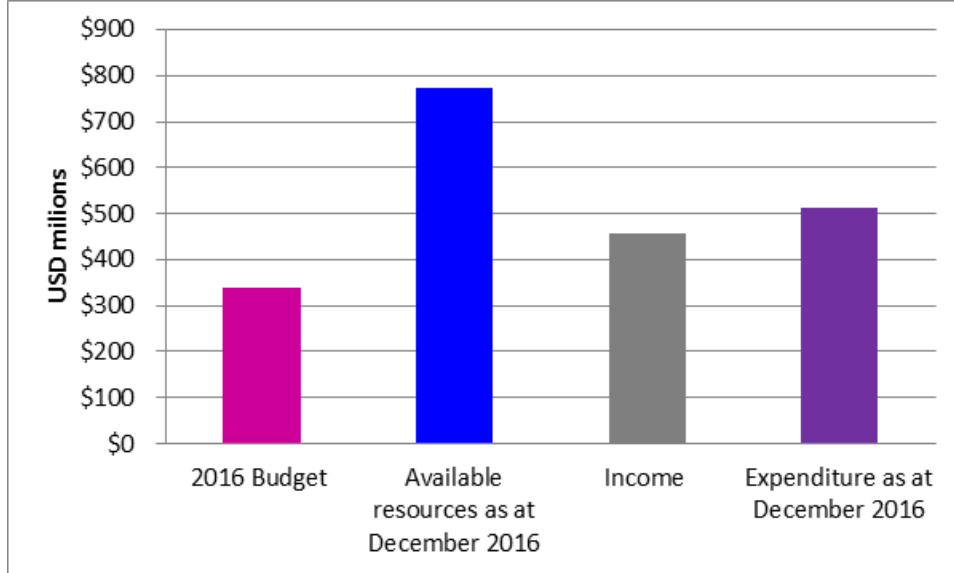


Similarly, “available resources” for multi-year funds categories reflect unspent balances from the prior year (i.e., 2015), as well as additional funds released in 2016 that are not necessarily to be spent in 2016. When donors contribute funds for multiple years, IPSAS, the accounting standards the UN uses, recognizes multi-year contribution as income in the year when the pledge is made.

Therefore, for those multi-year funds, the annualized budget figures (e.g. the “2016 Budget” numbers) reflect the amounts in the Programme of Work and Budget while the “available resources” reflect amounts to be spent in multiple fiscal years. Consequently, the actual annual figures are better understood by examining expenditures. However, “expenditures” of multi-year funds also include commitments (obligations entered into accounts) for future years. In contrast, the available resources for the Environment Fund, Regular Budget and Programme Support Account reflect the actual resources available to spend in the fiscal year in question. These variances are inevitable, given UN Environment’s complex funding sources and accounting rules.

Overall UN Environment’s expenditure level was 150% more than the budgeted amount owing to higher amounts of available resources. There were, however, large variances in terms of funding sources and between subprogrammes.

