United Nations

Fund of the United Nations Environment Programme

Financial report and audited financial statements

for the year ended 31 December 2020

and

Report of the Board of Auditors

General Assembly
Official Records
Seventy-sixth Session
Supplement No. 5G

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Contents

Letters of transmittal

Letter dated 31 March 2021 from the Executive Director of the United Nations Environment Programme addressed to the Chair of the Board of Auditors

In accordance with regulation 6.2 and rule 106.1 of the Financial Regulations and Rules of the United Nations, I have the honour to transmit the financial report and accounts of the United Nations Environment Programme, including associated trust funds and other related accounts, for the year ended 31 December 2020, which I hereby approve on the basis of the attestations of the Chief Finance Officer, the United Nations Office at Nairobi and the Chief, Financial Management Services, United Nations Environment Programme.

Copies of these financial statements are made available to both the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors.

(*Signed*) Inger **Andersen**
Executive Director
United Nations Environment Programme

Letter dated 22 July 2021 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and the audited financial Statements of the United Nations Environment Programme for the year ended 31 December 2020.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the Fund of the United Nations Environment Programme (UNEP), which comprise the statement of financial position (statement I) as at 31 December 2020 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNEP as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. We are independent of UNEP, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor’s report thereon

The Executive Director of UNEP is responsible for the other information, which comprises the financial report for the year ended 31 December 2020, contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Executive Director of UNEP is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of UNEP to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate UNEP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of UNEP.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of UNEP;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

(d) Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of UNEP to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNEP to cease to continue as a going concern;

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UNEP that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of UNEP.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
(Lead Auditor)

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

22 July 2021

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Environment Programme (UNEP) for the year ended 31 December 2020, in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as with the International Standards on Auditing. Owing to the impact of the coronavirus disease (COVID-19) pandemic, the audits were conducted remotely in Beijing, covering UNEP headquarters, the secretariat of the Basel, Rotterdam and Stockholm Conventions, the Regional Office for Asia and the Pacific, and the liaison office to the African Union Commission, the Economic Commission for Africa and Ethiopia.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of UNEP as at 31 December 2020 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

The Board also performed an annual audit of the six trust funds of Global Environment Facility (GEF) and issued an unqualified opinion on their financial statements for the year ended 31 December 2020. The material management issues of UNEP-GEF are also consolidated in the present report.

Overall conclusion

The Board did not identify significant errors, omissions or misstatements from the review of financial records of UNEP for the year ended 31 December 2020. However, the Board identified scope for improvement, especially in the areas of sustainable development, budget management, grants management, and programme and project management.

Key findings

Lack of sustainability plan for some projects

Developing a sustainability plan and uploading it into the Programme Information Management System (PIMS) were not common practices at UNEP, as required under the UNEP programme and project management manual. The Board randomly checked the records of 10 projects, with a total planned budget of $65.30 million, in PIMS and noted that no sustainability plans for those projects had been developed and uploaded.

Resource mobilization strategy not carried out in full

The Board noted that the resource mobilization strategy of UNEP had not been carried out in full, owing to insufficient resource input, and that some clauses were unapplicable. There remains a gap between the budget and actual income of the Environment Fund.

Lower programme support cost rate without appropriate justification

The Board sampled three corporate-level agreements and noted that two of the programme support cost rates were charged lower than the prescribed ratio of 13 per

cent. In addition, there were no justification requests or approval documents regarding the reduction in the programme support cost rates.

Enhanced reporting and transparency required for choosing implementing partners

The Board noted that UNEP had signed 17 new agreements in 2019 and 2020 with four implementing partners who already had outstanding advance payments of $228,782.31 at the end of 2018. Among them, eight newly signed agreements still had outstanding advance payments as of March 2021 owing to a lack of expenditure reports. Of six agreements whose implementation ended before 2020, there were open advances as of March 2021 in three of them.

Ageing projects not cleaned up in time

As at 10 November 2020, there were 31 ageing projects in PIMS with a planned budget of $193.11 million, one of which whose deadline for completion was more than three years ago. The Board sampled seven ageing projects and found that the staff responsible had sent reminder messages to the project managers to report on the most recent project status in a timely manner. However, some project managers failed to give feedback or upload the actual status information on the projects in a timely manner, thus delaying confirmation of the change in project status to "Completed" upon the deadline for completion of the projects.

Delayed closure of completed projects in the Programme Information Management System

There were 368 projects with a "completed" status in PIMS as at 26 October 2020. The Board noted that, of those projects, the closure procedures of 330 had not been done within 12 months of the project completion date and exceeded the closing deadline by 3 to 223 months. The Board also found that the dates of completion of 26 of the 368 projects were not recorded.

Projects exceeding the planned implementation end dates

As at 31 December 2020, there were 259 GEF projects under implementation. The Board noted that 46 of them, with a total budget of $71.46 million, exceeded the planned implementation end dates. Moreover, 11 of those 46 projects had been overdue for completion for more than one year.

