



United Nations
Environment
Programme



Distr.
GENERAL

UNEP/GC.11/12/Add.2
2 May 1983

ORIGINAL: ENGLISH

GOVERNING COUNCIL
Eleventh session
Nairobi, 11-24 May 1983
Item 9 (b) of the provisional agenda

THE MANAGEMENT OF THE ENVIRONMENT FUND

Report of the Executive Director

This document contains a review of the outlook for resources in 1983 in light of developments since the Executive Director's report on the Management of the Environment Fund (UNEP/GC.11/12) was issued and a revised projection of how those resources are likely to be used. The basis upon which the Executive Director has had to plan a Fund programme for 1984-1985 is also reconsidered.

I. THE SECOND YEAR OF THE BIENNIUM 1982-1983

A. The outlook for resources in 1983

1. By 31 March 1983, 57 countries had made firm pledges to contribute amounts totalling \$23.75 million to the Environment Fund in 1983. Based on this figure and the 1982 level of contribution of countries that have not yet made formal pledges formally, the Executive Director is now using an estimate of \$30.15 million for contributions in 1983, although he continues to believe that once all countries have made a pledge, the total of contributions in 1983 will be higher than that figure. Contributions amounting to \$5.71 million had been paid by 31 March 1983, compared with \$4.10 million at the same date in 1982.

2. The Executive Director's revised estimate of total resources available to the Fund in 1983 is as follows:

	Convertible currency (CC)	Non-convertible currency (NCC)	Total
(Millions of dollars)			
Actual level of Fund as at 1 January 1983	14.78	10.87	25.65
Estimated contributions in 1983	26.20	3.95	30.15
Other Income <u>a/</u>	1.50	(0.20)	1.30
Total	<u>42.48</u>	<u>14.62</u>	<u>57.10</u>

a/ After providing an additional \$0.7 million to the financial reserve in accordance with Governing Council decision 10/27, para. 24.

B. The use of resources in 1983

3. On the basis of this revised estimate of resources, the Executive Director is now planning the following Fund programme for 1983:

	<u>CC</u>	<u>NCC</u>	<u>Total</u>
	(Millions of dollars)		
Programme and programme support costs	11.19	-	11.19
Fund programme activities and reserve activities	32.85	10.00	42.85
Less underspending under the preceding line	(6.56)	(3.00)	(9.56)
Total expenditure	<u>37.48</u>	<u>7.00</u>	<u>44.58</u>
Balance to be carried forward to 1984	<u>5.00</u>	<u>7.62</u>	<u>12.62</u>

A revised table showing the flow and use of resources in 1983 in greater detail is given in the annex hereto.

C. Programme and programme support costs 1983

4. Since expenditure on programme and programme support costs in 1982 was, at \$9.41 million, slightly lower than previously estimated, the amount of the revised appropriation of \$20.60 million, that is available for 1983 is \$11.19 million. Expenditure at this level would mean that programme and programme support costs would account for 37.1 per cent of the estimate used in this document for contributions for 1983 (34.6 per cent of estimated contributions over the biennium), but as indicated above, the Executive Director hopes that by the end of the year, the total sum of contributions paid will be higher than the \$30.15 million used for this calculation. The Executive Director will, however, endeavour to contain programme and programme support costs within the 1983 level indicated, in spite of the difficulties this will involve for the organization. He cannot, however, guarantee that he will be fully successful in containing expenditures within the limit of 33 per cent of contributions if the latter do not increase above the estimate used in this document.

D. Fund programme and programme reserve activities

5. As indicated in the Supplementary report on the implementation of the Environment Fund programme in 1982 (UNEP/GC.11/11, paragraph 7), the carry-over of convertible currency funds from 1982 was some \$3.3 million higher than projected earlier, and as a consequence, the Executive Director can now plan to implement a full programme of \$65 million for Fund programme activities and programme reserve activities and still have a balance of \$5 million in convertible currency to carry forward to 1984. He plans, therefore, to raise the ceiling of commitments in convertible currency from the level

of \$28.75 million he indicated in his earlier report to \$33.85 million. The Executive Director does not, however, propose, at the present time, to increase the overall level of the allocation assigned to Fund programme and programme reserve activities, and it seems unlikely, as explained in the earlier report, that the full amount of non-convertible currencies allocated can be used for project commitments in 1983. The summary of the planned programme of Fund activities for 1983 (as at 31 March 1983) can be revised as follows:

1983 project commitments and funds available for new projects
(as at 31 March 1983)

	<u>CC</u>	<u>NCC</u>	<u>Total</u>
(Millions of dollars)			
1983 commitments approved <u>a/</u>	21.09	5.21	26.30
1982 commitments to be rephased to 1983 <u>b/</u>	3.84	1.05	4.89
Available for additional funding of existing activities or for new projects <u>a/</u>	7.92	3.74	11.66
	32.85	10.00	42.85

a/ Including Fund programme reserve.

b/ In practice, part of the commitments to be rephased from 1982 will be carried to 1984, but, for planning purposes, an allocation for the full amount must be reserved against 1983 in the first instance.

