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## MANAGEMENT OF THE ENVIRONMENT FUND

### Note by the Executive Director

In this note the Executive Director presents information on the estimated resources for the medium-term plan 1978-1981 and requests the Governing Council's guidance on a number of policy issues pertaining to resources of the Fund, appropriations for 1979 and the biennium 1980-1981, cash carry-over, forward commitment and adjustment authority, and financial reserve.

#### I. INTRODUCTION

1. The increased capacity of the secretariat to develop its programme under the guidance of the Governing Council has resulted in a further narrowing in the gap between allocations, commitments and expenditures: approximately \$34 million, \$30 million and \$23 million respectively in 1978 compared to \$37 million, \$29 million and \$21 million in 1977 (see Table 2 of document UNEP/GC.7/12). Now that this major problem is gradually being brought under control, the main problem facing the secretariat in the future is one of resources and their currency composition.

#### II. THE MEDIUM-TERM PLAN AND STATUS OF RESOURCES AND EXPENDITURES

2. The medium-term plan 1978-1981 <sup>1/</sup> has an approved target of contributions of \$150 million, broken down as follows: \$36 million in 1978, \$37 million in 1979, \$38 million in 1980 and \$39 million in 1981. Estimated resources for the same period, reported to the Governing Council at its sixth session, were

<sup>1/</sup> UNEP/GC/98 and Corr.1 and 2.

\$112.8 million (UNEP/GC.6/13, para. 5). Since then, estimates of resources for the medium-term plan have been revised in the light of increased contributions, higher interest income and fluctuations in exchange rates. Total estimated resources now stand at \$122.1 million, \$27.9 million short of the target of \$150 million. This represents an increase of \$9.3 million over last year's estimate. However, the major donor in convertible currency, while confirming that its contribution will be unchanged for 1979, has cautioned that present levels could not necessarily be counted upon thereafter. Thus, while paid contributions almost met the target of \$100 million for the first five years of the Fund and have grown steadily during that period (\$11.8 million in 1973, \$15.5 million in 1974, \$18.5 million in 1975, \$24.3 million in 1976, \$28.6 million in 1977), estimated resources over the medium-term plan period 1978-1981, even without allowance for the uncertainty of the level of contributions of the major donor in convertible currency in 1980 and 1981, fall short of the approved target by \$27.9 million.

3. The unencumbered balance of the Fund as of 31 December 1978 was \$29.0 million excluding the Financial Reserve at \$3.8 million. Of these, readily available for programming are \$14.2 million in convertible and \$14.8 in non-convertible currency (see UNEP/GC.7/L.2, Statement I.A).

4. The income and expenditure position in 1978 was as follows: \$29.9 million recorded expenditures, of which \$22.9 million were for projects and \$7.0 million for programme and programme support costs, compared to \$32.60 million resources, consisting of \$29.3 million in 1978 contributions received, the balance being miscellaneous income (see UNEP/GC.7/L.2, Statement III). The project expenditure total of \$22.9 million includes unliquidated obligations for projects implemented directly or by United Nations bodies, but excludes unliquidated obligations reported by United Nations agencies (in the amount of \$2.0 million). However, all unliquidated obligations outstanding on 31 December 1979 will be recorded as expenditures in 1979, following an agreement reached with the specialized agencies in September 1978 (see para. 26 below).

5. On the contributions side, several positive developments have taken place in 1978 and the first three months of 1979.

(a) Thirteen developing countries have pledged for the first time: Bahamas, Cape Verde, Democratic Yemen, Dominican Republic, Gabon, Guinea Bissau, Libyan Arab Jamahiriya, Mauritius, Nicaragua, Republic of Korea, Togo, United Republic of Cameroon and Upper Volta, (\$121,798 for 1978);

(b) Nineteen countries (12 developed and 7 developing) increased their pledges in various amounts (for full details refer to the latest status of contributions): Argentina, Austria, Belgium, Bulgaria, Colombia, Cyprus, Denmark, German Democratic Republic, Greece, Iceland, Ireland, Israel (a contributor in 1973), Kenya, Netherlands, New Zealand, Norway, Philippines, Senegal, Sweden, (total increase between 1977 and 1979: \$1,698,670);

(c) Forty-eight countries maintained their 1978 pledge at 1977 levels: these include countries pledging in national currencies whose dollar value has increased due to currency fluctuations (\$25,123,248).

