

**International Environmental Governance Workshop**

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***Thought Starter 2***

***Funding for the UN Environment Programme***

Paragraph 88 b) of the Rio+20 outcome document calls for “secure, stable, adequate and increased financial resources from the regular budget of the UN and voluntary contributions to fulfil its mandate.” In essence, the paragraph consists of two commitments: the need to increase member states’ voluntary contributions to the Environment Fund and the need to increase allocations from the UN regular budget.

UNEP´s core funding comprises three elements: UN regular budget allocations, contributions to the Environment Fund and earmarked contributions. In addition, UNEP’s revenues include contributions to 15 MEAs hosted by UNEP, to the Multilateral Fund of the Montreal Protocol and Programme Support costs. Assessed contributions to UNEP comprise UN regular budget allocations and assessed contributions to MEAs and the Multilateral Fund, whereas, other funding elements are based solely on voluntary contributions. The main elements for funding UNEP’s operations are summarized in Table 1.

Table 1 Main sources of financing for UNEP

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| **Elements** | **Source** | **Focus** |
| **UN regular budget** | Constitutes the share allocated from the UN regular budget to UNEP | Supports mainly the work of UNEP’s governing bodies |
| **Environment Fund** | Constitutes non-earmarked contributions from member states | Supports balanced implementation of UNEP’s Programme of Work |
| **Earmarked contributions** | Constitutes trust funds and other earmarked contributions from member states, the Global Environment Facility (GEF), the Green Climate Fund, the European Commission, foundations, private sector and UN bodies | Supports selective implementation of UNEP’s Programme of Work |
| **Conventions and protocols** | Constitutes trust funds for 15 MEAs for which UNEP provides secretariat functions | Supports the implementation of MEAs administered by UNEP |
| **Multilateral Fund** | Constitutes assessed contributions from 49 member states | Supports the implementation of the Montreal Protocol |
| **Programme Support** | Charged from actual expenditures of earmarked contributions | Recovers incremental indirect costs incurred in supporting activities financed from earmarked contributions |

Governments have implemented paragraph 88 b) and as Figure 1 illustrates, UNEP’s overall income has increased 39% from 2010-2011 to 2016-2017, when it reached a new record in the organization’s history: USD 1,166 million. In 2014, UNEP launched a funding strategy aiming to ensure secure, stable, adequate and increased financial resources.[[1]](#footnote-1) The two key elements of the funding strategy include making a shift towards increased non-earmarked funding and widening the base for contributions.[[2]](#footnote-2) These goals have encountered significant challenges and remain unfulfilled.

Figure 1 UNEP overall income between 2010-2011 and 2016-2017

(Information on funding comes from UNEP’s financial reports and audited financial statements.[[3]](#footnote-3))

Core, unrestricted funding consists of two elements: the Environment Fund and the UN regular budget allocations. This income has remained at the same level from 2010 to 2017 as the growth in the UN regular budget allocations has compensated for the diminishing contributions to the Environment Fund. Contributions to the Environment Fund decreased 17% from USD 165 million in 2010-2011 to USD 137 million in 2016-2017 while the UN regular budget allocations tripled from USD 16.6 million in 2010-2011 to USD 49.4 million in 2016-2017. Once the main funding mechanism for the organization, the Environment Fund now represents only 12% of the total income. Moreover, in reality, the Environment Fund collects only 50% of the pledges that member states make.[[4]](#footnote-4)

Earmarked funding supports the implementation of programs and projects aligned with the Programme of Work. However, earmarking entails administrative costs and causes fluctuations to the work due to changing donor interests. Since 2010-2011, earmarked funding has grown 84% - from USD 404 million to USD 741 million in 2016-2017. Earmarked funding now constitutes almost two thirds of UNEP’s income.

Widening the base for contributions has been a significant challenge. Despite UNEP’s efforts to expand the donor base, the number of countries contributing to the Environment Fund has decreased. In 2011, 59% of the 193 UN member states made contributions to UNEP’s Environment Fund, but in 2017 the share of all contributing states shrunk to 46%. In 2017, 15 countries were responsible for 91% of contributions to the Environment Fund, whereas 73 countries contributed 9% of funding and 105 countries did not contribute at all.