Available resources are higher for earmarked funding compared to core funding

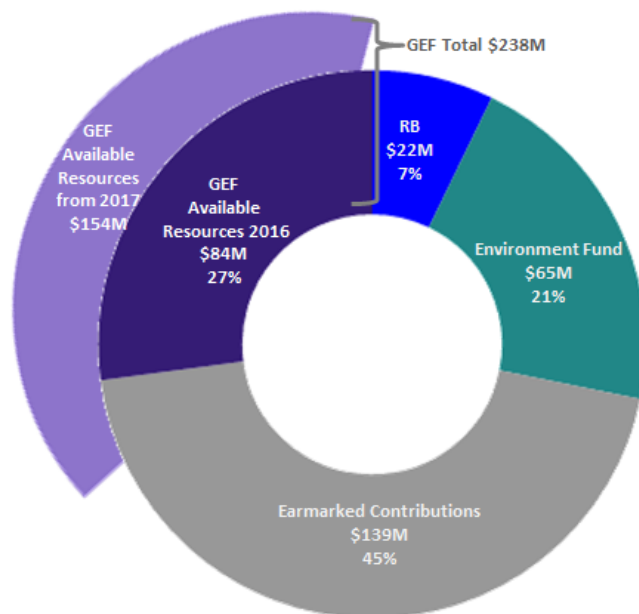


Income Analysis

The UN Environment received \$464.9 million for 2016 and future years against the annual budget of \$338.8 million. Three sources of income support of the implementation of the Programme of Work directly: 1) the UN Regular Budget, including the UN Development Account, which supports the core functions of the Secretariat including servicing of the Governing Bodies, 2) the Environment Fund, which is the foundation that enables UN Environment to implement its global and regional work across all areas of the programme and address emerging issues, and 3) Earmarked Contributions, which complement the core funding in the delivery of the programme. The Global Environment Facility (GEF) is the largest financial partner of UN Environment that funds activities aligned with the Programme of Work.

The UN Regular Budget and the Environment Fund together form the core of the organisation’s funding and amounted to 28% of the total funding available in 2016. The Environment Fund received just under 50% of the approved budget of \$ 135.5 million from 86 out of the 193 Member States. The earmarked contributions in direct support to programme amounted to \$138.7 million or 45% of the funds available. This is higher than the projected budget of \$101 million. The Global Environment Facility provided \$238.5 million in revenue through letters of commitment for 2016 and future years. Out of this, \$84 million was available for project implementation, or 27% of the total funding available in 2016.

Earmarked funding constitutes majority of income for UN Environment



Secure and Stable

Secure and stable funding is prerequisite for developing and delivering a results-based Programme of Work and budget. In an organization that is over 95% voluntarily funded, security and stability depends on a broad range of consistent donors who make regular and early contributions and, preferably also multi-year commitments. The Member States are the owners of the organization and are responsible for ensuring that the decisions of the UN Environment Assembly are adequately resourced.

Despite calls for broadening the donor base, the top 15 donors still contributed around 90% of the total Environment Fund income and only 45% of Member States made contributions to the Environment Fund in 2016, which is consistent with previous years. However, the income was lower by 17% due to exchange rate losses and cuts in contributions from a few contributors within the top 15. Donors leading the way for multi-year contributions include Canada, China, the Netherlands, Norway and Sweden, with commitments amounting to \$25.1 million for the year 2016 alone. Tightly earmarked funding generally provides little lead time for planning and implementation. In contrast, the stability of GEF project funding is built into an 18-month lead period from the approval of the project concept to the start of implementation.

Adequate and Increased

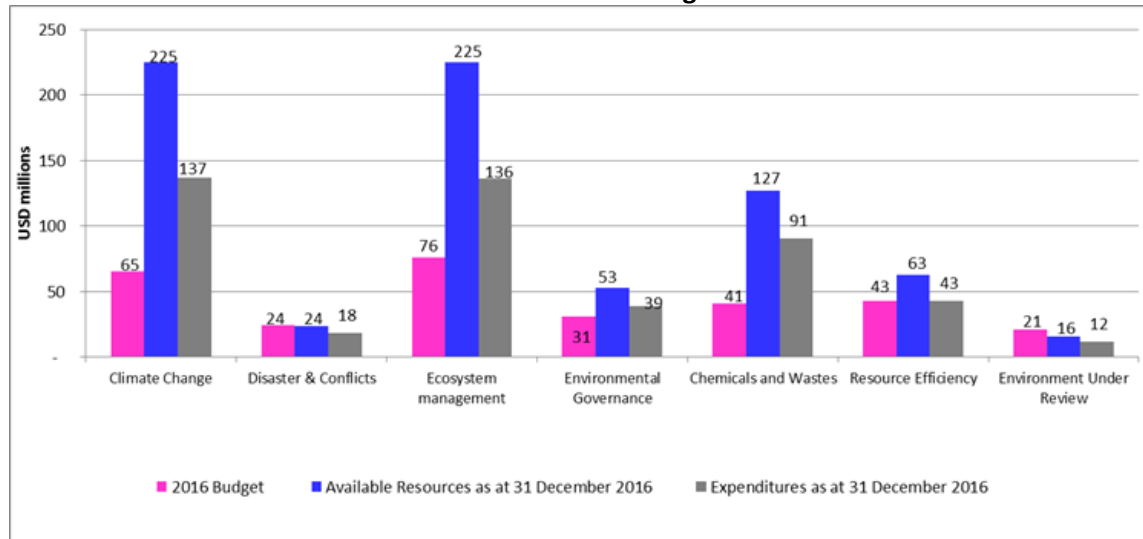
Adequate and increased funding is measured by actual resources received against the annual budgets. The unearmarked funding through the Environment Fund is particularly important for the balanced delivery of the programme as it enables a flexible allocation of funds based on need, while earmarked funding prioritizes only some aspects of the programme over others. Increased core funding also supports innovative, groundbreaking initiatives that address emerging needs and can be scaled up for maximum results. The balance between core and complementary resources is hence critical and still continues to be a challenge. It is therefore much appreciated that 30 Member States increased their contributions to the Environment Fund in 2016.