6. On the negative side, twelve countries (all developing countries) that contributed for one or more years before have not announced any pledges for 1978 or subsequent years as of December 1978: Botswana, China, Cuba, Ivory Coast, Jamaica, Jordan, Liberia, Morocco, Oman, Qatar, Saudi Arabia and Swaziland (previous years' pledges amount to \$236,288). One country (Venezuela) reduced its contribution from 1977 to 1978 by \$20,000. A very concerted effort has been and is being made by the Executive Director to restore the situation with regard to these countries.

7. The Executive Director has raised, and will continue to raise, through correspondence and personal visits, all these issues of resources with a large number of Governments, and hopes that his efforts will result in additional positive responses.

8. In approving the target of \$150 million for the medium-term plan, the Governing Council was aware of the fact that due to inflation and increased costs, such resources would barely allow UNEP to carry activities at a level more or less similar to that of the past five years. It is thus clear that falling short of the \$150 million target would necessarily mean supporting fewer activities through the Fund of UNEP than in the past.

9. It should be a further cause for concern to the Council that up to the present time only just over half of the States Members of the United Nations contribute to the Environment Fund, and hence to the environment cause which the General Assembly described in its resolution 3437 (XXX) of 9 December 1975 as the "responsibility of all States". The Governing Council, the Economic and Social Council and the General Assembly of the United Nations have repeatedly appealed to Governments to contribute generously and promptly to the Fund of UNEP. 2/

10. The Executive Director is concerned that a large number of countries make annual pledges; due to the flexibility of the method of estimating future resources stipulated in Governing Council decision 10 (II) of 22 March 1974 (see para. 11 below), this makes proper forward planning difficult. Indications of the intentions of Governments, in general terms, without necessarily making firm pledges, for the period of the medium-term plan are a necessity if UNEP is to be able to work out plans for implementation of activities during the medium-term period and to discuss meaningfully with co-operating agencies and supporting organizations such plans.

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2/ See Governing Council decisions 76 B (IV) of 12 April 1976, paras. 3 and 5-7; 98 A (V) of 24 May 1977, para. 4; 6/13 A of 24 May 1978, para. 3; Economic and Social Council resolutions 2013 (LXI) of 3 August 1976, para. 6; 1978/62 of 3 August 1978, para. 2; and General Assembly resolutions 31/111 of 16 December 1976, para. 4; 32/168 of 19 December 1977, para. 4; 33/86 of 15 December 1978, para. 5.

### III. FINANCIAL MANAGEMENT OF THE FUND

11. In managing the resources of the Fund, the Executive Director is guided by the following financial rules and decisions of the Governing Council:

- Rule 211.1: Funds can be allocated within limits specified by the Governing Council
- Rule 211.3: Allocations by the Executive Director constitute a ceiling on commitments
- Decision 10 (11): The decision lays down conditions for the estimation of future resources. Paragraph (b) (iv) stipulates that in respect of contributions pledged or paid by Governments for only part of the period of the mid-term plan, a projection for planning purposes of such contributions for the balance of the four-year period would be made at the same level or at an appropriate level determined after consultation with the Governments concerned. Paragraph (c) stipulates that projects may be approved on the basis of estimates of resources available for Fund programme activities
- Decision 76 A (IV), paragraph 2: Requests the Executive Director to take into account the currency composition of available resources
- Decision 98 A (V), paragraph 6: Requests the Executive Director to ensure that all adequate cash carry-over is maintained from year to year
- Decision 6/13 D, paragraph 7: Stipulates that adequate liquidity has to be maintained at all times.

### IV. COMPOSITION OF FUND RESOURCES

12. During the sixth session of the Council, discussions indicated the need for a presentation showing convertible and non-convertible currency components separately, because they are not interchangeable. Non-convertible currencies represent 13.1 per cent of the estimated new resources for 1979. However, due to the fact that contributions in non-convertible currency started to be paid in considerable amounts only towards the end of 1975, and also due to a low expenditure of these currencies in 1976 and 1977 non-convertible currencies have accumulated, and are expected to account for a high percentage of the Fund balance by the end of 1979 if commitments are made in 1979 at the level of \$43.8 million (see para. 18 below).