The Secretariat prepares regularly a voluntary indicative scale of contributions (VISC) to encourage all member states to contribute to the Environment Fund. The VISC was introduced in the report of the Open-ended Intergovernmental Group of Ministers or their Representatives on IEG and adopted by the seventh special session of UNEP’s Governing Council in Cartagena, Colombia in 2002.[[5]](#footnote-5) The VISC developed taking into account several parameters, including a maximum indicative rate for the least developed countries of 0.01%.

In 2013, the 27th session of UNEP’s Governing Council noted the positive effects of VISC and requested the Executive Director to adjust it in light of universal membership of UNEP. The revised VISC requests member states to contribute at least on the same percentage basis as their UN assessed scale level.[[6]](#footnote-6) Funding in accordance to the VISC should have yielded contributions of USD 271 million in 2016-2017, but only half of the target was realized. In 2016, only 34 countries (representing 40% of all donors) contributed according to or more than the proposed VISC.

**Resource Challenges and Opportunities**

After the Rio+20 Conference, UNEP’s funding has increased as a result of growth in earmarked contributions. The UN regular budget allocation has also increased compared to previous years but remains very small and is a minor part of the overall income (USD 49 million out of over USD 1,100 million).

The contributions to the Environment Fund, however, have decreased and only 15 countries account for a more than 90% of funding. The ratio between core funding and earmarked funding has therefore become increasingly imbalanced, which is undermining the strategic priorities and fragmenting the work of UNEP.[[7]](#footnote-7) Reliance on such a limited number of countries for stable program delivery makes UNEP’s work vulnerable to shifting political priorities.

With universal membership, more countries should take ownership of UNEP’s work and contribute to a solid financial base. After Rio+20, the VISC was revised to reflect the universal nature of UNEP, but in contrast to expectations, the number of donors has decreased. In the long run, the development of a system of minimum contributions might be a useful complementary mechanism, and some form of assessed contributions to a core fund could bring greater stability and predictability to funding.[[8]](#footnote-8)

In human resource terms, UNEP has maintained and even increased its capacity. The number of professional staffs has grown 11% (or 127 staff) from 2011 to 2017, from 1,151 to 1,278. The number of UNEP staff in Nairobi has remained relatively stable, decreasing slightly to 449 staff members in 2017. The overall increase in staff members derives partly from increase in the UN regular budget allocations, which has helped to establish 24 new posts and convert 44 posts from extra-budgetary resources to the regular budget in a phased manner: 24 new posts and 23 conversions for 2014 -2015 under resolution 68/246 and 21 conversions for 2016-2017 under resolution 70/247.[[9]](#footnote-9)

Additional transparency and accountability in financial matters is necessary to increase the trust and confidence of donors. Information is scarce on the follow-up to UNEP’s funding strategy. In 2017, UNEP developed a resource mobilization strategy to secure sufficient funding for the implementation of the Medium-Term Strategy and Programme of Work for 2018-2021. Proper follow up would be necessary and countries need to receive information about future funding trends and possible challenges in meeting the goals.

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| **Questions for discussion**   1. How can UNEP entice member states to increase contributions to the Environment Fund? 2. How can UNEP broaden its financial base? 3. How can UNEP increase accountability of member states on funding? 4. Is the use of VISC still relevant or should other systems be developed to encourage more contributions? 5. What kind of systems would be appropriate and how would they be set up? |

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1. UNEP 2014 [↑](#footnote-ref-1)
2. Shaiya 2016 [↑](#footnote-ref-2)
3. UN 2012, UN 2014, UN 2015, UN 2016, UN 2017a and UN 2018 [↑](#footnote-ref-3)
4. UNEP 2018 [↑](#footnote-ref-4)
5. UNEP/GC-SS.VII/1 [↑](#footnote-ref-5)
6. UNEP 2017 [↑](#footnote-ref-6)
7. Shaiya 2016 [↑](#footnote-ref-7)
8. Ivanova 2012 [↑](#footnote-ref-8)
9. UN 2017 [↑](#footnote-ref-9)