6. The Executive Director will continue to monitor the position closely and will only commit funds for projects up to the level indicated above if he is assured that contributions to the Fund are being made within a time frame that permits this and provides a balance of \$5 million in convertible currency at the end of 1983. The Executive Director will also have to take into account the level of pledges of contributions for 1984 and the level of resources he will require for core programmes in 1984 as he explained in his earlier report, paragraph 6.

II. ACCOMPLISHMENT OF 1982-1983 PROGRAMME

7. On the basis of the revised figures set out above, the level of programme accomplishment compared with the programme approved for the 1982-1983 biennium as a whole, taking into account expenditures incurred in 1982 and projected for 1983, is foreseen as follows:

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	<u>Programme approved</u>	<u>Estimated programme accomplishment</u>	<u>Accomplishment</u>
	(Millions of dollars)		(percentage)
Programme and programme support costs	25.50	20.60	80.8
Fund programme activities and reserve activities:			
1982	43.00	21.15	49.2
1983	52.00	33.29	64.0
	<u>120.50</u>	<u>75.04</u>	<u>62.3</u>
Total			

III. THE BIENNIUM 1984-1985

A. The outlook for resources in 1984-1985

8. The outlook for resources in 1984-1985 is not significantly different from that described in the Executive Director's earlier report (UNEP/GC.11/12, paragraphs 12 and 13). The total of confirmed pledges for 1984 and 1985 as at 31 March 1983 was \$851,000 and since this provides the Executive Director with no firm basis on which to plan a programme for those years, he is continuing to use the same figures as in the earlier document. The carry-over of non-convertible currencies from 1983 to 1984 is now expected to be slightly higher than previously estimated, but this will not materially affect the overall position.

B. The use of resources 1984-1985

9. So long as the Executive Director has no firm estimates of resources for 1984-1985 and is working within the planning parameter laid down by the Governing Council in its decision 10/27, paragraph 23, there can be no change in the proposed use of resources as set out in the earlier report. If contributions of \$85 million are not made available over the biennium, it will of course be necessary to cut back the programme accordingly.

10. Revised details of the estimated flow and use of Fund resources in 1984-1985 are to be found in the annex.

ANNEX A
ESTIMATED FLOW AND USE OF RESOURCES FOR THE YEARS 1983 AND 1984-1985
As at 31 March 1983
(Millions of dollars)

	Revised assumptions for 1983		Present assumptions for 1984-1985	
	CC*	NCC*	CC*	NCC*
		Total		Total
Resources				
(a) Balance of Fund on 1 January including unpaid pledges of previous years	14.78	10.87	25.65	12.62
(b) Estimated contributions due for years shown	26.20	3.95	30.15	85.00
(c) Miscellaneous income	2.00	-	2.00	2.00
(d) Conversion from non-convertible currency balances (PPSC)	0.20	(0.20)	-	-
(e) Change in financial reserve	(0.70)	-	(0.70)	-
	41.48	14.62	57.10	99.62
Claims on Resources				
(a) Programme and programme support	11.19	-	11.19	26.02
(b) Fund programme activities and Fund programme reserve activities (i+ii+iii+iv+v)	32.85	10.00	42.85	72.00
(i) Signed commitments Fund programme activities	20.61	5.21	25.82	12.43
(ii) Rephasing of commitments from previous years	3.84	1.05	4.89	9.56
(iii) Necessary extensions and new projects	7.78	3.74	11.52	48.12
(iv) Signed commitments Fund programme reserve activities	0.48	-	0.48	-
(v) Fund programme reserve required	0.14	-	0.14	2.00
(c) Project commitments to be cancelled or rephased to later years	(6.56)	(6.00)	(9.56)	(7.20)
(d) Total project expenditure (b-c)	26.29	7.00	33.29	64.80
(e) Total claims (a) + (d)	37.48	7.00	44.48	90.82
Balance of Fund on 31 December including unpaid pledges	5.00	7.62	12.61	8.80

* Convertible currencies

** Non-convertible currencies