Recommendations

In the light of the findings mentioned above, the main recommendations of the Board are that UNEP:

Lack of sustainability plan for some projects

(a) **Develop sustainability plans with concrete and trackable measures for all its projects, pursuant to the UNEP programme and project management manual;**

Resource mobilization strategy not carried out in full

(b) (i) **Adjust its funding strategy, on the basis of the review of the past funding situation, delete unrealistic clauses and make it applicable;**

(ii) **Improve the mechanism to ensure the implementation of the fundraising strategy, including necessary resource input and regular monitoring;**

Lower programme support cost rate without appropriate justification

(c) **Review future agreements whenever an exception to the standard programme support cost rate is requested by the donor and forward the agreements, with appropriate justification and conditions, to the Controller for approval in order to ensure transparency;**

Enhanced reporting and transparency required for choosing implementing partners

(d) **Establish an internal mechanism to flag, report on and communicate where long-outstanding advance balances exist to ensure transparency before a new agreement with the same implementing partner is signed;**

Ageing projects not cleaned up in time

(e) **Strengthen the training of project managers and set up a regular review mechanism by promptly reminding the project managers to attend to the project status and upload relevant information into PIMS in a timely manner;**

Delayed closure of completed projects in the programme information management system

(f) **Accelerate the clean-up of legacy matters and complete the closure procedures for delayed projects as soon as possible;**

Projects exceeding the planned implementation end dates

(g) **Actively explore feasible alternative measures to monitor the timeliness of GEF project implementation and the extension of projects, if required.**

Follow-up of previous recommendations

As at 31 December 2020, of the 84 outstanding recommendations up to the financial year ended 31 December 2019, 35 (42 per cent) had been implemented, 47 (56 per cent) were under implementation, 1 (1 per cent) had not been implemented and 1 (1 per cent) had been overtaken by events.

Key facts	
$2,670.2 million	Total assets
$551.9 million	Total liabilities
$2,118.2 million	Net assets
$795.83 million	Revenue
$516.61 million	Expenses
$125.80 million	Original Environment Fund and regular budget
$102.85 million	Final Environment Fund and regular budget
1,269	Staff members

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the Fund of UNEP and reviewed its operations for the financial period ended 31 December 2020 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The Standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of the Fund of UNEP as at 31 December 2020 and its financial performance and cash flows for the financial period then ended, and that they have been properly prepared in accordance with IPSAS. The audit included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies, and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules. It also included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. The Board also reviewed UNEP operations under regulation 7.5 of the Financial Regulations and Rules, which allows the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNEP operations.

4. Owing to the impact of the COVID-19 pandemic, the audits were conducted remotely in Beijing and covered UNEP headquarters, the secretariat of the Basel, Rotterdam and Stockholm Conventions, the Regional Office for Asia and the Pacific and the liaison office to the African Union Commission, the Economic Commission for Africa (ECA) and Ethiopia.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with UNEP management, whose views have been appropriately reflected in the report.

United Nations Environment Programme: background

6. UNEP is the designated authority of the United Nations system with respect to environmental issues at the global and regional levels. Its mandate is to coordinate the development of environmental policy consensus by keeping the global environment under review and bringing emerging issues to the attention of Governments and the international community for action. The mandate and objectives of UNEP emanate from General Assembly resolution 2997 (XXVII) of 15 December 1972 and subsequent amendments adopted at the United Nations Conference on Environment and Development in 1992, the Nairobi Declaration on the Role and Mandate of UNEP, adopted at the nineteenth session of the UNEP Governing Council, and the Malmö Ministerial Declaration of 31 May 2000. It was founded as a result of the United Nations Conference on the Human Environment held in June 1972 and has its headquarters in Nairobi.

7. UNEP is the leading global environmental authority that sets the global environmental agenda, promotes coherent implementation of the environmental dimension of sustainable development within the United Nations system and serves as an authoritative advocate for the global environment. UNEP works through its divisions, regional, liaison and out-posted offices, plus a growing network of collaborating centres of excellence. UNEP also hosts several secretariats of environmental conventions, and inter-agency coordinating bodies.

8. The United Nations Office at Nairobi provides administrative and financial services to UNEP, including procurement, human resources and information and communications technology. Many of the recommendations made by the Board to UNEP require joint action with the Office.

Global Environment Facility

9. UNEP is an implementing agency of the Global Environment Facility (GEF), which funds projects in developing countries on biodiversity, climate change, international waters, land degradation, ozone layer depletion and persistent organic pollutants. GEF receives contributions from 40 donor countries. The adoption and evaluation of the programmes of GEF are the responsibility of its Council.

10. UNEP manages the funds allocated to it from GEF through six trust funds, which are subject to annual audits by the Board. For the financial year ended 31 December 2020, the trust funds collected total revenue of $203.30 million and incurred total expenses of $107.66 million. The Board also provides an annual audit opinion on these trust funds at the request of UNEP and the World Bank, which is the GEF Trustee.

Multilateral environmental agreements

11. Over the years, UNEP activities have given rise to a number of conventions and associated protocols on major environmental challenges. These have generated multilateral environmental agreements, each requiring countries to develop specific mechanisms and fulfil agreed obligations for improving the environment. UNEP provides the secretariat functions to 15 multilateral environmental agreements and discloses in its financial statements the transactions of the trust funds it manages directly, in support of the activities of the agreements and conventions. The Board's audit of UNEP includes an examination of balances relating to its secretariat functions for multilateral environmental agreements.

B. Findings and recommendations

1. Follow-up of previous years' recommendations

12. The Board noted that there were 84 outstanding recommendations up to the financial year ended 31 December 2019, of which 35 (42 per cent) had been implemented, 47 (56 per cent) were under implementation, 1 (1 per cent) had not been implemented and 1 (1 per cent) had been overtaken by events. Details on the status of implementation of the previous years' recommendations are provided in the annex to chapter II.

13. The Board carried out an analysis regarding the 48 recommendations that were under implementation or not implemented and noted that 20 (42 per cent) referred to secretariat management; 17 (35 per cent) were related to programme and project management; 5 (11 per cent) concerned human resources management; 2 (4 per cent) related to accounting management; 2 (4 per cent) fell under the category of information and communications technology; 1 (2 per cent) concerned risk management; and 1 (2 per cent) was related to property, plant and equipment.

