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**Governing Council
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**Twelfth special session of the Governing Council/
Global Ministerial Environment Forum**

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Item 4 of the provisional agenda*

Emerging policy issues: environment and development

**Biennial programme of work and budget for 2012–2013:
progress report on accountability and financial and
administrative arrangements between the United Nations
Environment Programme and the multilateral environmental
agreements for which it provides the secretariat or performs
secretariat functions**

Report of the Executive Director

Summary

The present report presents an overview of steps taken by the United Nations Environment Programme since the twenty-sixth session of the Governing Council/Global Ministerial Environment Forum, in consultation with relevant stakeholders, on issues related to the accountability and financial and administrative arrangements between UNEP and the multilateral environmental agreements for which UNEP provides the secretariat or performs secretariat functions. It was prepared in pursuance of paragraph 18 of decision 26/9 of 24 February 2011.

* UNEP/GCSS.XII/1.

I. Suggested action by the Governing Council

1. The Governing Council may wish to consider the adoption of a decision along the lines suggested below:

The Governing Council,

Recalling paragraph 18 of its decision 26/9 of 24 February 2011, by which it requested the Executive Director, in consultation with relevant multilateral environmental agreement secretariats, the United Nations Board of Auditors, the Office of Legal Affairs and all relevant bodies, to address issues of accountability and the financial and administrative arrangements between the United Nations Environment Programme and the multilateral environmental agreements that it administered,

Having considered the progress report submitted by the Executive Director on the implementation of paragraph 18 of Governing Council decision 26/9,

1. *Welcomes* the progress made and action taken by the United Nations Environment Programme on the implementation of paragraph 18 of decision 26/9;
2. *Requests* the Executive Director to continue, in consultation with the relevant multilateral environmental agreement secretariats, the United Nations Board of Auditors, the Office of Legal Affairs and all relevant bodies, to address the issues of accountability and the financial and administrative arrangements between the United Nations Environment Programme and the multilateral environmental agreements for which it provides the secretariat or performs secretariat functions with a view to further strengthening the cooperation and coordination between the United Nations Environment Programme and those multilateral environmental agreements;
3. *Also requests* the Executive Director to report to the Governing Council at its twenty-seventh session on progress in the implementation of the present decision.

II. Background

2. At the twenty-sixth session of the Governing Council/Global Ministerial Environment Forum, the Executive Director presented a note on the distribution and evolution of managerial and administrative authority in respect of the multilateral environmental agreements for which the United Nations Environment Programme (UNEP) provided the secretariat or performed secretariat functions.¹ It further described findings of the Board of Auditors pertaining to the authority and autonomy of multilateral environmental agreements and their implications for UNEP. The note presented recommendations that aimed at clarifying and strengthening accountability between UNEP and such multilateral environmental agreements.

3. During the session, Governments considered information contained in the note under agenda item 6, on the budget and programme of work for the biennium 2012–2013 and the Environment Fund and other budgetary matters. Their discussions focused in particular on the issue of accountability and the financial and administrative arrangements between UNEP and the multilateral environmental agreements for which it provided the secretariat or performed secretariat functions. The issues discussed in the note have also been raised in other forums, including meetings of the conferences of the parties to those multilateral environmental agreements.

4. The present report aims to provide an overview of steps taken by the UNEP secretariat in the implementation of paragraph 18 of decision 26/9. The UNEP secretariat has solicited comments and inputs on the present report from the secretariats of those multilateral environment agreements for which it provides the secretariat or performs secretariat functions; comments received by early December 2011 have been incorporated into the present report. As required by the decision, the UNEP secretariat has also consulted with the United Nations Board of Auditors and other relevant bodies, as appropriate. Consultations with the Office of Legal Affairs will also take place in due course.