13. The Executive Director has made special efforts to develop projects to be financed with non-convertible currencies. While a break-through has been made in 1978 and a sizeable number of projects within the areas of concentration approved by the Governing Council are now being negotiated, this is still only a beginning, and results at the moment are therefore rather limited in terms both of commitments and of expenditures. Furthermore, experience with the first such projects has shown that approximately 13 per cent of the cost must be spent in convertible currency. The major contributor in non-convertible currency is prepared to convert up to 25 per cent of its contribution, but the offer is subject to specific conditions which do not cover all types of expenditures in convertible currency required for project implementation. Allowance has thus to be made for certain sums of convertible currencies to ensure the proper implementation of such projects in the future.

#### V. PROPOSED LEVEL OF FUND PROGRAMME AND FUND PROGRAMME RESERVE ACTIVITIES

14. At its sixth session, the Governing Council approved a level of appropriation for Fund programme and Fund programme reserve activities for the biennium 1978-1979 with the following components:

Fund programme and Fund programme reserve activities <sup>3/</sup>	\$63.6 million
Unliquidated obligations reported by co-operating agencies	\$2.5 million
Activities rescheduled from previous years	\$5.0 million
Projects in non-convertible currencies	\$0.9 million
	<u>\$72.0 million</u>

After deduction of the 1978 expenditure of \$22.9 million, the balance of the appropriation stands at \$49.1 million (see Table 1).

15. Taking into consideration the recommendations made at the informal consultation in January 1979, the Executive Director proposes for 1979 three options on which he seeks guidance from the Governing Council:

##### Option A

Option A assumes that the entire balance of the appropriation (i.e. \$49.1 million) is committed during 1979. Given a total level of \$30 million already committed, of which \$26 million is in convertible currency (see line J of Table 2), \$16.6 million in convertible currency would be available for new projects and for the extension of ongoing activities (line K). Allowing for some delay in activities, it is

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<sup>3/</sup> The Fund-programme reserve was set at \$1 million a year by Governing Council decision 98 B (V), para. 4.

estimated that total project expenditures under this option would be \$41.7 million, of which \$36.7 million would be in convertible currency (see line N). Table 2, first three columns, analyses the implications of Option A and shows that resources in convertible currency are at the moment insufficient to finance this programme. If \$2.0 million in convertible currency is the minimum balance required to be carried forward to 1980, there would be a short-fall of \$5.5 million in convertible currency. This means that, should Option A be adopted by the Council, an additional \$5.5 million in new contributions in convertible currency would have to be made to the Fund in 1979;

#### Option B

Option B assumes that no additional resources will become available in 1979 and that \$2.0 million in convertible currency will be carried forward to 1980. Under these two assumptions, total 1979 commitments could not exceed \$43.8 million. As shown in Table 2, second three columns, there would be \$11.3 million available for new convertible currency projects and extensions of existing activities (line K). After allowing for activities rephased to future years, total project expenditures would be \$36.6 million, of which an estimated \$31.6 million would be in convertible currencies (line N);

#### Option C

Option C assumes that no additional resources will become available in 1979 and that the balance carried forward to 1980 in convertible currency is increased from \$2.0 million to \$5 million. Under these two assumptions, 1979 total commitments could not exceed \$40.4 million of which \$34.9 million would be in convertible currency (line I). As shown in Table 2, last three columns, there would be only \$7.9 million for new convertible currency projects and extensions of ongoing activities (line K). After allowing for activities rephased to future years, total project expenditures would be \$33.9 million, of which an estimated \$28.9 million would be expenditure in convertible currencies (line N).

16. For each of the three options submitted for consideration, a corresponding revised apportionment of the appropriation by budget line is proposed in Table 3, which shows arid lands (including desertification) as a new budget line 17. The terrestrial ecosystems budget line thus now excludes arid lands. This is proposed in order to eliminate duplication of efforts in these two closely-related areas of work and to give visibility to the actions being undertaken as a follow-up to the United Nations Conference on Desertification.

17. As stated earlier, the Executive Director feels that the full appropriation for the biennium cannot be allocated because resources are not available for the time being. He considers that option (b) may turn out to be more realistic in terms of resources available, and has, therefore, reflected it in his programme document presentation (UNEP/GC.7/7). Should more resources become available, additional

activities would be supported, in accordance with the Governing Council's directives, from among those already approved by the Council at previous sessions in documents UNEP/GC/90 and UNEP/GC.6/7.