14. With regard to the age of those recommendations, 31 (65 per cent) were made one year ago; 10 (21 per cent) are two years old; 1 (2 per cent) has remained open for three years; and 6 (12 per cent) have been pending for more than three years.

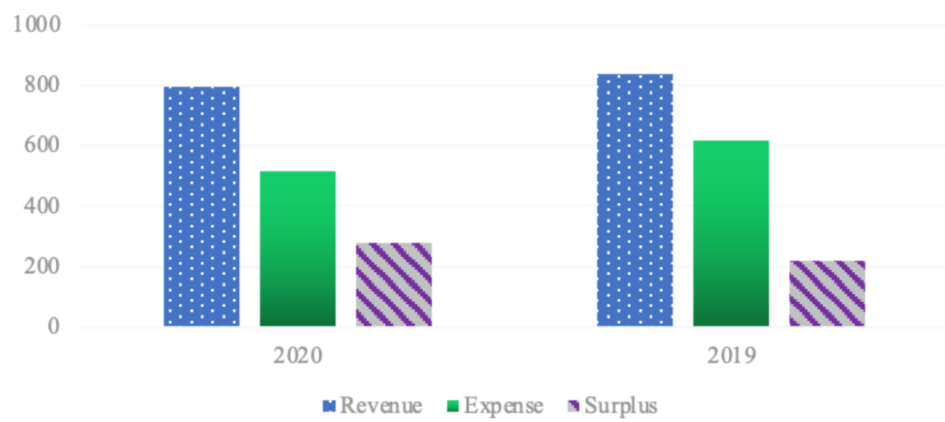
2. Financial overview

15. In 2020, UNEP reported total revenue of $795.83 million (2019: $837.75 million) and total expenses of $516.61 million (2019: $619.02 million), resulting in a surplus of $279.22 million (2019: $218.73 million). Total assets as at 31 December 2020 amounted to $2,670.18 million (2019: $2,415.1 million), comprising current assets of $1,682.39 million (2019: $1,543.87 million) and non-current assets of $987.79 million (2019: $871.23 million). Total liabilities amounted to $551.94 million (2019: $562.95 million), resulting in net assets of $2,118.24 million (2019: $1,852.15 million).

16. A comparison of revenue and expenses for the financial years 2020 and 2019 is illustrated in the figure below.

Financial performance pattern

(Millions of United States dollars)



Source: UNEP financial statements for 2020 and 2019.

Revenue analysis

17. During 2020, UNEP received total contributions of $545.89 million (2019: $663.14 million), of which $304.26 million (2019: $413.36 million), equivalent to 56 per cent, represents voluntary contributions from various donors. The remaining $241.63 million (2019: $249.78 million), equivalent to 44 per cent, represents assessed contributions from member States. In 2020, voluntary contributions decreased by $109.10 million (26 per cent). The decrease in revenue was attributable in large part to the decrease in the voluntary contributions from donors and other United Nations entities in 2020.

Expense analysis

18. Grants and other transfers for the period amounted to $253.54 million (2019: $284.79 million), which accounted for 49 per cent of the total expenses of $516.61 million. The reported amount of grants and transfers includes outright grants and transfers to implementing agencies, partners and other entities as well as quick impact projects.

Ratio analysis

19. The table below contains key financial ratios analysed from the UNEP financial statements, mainly from the statement of financial position.

Ratio analysis

Description of ratio	*31 December 2020*	*31 December 2019*
Cash ratio[a]		
Cash plus investments: current liabilities	3.60	2.61
Quick ratio[b]		
Cash plus investments plus accounts receivable: current liabilities	4.99	3.89
Current ratio[c]		
Current assets: current liabilities	5.93	4.80
Solvency ratio[d]		
Total assets: total liabilities	4.84	4.29

Source: UNEP 2020 financial statements.

[a] The cash ratio is an indicator of an entity’s liquidity by measuring the amount of cash, cash equivalents or invested funds that are in current assets to cover current liabilities.

[b] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to convert into cash; a higher ratio means a more liquid current position.

[c] A high ratio (defined as greater than 1:1) indicates an entity’s ability to pay off its short-term liabilities.

[d] A high ratio is a good indicator of solvency.

20. The analysis of ratios above indicates healthy financial position of UNEP as at 31 December 2020. UNEP has a strong liquidity position, as indicated by current, quick and cash ratios. In addition, the solvency of UNEP remains strong, as measured by the ratio of total assets to total liabilities. During the year under review, the revenue and expenses of UNEP decreased by $41.92 million and $102.41 million, respectively, resulting in a surplus of $279.22 million. Total assets increased by $255.08 million, or 10.56 per cent, while total liabilities recorded a decrease of

$11 million, or 1.95 per cent. A combination of all those fluctuations improved the levels of liquidity and solvency ratios for UNEP in 2020.

3. Sustainable development

3.1 Sustainable development in project management

Lack of sustainability plan for some projects

21. It is stated in section 1.4.2 of the UNEP programme and project management manual that “Activities that promote the project’s sustainability should be entrenched in the project design. Project personnel should develop a sustainability plan that includes training, knowledge transfer and capacity-building efforts for project partners as well as a detailed process for the phased withdrawal of UNEP technical inputs and funding”.

22. The Board noted that developing a sustainability plan and uploading it into the Programme Information Management System (PIMS) was not a common practice at UNEP, as required pursuant to the manual. In addition, the Board randomly checked in the system the records of 10 projects with a total planned budget of $65.30 million and noted that no sustainability plans for those projects had been developed and uploaded.