1 UNEP/GC.26/INF/21.

III. Progress to date on accountability and administrative and financial arrangements

5. In respect of issues related to accountability as discussed in a report by the Joint Inspection Unit,² a 1999 report of the Executive Director on the cost of administering trust funds and counterpart contributions,³ a 2003 report of the Office of Internal Oversight Services on the provision by UNEP of administrative services to the UNEP-administered conventions⁴ and a 2007 report of a task team established by the Executive Director to review and issue recommendations aimed at improving the administration of UNEP-administered convention secretariats,⁵ the UNEP secretariat, in consultation and cooperation with the secretariats of the relevant multilateral environmental agreements as appropriate:

(a) Has undertaken a preliminary review and analysis of the decisions of the governing bodies of the relevant multilateral environmental agreements with a view to ensuring that they conform fully with prevailing United Nations regulations and rules. The UNEP secretariat is addressing the matter, in consultation with the secretariats and governing bodies of those agreements, as appropriate, and taking corrective steps and measures where possible;

(b) With a view to ensuring clarity regarding the overarching administrative authority of the Executive Director and the distribution of administrative roles and responsibilities of UNEP and the multilateral environmental agreement secretariats and their staff and enhanced accountability for the efficient and effective delivery of services, has delegated authority on administrative and financial matters to by the Secretary-General of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES),⁶ the Executive Secretary of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade and the Stockholm Convention on Persistent Organic Pollutants⁷ and the Executive Secretary of the Convention on the Conservation of Migratory Species of Wild Animals,⁸

(c) Has revised the administrative arrangements between the Executive Director and the Secretariat of the Convention on Biological Diversity,⁹ which were signed during the tenth meeting of the Conference of the Parties to the Convention in October 2010 and endorsed by the Conference of the Parties in its decision X/45, on administration of the Convention and budget for the programme of work for the biennium 2011–2012;

(d) Following extensive discussions between the Executive Director and the Standing Committee of CITES, with the strong support of the CITES secretariat, has entered into a new memorandum of understanding between the Executive Director and the Standing Committee.¹⁰ The memorandum of understanding describes the secretariat services to be provided by the Executive Director to the Convention secretariat and highlights a number of issues such as the relevance of United Nations regulations and rules and their applicability to the secretariat's operations; financial and budgetary matters; administrative support, including the transfer of a significant share of programme support costs, secretariat personnel and related employment processes; and programme evaluation and management review. In preparing the memorandum and in response to paragraph 18 of decision 26/9, the Executive Director shared the draft with the Board of Auditors to seek its opinion on the merits of the approach taken therein for a strong and effective administrative relationship between the Executive Director and the CITES secretariat;

(e) Is engaged in discussions with the Executive Secretary of the Basel, Rotterdam and Stockholm conventions on options for arrangements similar to those set out in the agreement with the CITES secretariat. It is envisaged that once those discussions have been concluded comparable arrangements could be entered into with the secretariat of the Convention on Biological Diversity. The UNEP secretariat is also conducting an internal preliminary review of options for appropriate

2 JIU/REP/2008/3.

3 UNEP/GC.20/26 of 19 January 1999.

4 OIOS reference 03-0193.

5 Report of the task team on administrative arrangements for the UNEP-administered convention secretariats.

6 Signed on 1 October 2010.

7 Signed on 30 May 2011.

8 Signed on 3 August 2011.

9 UNEP/CBD/COP/10/L.48.

10 Signed on 1 September 2011.

arrangements for convention secretariats that are relatively small or have relatively limited budget or administrative requirements;

(f) Has held consultations with the Board of Auditors in October 2011 focusing on the implementation of audit recommendations and the justification for including multilateral environmental agreement financial reports in UNEP financial statements under the United Nations System Accounting Standards, which UNEP currently applies, and the International Public System Accounting Standards, to which UNEP is to switch beginning with the accounting period that ends in 2014. The Board of Auditors' management letter following the consultations is expected in due course. For its part, the UNEP secretariat has proceeded as described in the following paragraphs.

6. The funds for the operation of the multilateral environmental agreements for which UNEP provides the secretariat or performs secretariat functions is held in trust funds. Establishment of such trust funds, in response to requests by the governing bodies of the relevant agreements, is subject to approval by the Governing Council of UNEP. Furthermore, as explained in the note by the Executive Director on the distribution and evolution of managerial and administrative authority in respect of multilateral environmental agreements for which UNEP provides the secretariat or performs secretariat functions, all such trust funds, like all UNEP trust funds, are established in accordance with Article V of the General Procedures Governing the Operations of the Fund of UNEP, and are therefore governed by the financial rules of UNEP.