It is necessary that all Member States share the responsibility to provide resources commensurate to the magnitude of today’s environmental challenges that they have collectively decided to address through UN Environment.

Expenditure Analysis

Total expenditure for 2016 was \$511 million. The available resources in the Global Environment Facility (GEF), other Trust Funds and Earmarked contributions continue to be much higher than in the projected budget. This is partly because, as outlined in the previous section, the available resources captured in Umoja may relate to multi-year contributions but partly because UN Environment continues to demonstrate its strength in attracting earmarked funding. Thus, multi-year contributions received in 2015 and prior to that, enabled the organization to have more resources available to use in 2016, and a higher expenditure than the projected budget for the year. However, with earmarked funding at levels so much higher than our non-earmarked biennial funds (Environment Fund, Regular Budget of the UN, and Programme Support Account), the emphasis of UN Environment’s work risks moving out of alignment with the multilaterally-agreed priorities.

Most areas of UN Environment work received more funding than projected budgets because of earmarked funding



The General Assembly approved a contribution from the Regular Budget of the UN to UN Environment of \$35.3 million for the biennium 2016-2017 (\$17.6 million annually). Included in this budget is the approval of 21 additional positions deployed to six regional offices. In addition, UN Environment received an allocation of \$2.3 million from UN Development Account. UN Regular Budget funds the total of 114 positions of UN Environment and since the vacancy rate was kept low UN Headquarters issued an advance allotment of \$4.1 million (from 2017), hence the overall available resource was \$24.1 million. UN Environment spent \$21.9 million, or 90% of the allocated.

On the Environment Fund, the estimated income for 2016 was \$67.9 million of which \$67 million was allocated across sub-programmes, Executive Direction and Management and programme support. The

total expenditure for the year was \$64 million on core capacity and general operating expenses for implementation of the programme. While this amount is lower than the original allocation it was in line with the lower level of income actually realized.

UN Environment is tracking the amount it is spending on posts versus on activities. The aim is to ensure that relatively more funding is allocated for activities versus staff costs. In particular, for the Environment Fund, the organization aims at ensuring that its post costs for the biennium 2016-2017 does not exceed US\$122 million, equivalent to US\$61 million for the year 2016. Post costs in the Environment Fund for 2016 stood at US\$ 48 million.

Overcoming Challenges

Managing the Umoja transition is still a work in progress, but we have had tangible successes. For example, producing donor reports in accordance with the required format was a challenge at the onset of Umoja, as the data had to come from two different systems with different dimensions. As UN Environment has overcome the learning curve, we have been able to set up the data in Umoja to suit reporting requirements.

Overall, however, while UN Environment has come a long way in adjusting to Umoja, we still grapple with the challenge of moving into a new operational model with many new (and still only foreseen) globalized operations and standardized processes. UN Environment seeks to leverage the opportunities presented by Umoja as we continue to adjust to these policies and procedures.