23. UNEP explained that activities that promoted a project’s sustainability were entrenched in the project design process, in the overall approach to having a theory of change narrative and diagram and in the corresponding preliminary problem and objective trees in a project document. Those practices ensured that aspects of sustainability were considered in the project design process.

24. The Board is of the view that the lack of a sustainability plan could lead to adverse effects on training, knowledge transfer and capacity-building efforts for project partners and on the phased withdrawal of UNEP technical inputs and funding.

25. **The Board recommends that UNEP develop sustainability plans with concrete and trackable measures for all its projects, pursuant to the UNEP programme and project management manual.**

26. UNEP accepted the recommendation.

Lack of direct and clear sustainability requirements after project completion

27. It is also stated in section 1.4.2 of the UNEP programme and project management manual that, “As a key requirement for UNEP projects, sustainability is considered as the continuation or maintenance of outcomes and benefits after the completion of a project. In light of the Sustainable Development Goals, sustainability should be considered along three main lines: Institutional and technical sustainability, Financial sustainability, and Environmental sustainability … For more details, see Environmental, Social, Economic Sustainability (ESES) Guidelines”.

28. The Board noted that there were direct, clear and self-contained environmental, social and economic sustainability requirements within the United Nations environment project cycle in environmental, social and economic sustainability guidelines. However, there were no such requirements after the completion of a project in those guidelines.

29. UNEP explained that, through the environmental and social sustainability framework, it encouraged its projects to be able to have more opportunities to do good. Sustainability by definition should be lasting beyond the project period, and the project operation completion report template required project teams to provide information on sustainability.

30. The Board is of the view that it is necessary to put forward direct, clear and comprehensive sustainability requirements, which will guide the implementing partners and other project stakeholders on how to maintain sustainability after the completion of a project.

31. **The Board recommends that UNEP incorporate a sustainability plan into a final project report and make recommendations for mainstreaming it to project partners after completion of the project.**

32. UNEP accepted the recommendation.

Lack of regular tracking of sustainability after project completion

33. The meaning of and requirement for the sustainability of UNEP projects, which is related to the Sustainable Development Goals, is further stated in section 1.4.2 of the UNEP programme and project management manual.

34. The Board noted that, from 2016 to 2020, there were 250 completed projects, including 107 projects in PIMS, 138 GEF projects and 5 projects under the Green Climate Fund. The total planned budget of the 250 projects was $820.88 million.

35. The Board also noted that, in general, UNEP did not regularly track overall information of sustainability and lessons learned after the completion of the projects.

36. UNEP explained that it did not have the resources to return to project sites and measure sustainability after the completion of a project. The existing approach to ensure sustainability was embedded in full in all project design stages, and results were understood and learned through the agreed results framework.

37. The Board is of the view that it is necessary to track sustainability after the completion of a project and that a return to the project site is not the only approach for tracking.

38. **The Board recommends that UNEP track sustainability in its flagship projects and those that span over several programme of work periods.**

39. UNEP accepted the recommendation.

3.2 Data collection on sustainable development

More support required for collecting and reporting data on indicators of the Sustainable Development Goals

40. The General Assembly, in its resolution 71/313, emphasized that "the need for quality, accessible, timely and reliable disaggregated data to help with the measurement of progress and to ensure that no one is left behind" and adopted the global indicator framework for the Sustainable Development Goals and targets of the 2030 Agenda for Sustainable Development.

41. UNEP is the custodian for Sustainable Development Goals indicator 6.6.1 (change in the extent of water-related ecosystems over time) and is accountable for the quality and accuracy of global reporting on progress towards achieving the Sustainable Development Goals.

42. The Board reviewed *The Sustainable Development Goals Report 2020*, in which it was stated that a part of indicator 6.6.1 could not be measured owing to a lack of data. While global water body extent was measured globally, the data were not disaggregated by water ecosystem type. It was mentioned that, for other water-related ecosystems, including wetlands, groundwater and open water bodies, global-level data were not yet available.

43. The Board also noted that UNEP had adopted innovative ways of using artificial intelligence and remote sensing (satellite imagery) for measurement and achieved progress for data on wetlands by 2021. However, for groundwater and open water bodies, UNEP was still faced with the challenge of the insufficient submission of data from countries.

44. The Board is of the view that collecting appropriate data is crucial for UNEP in order for it to fulfil its duties as custodian of indicator 6.6.1 and in accordance with General Assembly resolution 71/313.

45. **The Board recommends that UNEP intensify efforts and provide resources to guide and support countries through capacity-building on collecting and reporting data on indicators of the Sustainable Development Goals in a timely manner that meets the data needs of the 2030 Agenda.**

46. UNEP accepted the recommendation.

Delayed submission of national reports at the secretariat of the Basel, Rotterdam and Stockholm Conventions

47. Paragraph 3 of article 13 of the Basel Convention reads, in part, "The Parties, consistent with national laws and regulations, shall transmit, through the Secretariat, to the Conference of the Parties established under Article 15, before the end of each calendar year, a report on the previous calendar year".

48. The Board noted that, as at 30 September 2020, submission rates of national reports from 2012 to 2017 under the Basel Convention had ranged from 45 to 61 per cent. Given that reports for a given year continued to be received two years after the deadline, efforts to improve the rate of reporting for 2018 and afterwards were ongoing.

49. At its first meeting, in 2005, the Conference of the Parties to the Stockholm Convention, in its decision SC-1/22, decided that each party shall submit its subsequent report every four years after the submission of its first report by 31 December 2006.

50. The Board also noted that submission rates of four national reports (one national report every four years from 2007 to 2018) under the Stockholm Convention ranged from 25 to 52 per cent.