7. Furthermore, the financial statements of all multilateral environmental agreements for which UNEP provides the secretariat or performs secretariat functions are incorporated into the financial statements of UNEP. The Board of Auditors consistently endorsed this practice, which dates back to the inception of the agreements in the early 1970s, until 2009, when it raised the matter for the first time. All multilateral environmental agreement trust funds are established under UNEP based on decisions by the Governing Council taken at the request of the agreements' conferences of the parties or meetings of the parties. UNEP is charged with providing administrative services with regard to the funds in accordance with United Nations procedures applicable to UNEP and the financial regulations and rules of the UNEP Environment Fund as approved by the Governing Council. The UNEP secretariat prepares its financial statements in accordance with the United Nations System Accounting Standards. Although the Standards provide no guidance on the question of whether multilateral environmental agreement financial statements should be incorporated into the financial statements of UNEP, the UNEP secretariat believes that doing so is consistent with the standards. It notes in that regard that paragraph 9 of the standards¹¹ requires organizations to report income, expenditure and changes in reserve and fund balances using formats set out in the annexes to the standards that show clearly which funds are at the disposal of the member States of the organization and which are not.

8. The General Assembly has approved a plan for the United Nations Secretariat to adopt the International Public Sector Accounting Standards fully beginning with the accounting period ending 2014, a deadline that applies also to the UNEP secretariat. An implementation team, based in New York, is collaborating with working groups in all of the Secretariat offices, including a joint team for the United Nations Office at Nairobi, and the secretariats of UNEP and the United Nations Human Settlements Programme (UN-Habitat), to establish the detailed requirements for adopting the new standards. That work will encompass the question of incorporation of the financial statements of the multilateral environmental agreements for which it provides the secretariat or performs secretariat functions in the financial statements of UNEP and similar practices of other United Nations programmes and funds. As regards consolidation of the multilateral environmental agreements in this process, this procedure will be fully reviewed by the UNEP secretariat and the United Nations Office at Nairobi in the run-up to the adoption of the International Public Sector Accounting Standards in 2014. An accounting procedure that complies with the Standards will be agreed with the United Nations Secretariat, including its Office of Legal Affairs, and the Board of Auditors.

9. The UNEP secretariat is also responsible for providing treasury and other secretariat services to the Multilateral Fund for the Implementation of the Montreal Protocol. The Fund Secretariat is co-located with UNEP and its staff members are recruited by the UNEP secretariat and established in their posts through UNEP letters of appointment. The financial statements of the Multilateral Fund for its first accounting period (1990–1991) were incorporated into the financial statements of UNEP. Due to the considerable size of the Multilateral Fund in comparison to other UNEP funds and its significance in the UNEP financial statements, however, it was agreed with the Board of Auditors that, from the 1992–1993 biennium onwards, the UNEP secretariat would not incorporate the Multilateral Fund statements into its own financial statements and would instead present them separately. This

11 United Nations System Accounting Standards, Revision VIII (available at <http://www.un.org/auditors/panel/docs/UNSAS.pdf>).

practice was not queried by the United Nations Secretariat or the Board of Auditors since its adoption until 2009.

10. Various audit reports and preliminary observations by the Board of Auditors point out the need for a more clearly defined division of labour and responsibilities between the UNEP secretariat and the United Nations Office at Nairobi in administrative and financial matters, including in the context of the provision of services to multilateral environmental agreement secretariats. The UNEP secretariat and the United Nations Office at Nairobi have taken action on the matter and created a joint task force whose objective is to tighten up the terms of the service level agreement defining roles and responsibilities between the two institutions and to work jointly when appropriate to implement audit recommendations accepted by the two organizations. Joint working groups are currently reviewing and drafting updated standard operating procedures. While these processes are continuing, the UNEP secretariat has taken action to deal with one of the main recommendations directly addressed to it by the Office of Internal Oversight Services, namely, that it formally delegate authority to the United Nations Office at Nairobi in the area of procurement.

IV. Next steps

11. Significant progress has been made on issues of accountability and clarity in financial and administrative arrangements between UNEP and the multilateral environmental agreements for which it provides the secretariat or performs secretariat functions. The UNEP secretariat will continue its efforts to enhance further its relationship with those agreements in cooperation and consultation with their governing bodies and with the Board of Auditors, the Office of Legal Affairs and other relevant bodies, as appropriate.

12. The Executive Director believes that the visible progress described above in accountability, administrative and financial matters illustrates the way in which the UNEP secretariat, working in close cooperation with the United Nations Office at Nairobi, other administrative and financial service providers and the secretariats of the multilateral environmental agreements themselves, complements and supports the work of the convention secretariats in implementing their mandates at the national, regional and global levels.