18. With regard to the level of appropriation for 1980 and 1981, sufficient resources will be available for the level activities in the medium-term plan, and the Executive Director proposes that the Governing Council retain the level of the Fund programme as approved in the plan, at \$30.5 million and \$30.7 million respectively plus the Fund programme reserve. The expected status of the Fund in 1980-1981 as it flows from 1979 (under Option B described in paragraph 15 above) is shown in Table 4. A corresponding apportionment of the appropriation is proposed in Table 5. This is of course assuming that:

(a) The composition of resources in convertible and non-convertible currency remains unchanged;

(b) No difficulty is encountered in developing new projects with non-convertible currency resources;

(c) No change is made by Governments in the estimated convertible currency resources.

Subject to the above conditions, the estimated resources are sufficient to cover the appropriations proposed in Table 5 and reflected in the programme document. It should be noted, however, that, if convertible currency resources stabilize at present levels, there will be a tremendous drop in convertible currency commitments, from \$38.30 million (Option B) in 1979 to \$24.30 million and \$24.20 million in 1980 and 1981 respectively (see Table 2, Option B, line 1 and Table 4, line 1). This will have a very serious impact on the over-all implementation of the programme approved by the Governing Council, as well as on the fulfilment of the medium-term plan.

#### VI. FORWARD COMMITMENT AND ADJUSTMENT AUTHORITY

19. By decision 98 B (V), paragraph 7, the Governing Council approved a forward commitment authority of up to \$9 million and \$4 million for 1980 and 1981 respectively. The Executive Director proposes that an over-all forward commitment authority now be approved for the biennium 1982-1983 in the amount of \$16 million, of which up to \$10 million are expected to be required for 1982 and \$6 million for 1983.

20. The Executive Director further proposes that the Governing Council reconfirm his authority to adjust apportionments by 20 per cent in each budget line for the whole biennium, since it is now considered by the Governing Council as a single financial period for planning purposes.

## VII. NATURE OF FUND COMMITMENTS

21. As the Fund programme undergoes the transition from years of constant growth to its planned level of approximately \$31 million yearly expenditures, it is clear that new activities only be possible to the extent that some ongoing ones are phased out or reduced. A large proportion of heavy commitments, semi-permanent or institutional in nature, reduces the flexibility of the programme and its capacity for renewal. Of the 287 ongoing projects during 1978, 86 had been in operation since 1975 or earlier. Of the funds committed for 1978, 53.9 per cent went to 40 large projects, and 24.1 per cent to the 12 largest.

22. Experience following the success of a number of new initiatives supported by the Fund has shown that such support generates an expectation of more support than it is not always possible for the Fund to give. The need for further detailed evaluation of projects is, therefore, clear, and hard choices have to be made on cancelling or cutting down the financial support by the Fund for projects which prove to be of lower priority, or those for which other sources of financing exist. The Governing Council's views on this crucial issue would be extremely helpful in guiding the Executive Director in this difficult exercise.

23. The issue of the high share carried by the Environment Fund of the total costs of various projects, implemented both with co-operating agencies and with supporting organizations, has been raised in various forums, most recently at the informal consultations in January 1979. The Executive Director wishes to reiterate his views that:

(a) A high share by the Fund when dealing with new initiatives is in line with General Assembly resolution 2997 (XXVII), which stipulates that "the Environment Fund shall finance wholly or partly the costs of the new environmental initiatives undertaken within the United Nations system";

(b) A high share by the Fund is also legitimate in cases where UNEP is influencing a co-operating agency or a supporting organization to use existing material available to it, for the preparation of which over the past years large amounts of money have been used, to establish guidelines or produce information of high value to a large number of countries of the world.

24. It is, therefore, the view of the Executive Director that the level of financial support from the Fund of UNEP should be considered carefully for each project according to its own merits.

## VIII. FUND PROCEDURES

25. The Executive Director is endeavouring to make the best use of the resources available through stricter formulation of projects, use of computer techniques for better project monitoring, and emphasis on



support programmes to ensure dissemination of project results. Stricter project formulation is reflected in revised formats for project documents and revised project appraisal and approval procedures. The latter are closely connected with evaluation (see UNEP/GC.7/13), which must provide continuous feedback for project development.