51. The secretariat of the Basel, Rotterdam and Stockholm Conventions explained that some parties' non-compliance with their national reporting obligations stemmed from insufficient capacity and capacity-building activities. A variety of activities were decided by the Conference of Parties to address the low submission rate. In addition, parties could gain access to a variety of resources to obtain support in addressing their problems with national reporting.

52. The Board is of the view that a lack of reporting might lead to difficulties in monitoring the implementation progress of the Basel and Stockholm Conventions. Furthermore, it might have an impact on measuring progress towards the achievement of the related Sustainable Development Goals.

53. **The Board recommends that the secretariat of the Basel, Rotterdam and Stockholm Conventions, subject to the decision of the relevant Conference of the Parties, continue to guide and support parties in submitting their national reports, pursuant to the Basel Convention and Stockholm Convention.**

54. UNEP accepted the recommendation.

4. Budget management

Resource mobilization strategy not carried out in full

55. The Environment Fund, provided by UNEP member States, was a core source of flexible funds. The Fund provided the foundation for UNEP work worldwide, given that the organization supported countries in delivering on the environmental dimensions of the 2030 Agenda.

56. The Board noted that, from 2014 to 2020, there had remained a gap between the budget and actual income of the Environment Fund. The average gap was $51.8 million (40 per cent of budget). The funding gap for 2020 was $22 million (22 per cent of budget), owing mainly to budget reductions (26 per cent), in accordance with requests from member States, and an increase in contributions received (7 per cent).

57. It was stated in the report of the Executive Director of UNEP on the proposed programme of work and budget for the biennium 2020–2021 (UNEP/EA.4/4) that a new resource mobilization strategy for 2018–2021 had been finalized in November 2017.

58. The Board noted that the strategy, while approved by the then Executive Director, was not endorsed for implementation. Therefore, a series of policy measures proposed in the strategy had not been carried out, such as measures to expand the scope of donor countries. The funding source of the Environment Fund continued to rely heavily on a few donors.

59. In addition, the mechanism to improve fundraising was not carried out. The strategy contained plans to create a mechanism for receiving funding and solving problems such as high overhead and programme support costs and the modality of payments. While the idea had been proposed in 2017, work on it began early in 2020 and was delayed owing to the COVID-19 pandemic. Likewise, an incentive mechanism intended to allocate 10 to 50 per cent of funds generated to resource mobilization activities had not yet been put in place.

60. The Board is of the view that the funding gap not only impairs the ability of UNEP to realize the Sustainable Development Goals, but also has an impact on the effectiveness and validity of the budget approved by the United Nations Environment Assembly.

61. **The Board recommends that UNEP adjust its funding strategy, on the basis of the review of the past funding situation, delete unrealistic clauses and make it attainable.**

62. **The Board recommends that UNEP improve the mechanism to ensure the implementation of the fundraising strategy, including necessary resource input and regular monitoring.**

63. UNEP accepted the recommendations.

Overexpenditure within subprogrammes

64. The Board noted there were deviations between expenditure and the Environment Fund budget among subprogrammes from 2015 to 2019. The absolute value of the total gap continued to increase, from 0.1 per cent in 2015 to 3.1 per cent in 2019. The subprogramme on climate change had seen a difference of 15 per cent in 2019, more than three times higher than it was in 2015. In 2020, actual expenditure of all subprogrammes was below the final annual budget owing to the impact of the COVID-19 pandemic.

65. In addition, the Board noted that there was no standard operating procedure on accountability between the budget office and the fund management officers relating to budget control. In practice, it was carried out through guidance in the form of an Executive Director's memo and email from the budget unit to the officers. Notwithstanding the budget office continuously highlighting in the monthly dashboards that Divisions/Offices should maintain their expenditure within the set limits and subprogrammes, certain divisions/offices had continued to overrun the budget allocated between subprogrammes.

66. UNEP claimed that the total budget of the Environment Fund approved by United Nations Environment Assembly was not exceeded, and the above-mentioned deviations between subprogrammes had already been disclosed in the financial statements.

67. **The Board recommends that UNEP tailor a standard operating procedure that clearly defines the responsibility of the divisions/regional offices in aligning the actual expenses with the allocated budget in total and within subprogrammes.**

68. **In addition, the Board recommends that UNEP enhance reporting to the Budget Steering Committee with regard to the budget performance of divisions and regional offices to take necessary action in case of an overrun of expenses with regard to the entire budget and/or at a subprogramme level.**

69. UNEP accepted the recommendations.

Insufficient implementation capacity of corporate-level agreements

70. The Board noted that the utilization rate (expenditure/authorized) of three corporate-level grants was lower than the chronological progress (completion rate) of the projects in 2019 and 2020. The Board analysed the reasons for low utilization rates from three dimensions, namely, authorization of budget, allotment process and implementation of projects, and noted the several issues, as presented below.

71. First, it took a considerable length of time to receive authorization of budget. For two grants, after contributions had been received by UNEP, they had to go through a rigorous and exhaustive review process for authorization. For example, the first instalment of the grants arrived on 31 December 2018, and the budget was not authorized for use until July 2019.

72. Second, the allotment process lasted for a long time. By 30 September 2020, there was still $309,658 in an unallotted corporate grant budget for one grant, and 14 months had passed since the authorization date of July 2019. Although the budget office specified the deadline for the allotment of the budget in emails to divisions/regional offices, delays remained. Even if the divisions/regional offices failed to release the authorized budget for a long period, its upper limit was not adjusted.

73. Lastly, progress in project implementation lagged. The Board randomly chose two work breakdown structures in PIMS and found that a series of outputs were pending or not attained.