26. A very positive development in this connexion was the inter-agency meeting on administrative and financial aspects of Fund-supported projects, held at Rome on 25 and 26 September 1978, in the framework of the meeting of designated officials on environmental matters. The meeting, attended by representatives of FAO, UNESCO, IMCO, IAEA, WHO, UNCTAD, UNDRO, WMO, UN/ECA and UNEP, agreed on closer co-ordination and on standard financial and reporting procedures that are indicative of the high degree of co-operation achieved within the system.

#### IX. FINANCIAL RESERVE

27. Financial rule 209.2 states that "The purposes of the financial reserve shall be to guarantee the financial liquidity and integrity of the Fund, to compensate for uneven cash flows and to meet such other similar requirements as may be decided upon by the Governing Council".

28. By decision 6/13 D, paragraph 2, the Governing Council, in order to retain the financial reserve at the level of 8 per cent of the approved programme, fixed it at \$3.8 million for 1978 and \$3.3 million for 1979. The Executive Director proposes that the Council retain the same level of 8 per cent for 1979, 1980 and 1981. Depending on the level of activities approved, that would bring the financial reserve in 1979 to \$4.6 million under Option A, to \$4.2 million under Option B and to \$3.9 million under Option C. The financial reserve will then be \$3.3 million for 1980 and \$3.4 million for 1981.

#### X. LIQUIDITY OF THE FUND

29. The question of the liquidity of the Fund has now become more important than in the past. In decision 98 A (V), paragraph 6, the Governing Council requested that an adequate cash carry-over be maintained from year to year, while in decision 6/13 D, paragraph 7, it decided that "adequate liquidity will be maintained at all times".

30. It is apparent that the level of the financial reserve, as it stands at present, is inadequate to ensure the Fund's liquidity at all times. Payments of contributions have not shown an even pattern over past years. The amounts paid during the first quarter were \$4.5 million in 1976, \$6.0 million in 1977, and \$14.1 million in 1978. In order to give greater precision to the decision of the Council on the "adequate" cash carry-over, the Executive Director proposes to fix the amount of such cash carry-over at \$2 million yearly in convertible currencies in addition to the available non-convertible currencies. These 2 million, when added to a minimum of \$4 million in convertible currencies expected to be paid during the first quarter of each year, plus, if required, the financial reserve, would provide a liquidity of \$9 to \$10 million during

the first quarter. This level of liquidity could meet the needs of UNEP during the critical periods of the first three months of each year. However, this clearly indicates the absolute need for Governments to seriously consider paying their contributions, or at least sizeable parts of them, during the first quarter of the year. The Executive Director has been appealing to Governments to do so. An appeal by the Governing Council to this effect could be extremely helpful.

#### XI. FUND PROGRAMME RESERVE

31. The Governing Council is requested to approve the Fund programme reserve for 1980 and 1981 at the current level, i.e. \$1 million for each year.

#### XII. CONCLUDING REMARKS

32. The problems outlined in this paper indicate that the Fund is approaching a turning point in 1979-1980. A thorough consideration by the Council, to enable it to give concrete guidance to the Executive Director on the major policy issues raised in this document, is of utmost importance. These issues are also referred to briefly in the Executive Director's introductory report (UNEP/GC.7/3).

#### XIII. SUGGESTED ACTION BY THE GOVERNING COUNCIL

33. The Governing Council may wish to consider a decision along the following lines:

##### (a) Resources

- (i) Express its satisfaction to new contributors and to Governments that increased their contributions;
- (ii) Call on those Governments that have maintained their previous levels of contributions to reconsider their position;
- (iii) Call strongly on those Governments that are contributing in a manner which is less than commensurate with their resources to increase their contributions;
- (iv) Call on those Governments that are not contributing to the Environment Fund to do so;
- (v) Should the Council reconfirm the present level of appropriations for 1979, call on Governments to contribute urgently the \$5.5 million in convertible currencies required this year;
- (vi) Call on Governments to make substantial payments to the Fund during the first quarter of each year;

(b) Appropriations for 1979

On the basis of the options discussed in paragraph 15, either

- (I) Confirm the approved level of appropriation for 1979 as shown in Table 2, Option A, taking note of the non-convertible and convertible currency composition, and approve the corresponding apportionment of the appropriation as set out in Table 3; or
- (II) Decide to reduce the 1979 level of activities by revising specific budget lines to the levels shown in Table 2, Option B, taking note of the non-convertible and convertible currency composition, and approve the corresponding apportionment of the appropriation as set out in Table 3; or
- (III) Decide to reduce the 1979 level of activities further by revising specific budget lines to the level shown in Table 2, Option C, taking note of the non-convertible and convertible currency composition, and approve the corresponding apportionment of the appropriation as set out in Table 3

Should the Council opt for (b) (II) or (III) above authorize the Executive Director to enter into new commitments, according to the availability of new resources in convertible currencies and the possibility of supporting with non-convertible currencies more activities than initially expected, up to the level of appropriations indicated in Option A;

(c) Appropriations for 1980/1981

To approve the total appropriations for 1980 and 1981, taking note of the non-convertible and convertible currency composition (the Executive Director's proposals are contained in Table 5), and to note that the next biennium (1980 and 1981) is to be considered as a single financial period;

(d) Cash carry-over

To endorse the Executive Director's intention to fix the cash carry-over at year end at a minimum of \$2 million in convertible currency in addition to the available non-convertible currencies and the financial reserve, and to reconsider this level at the end of the biennium in the light of experience;

(e) Forward commitment and adjustment authority

To authorize forward commitments of \$16 million for the 1982-1983 biennium and to reconfirm the Executive Director's authority to adjust apportionments by 20 per cent in each budget line for the biennium 1980-1981;

(f) Financial reserve

To approve the level of the financial reserve for 1979 at /\$4.6 million for Option A, \$4.2 million for Option B, or \$3.9 million for Option C/ and for 1980 and 1981 at \$3.3 million and 3.4 million respectively;

(g) Fund programme reserve

To approve \$1 million for each of the two years 1980 and 1981.

Table I

SUMMARY OF APPROPRIATIONS, EXPENDITURES INCURRED AND BALANCES OF APPROPRIATIONS FOR  
FUND PROGRAMME AND FUND PROGRAMME RESERVE ACTIVITIES FOR THE BIENNIUM 1978-1979

(in \$)

	Appropriations a/ 1978-1979	Expenditures b/ 1978	Balance of appropriations
<u>Fund programme activities</u>			
01 Human settlements, human health	12,278,552	2,435,350	9,843,202
03 Support	9,971,341	4,772,112	5,199,229
04 Environment and development	3,318,054	1,342,231	1,975,823
05 Oceans	8,980,320	2,366,428	6,613,892
07 Energy	1,216,582	549,160	667,422
10 Environmental management including environmental law	2,323,034	700,239	1,622,795
11 Terrestrial ecosystems (and Desertification)	17,460,835	5,144,395	12,316,440
12 Natural disasters	1,270,087	95,267	1,174,820
13 Earthwatch	11,078,342	4,295,943	6,782,399
15 United Nations Habitat and Human Settlements Foundation	700,000	700,000	-
16 Environmental data	1,424,100	375,499	1,048,601
<u>Fund programme reserve activities</u>			
	70,021,247	22,776,624	47,244,623
	2,000,000	125,845	1,874,155
	72,021,247	22,902,469	49,118,778

a/ Includes additional appropriations in the amount of \$8,421,047 as authorized in accordance with Governing Council decision 6/13 D, paras. 7 and 8.

b/ Includes unliquidated obligations of internal projects and those with United Nations bodies.

Table 2  
ESTIMATES FLOW AND USE OF RESOURCES FOR THE YEAR 1979  
(in \$ million)