74. The Board is of the view that the delivery of project outputs is crucial, given that it determines the future fundraising ability of UNEP. If the slow implementation of projects occurs continuously, then there is a risk that it may harm the competitiveness of UNEP in obtaining resources in the future.

75. **The Board recommends that UNEP expedite the budget authorization process for corporate agreements with loosely earmarked funds or begin it prior to receiving the cash payments from the donors.**

76. **In addition, the Board recommends that UNEP clarify the permitted time limit of budget allotments through an official memorandum from the Executive Director, who authorizes the budget allotments.**

77. **Furthermore, the Board recommends that UNEP strengthen the accountability of divisions/regional offices with long-standing unallotted or unused budgets.**

78. UNEP accepted the recommendations and stated that it would: (a) explore possible options for allotting the funds at an earlier stage; (b) ensure that the timeline of issuing the allotment is done by the Executive Director through an official memo in 2021; and (c) ensure that separate reports are provided to the Budget Steering Committee and Executive Director for appropriate decision-making.

5. Grants management

Delayed closure of expired grants

79. It is stated in part 2 (grant closure) of the guidance on the financial closure of projects (United Nations Office at Nairobi Budget and Financial Management Service standard operating procedure 114) that, after a project has been technically completed, it is necessary to close or amend the relevant grant. In addition, it is stated in section A.3 to the standard operating procedure that the “financial closure of a project can only be completed once all financial transactions have been finished; where applicable a final financial report has been issued to the donor and any unspent balance is cleared by either refund to donor or transfer to another project as per agreement with donor”.

80. The Board was informed that grants with an “Award” status remained within the agreement validity period and that grants with a “Closing” status had passed the agreement validity period, meaning that they were operationally closed but not yet financially closed. Normally, a grant should have a “Closing” status for approximately six months to one year to allow all pending commitments to be expensed or paid and all open items to be cleared, before the grant is closed and the final report is submitted to the donors.

81. The Board noted that UNEP had closed 1,622 expired parent grants as at 12 April 2021 and that the final financial reports on 83 (5 per cent) had not been issued to donors.

82. The Board is of the view that, with grants constituting a major part of UNEP funding, grants management is a crucial process of financial management. The timely submission of the final financial reports to donors and the closure of expired grants are important means to improve grants management and gestures of accountability to donors.

83. **The Board recommends that UNEP cooperate with the United Nations Office at Nairobi to improve grants management by issuing final financial reports to the donors in a timely manner to ensure the financial closure of the operationally closed grants.**

84. UNEP accepted the recommendation.

Lowering programme support cost rate without appropriate justification

85. The Controller, in his policy memorandum sent to all Secretariat entities on 8 June 2012, called for a clearer approach to the application of programme support cost charges.

86. There were three corporate-level agreements as of the time of audit. The Board noted that two programme support cost rates were charged at 8 per cent, which did not comply with the rate of 13 per cent prescribed in accordance with General Assembly resolution 35/217.

87. The Board further noted that there were no justification requests or approval documents regarding the reduction in programme support cost rates according to the programme support cost and budget-standard management procedure formulated by UNEP in 2017.

88. **The Board recommends that UNEP review future agreements whenever an exception to the standard programme support cost rate is requested by the donor and forward the agreements, with appropriate justification and conditions, to the Controller for approval in order to ensure transparency.**

89. UNEP accepted the recommendation and was in the process of issuing guidance by which it would reiterate that staff negotiating donor agreements should be aware that non-standard programme support cost rates should be considered on an exceptional basis.

Insufficient consolidation and harmonization of reporting to Parties of the Basel, Rotterdam and Stockholm Conventions

90. It is stated in an omnibus decision on enhancing cooperation and coordination among the Basel, Rotterdam and Stockholm Conventions that the Conference of the Parties "takes note of the Executive Secretary's intention to continue to post" 12 reports[1] on the website of the Convention and that it "requests the Executive Secretary to ensure that the reports listed in the preceding paragraphs are linked to biennial and annual work plans and are, as far as possible, consolidated".

91. It is stated in the standard operation procedure on the preparation and updating of secretariat workplans that "the [s]ecretariat work plans are updated and posted on the synergies website on a quarterly basis".

92. The Board noted that 8 of the 12 reports (67 per cent) had not been posted on the "Synergies among the Basel, Rotterdam and Stockholm Conventions" website since 2015. Furthermore, the workplans of the secretariat were updated and posted on the synergies website twice a year instead of on a quarterly basis.

93. The Board is of the view that the insufficient dissemination of information might adversely affect the secretariat serving the parties to the Conventions. The information listed in the omnibus decision is supposed to be reviewed to ensure that parties and stakeholders are able to adequately measure progress made in the implementation of workplans and budget.

94. **The Board recommends that the secretariat of the Basel, Rotterdam and Stockholm Conventions further consolidate and harmonize its reports and review the posting frequency of reports on its website to ensure that parties are adequately informed of progress made in the use of resources and the implementation of its programme, taking into account cost and benefit.**

95. UNEP accepted the recommendation.

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[1] These reports cover mainly financial and funds status, workplan progress, projects and legal instruments signed, inventory, synergies, human resource, travel, standard operating procedures and status of voluntary contributions received. In this way, stakeholders and parties can keep track of the progress of the secretariat operation adequately.

6. Programme and project management

6.1 Engaging partners and partnership management

Enhanced reporting and transparency required for choosing implementing partners

96. It is stated in section 5.2.4 of the UNEP programme and project management manual that an expenditure report is the main tool to monitor project expenditure.

97. When UNEP signed an agreement with an implementing partner, the duty of UNEP was to provide funding to implementing partners to implement projects, and the duty of implementing partners was to implement projects and submit reports to UNEP, which included expenditure reports that recorded how the funding was used. In general, the funding to implementing partners was recorded as advance transfers in UNEP.

98. In the list of P1 grants extracted from the business intelligence module in Umoja, 454 agreements with 305 implementing partners that were to expire by the end of 2020 had outstanding advance transfers amounting to $23.45 million. Therein, 114 agreements with 88 implementing partners that were set to expire by the end of 2018 had $5.04 million in outstanding advance transfers.

99. The Board sampled 15 implementing partner agreements, which ended on 31 December 2018, and found that 4 of them had outstanding advance payments of $228,782.31 from the previous agreements as at 31 December 2020. However, the four implementing partners signed 17 new agreements with UNEP during 2019 and 2020, among which 13 agreements had advance transfers.

100. The Board noted that 8 of the 13 agreements that disbursed advances did not have recorded expenses as of March 2021 owing to a lack of expenditure reports. Of six agreements whose implementation ended before 2020 with disbursed advances, three still had open advances as of March 2021.

101. The Board is of the view that embarking on new cooperation agreements with implementing partners who still have outstanding advance payments increases project management and implementation risks.

102. **The Board recommends that UNEP establish an internal mechanism to flag, report on and communicate where long-outstanding advance balances exist to ensure transparency before a new agreement with the same implementing partner is signed.**

103. UNEP accepted the recommendation.

Insufficient monitoring and improvement for the moderate risk or high-risk private sector partners identified

104. In October 2011, UNEP developed partnership policy and procedures that cover various aspects of the partnership management process, including identification and selection, monitoring and reporting, use of legal instruments, and financial management. In 2017, UNEP formulated guidelines to provide a framework to facilitate the formulation and implementation of partnerships between UNEP and private sector entities based on the principles of integrity, accountability and transparency.

105. From 2019 to 2020, UNEP signed memorandums of understanding with 47 private sector partners. The Board reviewed the documents related to the selection and identification process of the partners in the UNEP partner portal and noted that due diligence had been conducted through a set of standardized questions answered by the UNEP staff responsible and assessed by the Private Sector Unit. The Board

also noted that, among the 47 partners, 8 were identified as moderate risk and five as high risk (Critical) in the portal.

106. The Board reviewed the relevant assessment data of these moderate risk and high-risk partners and found that the eight partners with moderate risk did not have risk mitigation plans or other alternative risk response procedures.

107. The Board also checked the due diligence records in the UNEP partner portal and found that the mitigation plan of identified risks was not considered in full. The basis for approval or rejection of engagements was subjective and varied, with no clear safeguards for managing the engagements. Moreover, there was no evidence that the risk mitigation plans were monitored or updated.

108. The Board is of the view that, while an entity is rated as moderate risk or high risk, a risk mitigation plan is required, and the risks identified shall be monitored by UNEP. Without further clear improvement measures or follow-up monitoring for the identified risk, UNEP is likely to be exposed to risks.

109. **The Board recommends that UNEP prepare detailed guidelines to manage the selection of and engagement with private sector entities, especially in order to monitor the implementation of and update information on risk mitigation plans for partners identified as moderate risk or high risk.**

110. UNEP accepted the recommendation.

Lack of written and measurable criteria in selecting implementing partners at the secretariat of the Basel, Rotterdam and Stockholm Conventions

111. It is stated in the UNEP programme and project management manual that “partnerships are undertaken through a transparent and well-documented process”.

112. In addition, it is indicated in section 3 of the manual that “the selection of not-for-profit executing partners should be prefaced by a comparative review process involving at least three candidate organizations. When comparison may not produce relevant results, a written justification should be provided in the file for the consideration of the Division or Regional Director (and the Partnership Committee) together with the recommendation”.

113. The regional centres of the Basel and Stockholm Conventions, as independent legal entities, were the main implementing partners of the secretariat of the Basel, Rotterdam and Stockholm Conventions for undertaking the activities of the programme of work regarding the Basel and Stockholm Conventions.

114. The Board noted that 39 activities had been implemented in collaboration with 14 regional centres from 2017 to 2020. The Board reviewed the selection and screening processes of 10 activities provided by the secretariat of the Basel, Rotterdam and Stockholm Conventions and found no written and measurable criteria for the processes.

115. The secretariat of the Basel, Rotterdam and Stockholm Conventions explained that, for activities such as organizing regional consultations, it had reached out to the regional centres on the basis of their location, expertise, experience and availability. With regard to activities such as pilot projects, the regional centres were invited to submit project proposals, which were selected in view of the ones that provided the best value for the money. Furthermore, an update to the Umoja Extension 2 grantor module would entail using quantitative and, therefore, measurable criteria for the assessment of implementing partners.

116. The Board is of the view that the processes applied by the secretariat of the Basel, Rotterdam and Stockholm Conventions are not supported by written and

measurable criteria, which may lead to a reliance on management discretion for preferring one candidate over another and may have a negative impact on transparency in the selection process.

117. **The Board recommends that the secretariat of the Basel, Rotterdam and Stockholm Conventions adopt written and measurable criteria to achieve greater transparency in the selection process among regional centres, making use of Umoja Extension 2 processes, where appropriate.**

118. UNEP accepted the recommendation.

Unclear statement of responsibilities in partnership memorandum of understanding at the liaison office to the African Union Commission, the Economic Commission for Africa and Ethiopia

119. It is stated in the UNEP partnership policy and procedures that “Agreements between partners should ensure that there is a clear understanding of the partnership’s objective, the roles and the responsibilities of each party and the commonality, or potential divergence, of their interests”.