Resources	Option A				Option B				Option C			
	Total	Convertible currencies (cc)	Non-convertible currencies (ncc)	Total	Convertible currencies (cc)	Non-convertible currencies (ncc)	Total	Convertible currencies (cc)	Non-convertible currencies (ncc)	Total	Convertible currencies (cc)	Non-convertible currencies (ncc)
A. Balance of Fund a/	28.4	13.6	14.8	28.4	13.6	14.8	28.4	13.6	14.8	28.4	13.6	14.8
B. Estimated contribution b/	30.9	26.6	4.3	30.9	26.6	4.3	30.9	26.6	4.3	30.9	26.6	4.3
C. Miscellaneous income (est.)	1.5	1.5	-	1.5	1.5	-	1.5	1.5	-	1.5	1.5	-
D. NCC conversion (est.)	-	0.5	(0.5)	-	0.5	(0.5)	-	0.5	(0.5)	-	0.5	(0.5)
E. Financial reserve c/	(0.8)	(0.8)	-	(0.4)	(0.4)	-	(0.1)	(0.1)	-	(0.1)	(0.1)	-
E. Loan repayment	0.2	0.2	-	0.2	0.2	-	0.2	0.2	-	0.2	0.2	-
G. Total resources d/	60.2	41.6	18.6	60.6	42.0	18.6	60.9	42.3	18.6	60.9	42.3	18.6
<b>Claims</b>												
H. Programme and programme support costs	8.4	8.4	-	8.4	8.4	-	8.4	8.4	-	8.4	8.4	-
I. Fund programme activities e/	49.1	43.6	5.5	43.8	38.3	5.5	40.4	34.9	5.5	40.4	34.9	5.5
J. Committed projects and extensions	30.0	26.0	4.0	30.0	26.0	4.0	30.0	26.0	4.0	30.0	26.0	4.0
K. Available for new projects and extensions	18.1	16.6	1.5	12.8	11.3	1.5	9.4	7.9	1.5	9.4	7.9	1.5
L. Fund programme reserve	1.0	1.0	-	1.0	1.0	-	1.0	1.0	-	1.0	1.0	-
M. Rephased to later years (est.)	(7.4)	(6.9)	(0.5)	(7.2)	(6.7)	(0.5)	(6.5)	(6.0)	(0.5)	(6.5)	(6.0)	(0.5)
N. Project expenditures f/	41.7	36.7	5.0	36.6	31.6	5.0	33.9	28.9	5.0	33.9	28.9	5.0
O. Total claims g/	50.1	45.1	5.0	45.0	40.0	5.0	42.3	37.3	5.0	42.3	37.3	5.0
P. Estimated balance h/	10.1	(3.5)	13.6	15.6	2.0	13.6	18.6	5.0	13.6	18.6	5.0	13.6
Q. Deficit i/		(5.5)										

a/ Document UNEP/GC.7/L.2, Statement 11 reports a balance of \$29,006,716. Of this, \$568,800 is the remaining loan to the Capital Asset Fund (see Statement 1 (b)). After deduction from the unencumbered Fund balance, the latter is shown above as \$28.4 million, of which \$13.6 is in convertible currency.

b/ See Estimates of resources as of 31 March 1979, p.9.

c/ E = 8 per cent of H + I, minus \$1.8 million (1978 financial reserve).

d/ G = A + B + C + D + E + F.

e/ I = J + K + L.

f/ N = I - M.

g/ O = H + N.

h/ P = G - O.

i/ Q = Under Option A there is a deficit of \$3.5 million. In order to have the essential cash carry-over of \$2.0 million to 1980, the additional resources required in convertible currency would be, therefore, \$5.5 million.

Table 3  
PROPOSED APPORTIONMENT OF THE APPROPRIATION FOR 1979  
UNDER OPTIONS A, B AND C  
(in \$ millions)

	Existing balance of appropriation	Option A			Option B			Option C		
		Total	CC	NCC	Total	CC	NCC	Total	CC	NCC
01 Human settlements, human health	9.8	6.4	6.2	0.2	5.2	5.0	0.2	5.0	4.8	0.2
03 Support	5.2	7.7	7.1	0.6	7.7	7.1	0.6	7.7	7.1	0.6
04 Environment and development	2.0	3.2	3.0	0.2	3.1	2.9	0.2	2.9	2.7	0.2
05 Oceans	6.6	6.6	5.5	1.1	5.0	3.9	1.1	4.0	2.9	1.1
07 Energy	0.7	1.0	1.0	-	0.8	0.8	-	0.7	0.7	-
10 Environmental management including environmental law	1.6	1.6	1.5	0.1	1.4	1.3	0.1	0.7	0.6	0.1
11 Terrestrial ecosystems	12.3 a/	9.8	7.0	2.8	9.0	6.2	2.8	8.3	5.5	2.8
12 Natural disasters	1.2	0.5	0.5	-	0.4	0.4	-	0.4	0.4	-
13 Earthwatch including IRPTC	6.8	6.8	6.5	0.3	6.5	6.2	0.3	6.0	5.7	0.3
16 Environmental data	1.0	0.7	0.6	0.1	0.7	0.6	0.1	0.7	0.6	0.1
17 Arid lands (including desertification)	- b/	3.8	3.7	0.1	3.0	2.9	0.1	3.0	2.9	0.1
Total Fund programme activities	47.2	48.1	42.6	5.5	42.8	37.3	5.5	39.4	33.9	5.5
Fund programme reserve	1.9	1.0	1.0	-	1.0	1.0	-	1.0	1.0	-
Total commitments	49.1	49.1	43.6	5.5	43.8	38.3	5.5	40.4	34.9	5.5

a/ Including arid lands and desertification.

b/ Included in terrestrial ecosystems.

**Table 4**  
**ESTIMATED FLOW AND USE OF RESOURCES FOR THE YEARS 1980-1981**  
(in \$ million)  
Based on Option B for 1979.

	1980			1981		
	Total	cc	ncc	Total	cc	ncc
<b>I. Resources:</b>						
A. Balance of Fund based on Option B	15.6	2.0	13.6	13.0	2.8	10.2
B. Estimated contribution	30.9	26.6	4.3	30.9	26.6	4.3
C. Miscellaneous income (est.)	1.0	1.0	-	1.0	1.0	-
D. NCC conversion (est.)	-	1.2	(1.2)	-	1.2	(1.2)
E. Financial reserve	0.9	0.9	-	(0.1)	(0.1)	-
F. Loan repayment	0.2	0.2	-	0.2	0.2	-
G. Total resources	48.6	31.9	16.7	45.0	31.7	13.3
<b>Claims:</b>						
H. Programme and programme support costs	9.3	9.3	-	10.3	10.3	-
I. Fund programme activities	31.5	24.3	7.2	31.7	24.2	7.5
J. Committed	7.3	6.0	1.3	2.1	1.4	0.7
JJ. Rephased from previous year (Option B)	7.2	6.7	0.5	5.2	4.5	0.7
K. Available for new projects and extensions	16.0	10.6	5.4	23.4	17.3	6.1
L. Fund programme reserve	1.0	1.0	-	1.0	1.0	-
M. Rephased to later years (est.)	(5.2)	(4.5)	(0.7)	(5.6)	(4.8)	(0.8)
N. Project expenditures	26.3	19.8	6.5	26.1	19.4	6.7
O. Total claims	35.6	29.1	6.5	36.4	29.7	6.7
P. Estimated balan	13.0	2.8	10.2	8.6	2.0	6.6



**Table 5**  
**PROPOSED APPORTIONMENT OF THE APPROPRIATION FOR 1980 AND 1981**  
(in \$ millions)

	Approved appropriation 1978-1979 Total	1980-1981			1980			1981		
		Total	CC	NCC	Total	CC	NCC	Total	CC	NCC
01 Human settlements, human health	12.3	8.0	7.0	1.0	4.0	3.5	0.5	4.0	3.5	0.5
03 Support	10.0	12.0	10.0	2.0	6.0	5.0	1.0	6.0	5.0	1.0
04 Environment and development	3.3	4.0	3.0	1.0	2.0	1.5	0.5	2.0	1.5	0.5
05 Oceans	9.0	7.5	6.0	1.5	3.75	3.0	0.75	3.75	3.0	0.75
07 Energy	1.2	1.2	1.0	0.2	0.6	0.5	0.1	0.6	0.5	0.1
10 Environmental management including environmental law	2.3	1.5	1.2	0.3	0.75	0.6	0.15	0.75	0.6	0.15
11 Terrestrial ecosystems	17.5 a/	10.5	5.2	5.3	5.25	2.75	2.5	5.25	2.45	2.8
12 Natural disasters	1.3	0.5	0.5	-	0.25	0.25	-	0.25	0.25	-
13 Earthwatch including IRPTC	11.0	10.2	8.0	2.2	5.0	3.9	1.1	5.2	4.1	1.1
15 UNHHSF	0.7	-	-	-	-	-	-	-	-	-
16 Environmental data	1.4	1.0	0.8	0.2	0.5	0.4	0.1	0.5	0.4	0.1
17 Arid lands (including Desertification)	- b/	4.8	3.8	1.0	2.4	1.9	0.5	2.4	1.9	0.5
Total Fund programme commitments	70.0	61.2	46.5	14.7	30.5	23.3	7.2	30.7	23.2	7.5
Fund programme reserve	2.0	2.0	2.0	-	1.0	1.0	-	1.0	1.0	-
Total Commitments	72.0	63.2	48.15	14.7	31.5	24.3	7.2	31.7	24.2	7.5

a/ Including Arid lands and Desertification.

b/ Included in Terrestrial ecosystems.