120. The Board noted that a memorandum of understanding, initiated and coordinated by the liaison office to the African Union Commission, ECA and Ethiopia, had been signed between UNEP and an airline in Ethiopia in March 2018. In article 2 of the memorandum of understanding, it is indicated that UNEP would “support development of modalities and operationalization of the ‘Plant one tree for every passenger flown’ project within UN environment ongoing REDD+ program in Ethiopia. Through this support, nine million trees would be planted in the name of the airline in different regions of Ethiopia”. However, funding for the tree planting was not mentioned as a responsibility of either party.

121. UNEP understood that item to mean that the airline would fund the tree planting as part of its corporate social responsibility, with UNEP providing technical support. However, the airline interpreted the item in the opposite way. Owing to the misunderstanding and a lack of funding, the tree planting project was not implemented.

122. The Board noted that, while the liaison office in Ethiopia had taken several measures to address the misunderstanding, the agreement still could not be implemented. Implementation of the memorandum of understanding had halted completely until its expiration in March 2020.

123. The Board is of the view that the unclear separation of duties in the memorandum of understanding contributes in large part to the ambiguous interpretation and misunderstanding. Failure to implement the memorandum of understanding means the loss of a partner and a waste of previous efforts, and may also damage the reputation of UNEP, which, in turn, may further affect cooperation with potential partners in the future.

124. **The Board recommends that the liaison office to the African Union Commission, ECA and Ethiopia, when engaging in a partnership, ensure a clearer understanding of the expectations of parties and enumerate the items in accurate wording so that the roles and responsibilities of the relevant parties are made clear.**

125. UNEP accepted the recommendation.

6.2 Project information management

Incomplete and inaccurate records in the Programme Information Management System

126. It is stated in section 1.4.4 the UNEP programme and project management manual that “Project implementation and monitoring-Under the responsibility of the Project Manager, implementation of planned activities is monitored. As a key requirement for knowledge management, progress reporting is carried out twice a year, requiring an assessment of the approach taken, efficiency, effectiveness and business case”. With regard to the matrix quality of performance reporting, it is indicated in the manual that highlights and lessons of the project should be recorded in PIMS.

127. The Board noted that there were 96 ongoing projects in PIMS as at 23 October 2020. The Board reviewed 20 of the projects managed by UNEP headquarters and found that the records of 7, with a total planned budget of $21.83 million, were incomplete or inaccurate: the progress reports of 5 projects had not been submitted; there were a lack of highlights and lessons recorded in 1 project; the Project Review Committee report was missing in 1 project; and 1 project was erroneously uploaded with the Committee report of another project.

128. UNEP explained that the COVID-19 pandemic had affected all project activities that required business trips and in-person meetings. UNEP was continuously taking targeted measures to address incomplete records and was working on strengthening the quality assurance system for monitoring the information entered into PIMS.

129. The Board also noted that, as at 10 November 2020, three ongoing projects managed by the Regional Office for Asia and the Pacific also had incomplete records in PIMS. They showed no data under “Management actions” and “Follow-up” in one project and no progress reports for another two projects.

130. UNEP explained that updates on and supporting documents for the progress of projects from July to December 2019 managed by the Regional Office for Asia and the Pacific had been entered into PIMS and that the progress report for projects from January to June 2020 had been finalized, approved and recorded in PIMS.

131. The Board is of the view that it is necessary to ensure complete and accurate project records in PIMS for effective project monitoring and knowledge management. Therefore, the lack of related project records may lead to the ineffective summarization and monitoring of the approach taken.

132. **The Board recommends that UNEP actively explore flexible and diverse alternative measures to promote timely and high-quality project progress reporting and records, considering various internal and external uncertainties, especially the COVID-19 pandemic.**

133. UNEP accepted the recommendation.

Ageing projects not cleaned up in time

134. It is stated in section 4.5 of the UNEP programme and project management manual that “A project is operationally complete when all the outputs indicated in the project document have been delivered … A sub-project or legal agreement cannot remain open after the main project has been closed and the related operational activities have ceased”, and “Under the overall coordination of the head of the Branch/Unit of the Division or Regional Office managing a project, the Project Manager is responsible for the operational completion of a project within the planned timeframe”.

135. UNEP introduced an “Ageing” status in 2018 to promote the clean-up of projects in PIMS. When the project exceeded the planned completion date, the project status would be changed to “Ageing”. The “ageing” status should be resolved by changing the project status to “Completed” in a timely manner or changing the status back to “Ongoing” through a formal revision. Project managers should initiate the revision process at least one month before the project reaches its date of completion.

136. As at 10 November 2020, there were 31 ageing projects in PIMS with a planned budget of $193.11 million, one of which whose deadline for completion was more than three years ago. The Board sampled seven projects and found that the staff responsible had sent reminder messages to the project managers to report on the most recent project status in a timely manner. Some project managers failed to give feedback or upload the actual status information in the projects in a timely manner and delayed in confirming the change in project status to “Completed” upon the deadline for completion of the projects.

137. UNEP outlined some of the key reasons for a project to have an “Ageing” status for a long period of time, namely, that some planned contributions and resource mobilization efforts succeeded only in the later stages of project implementation and that other contributions often kicked in towards the end of the financial year of the donors.

138. The Board is of the view that the projects with an “Ageing” status for a long period of time would prevent UNEP from understanding their true project status. In addition, not moving to the next stage of the project in a timely manner will affect the budget implementation and financial resolution of the project and further affect the achievement of the project objectives.

139. **The Board recommends that UNEP strengthen the training of project managers and set up a regular review mechanism by promptly reminding the project managers to attend to the project status and upload relevant information into PIMS in a timely manner.**

140. UNEP accepted the recommendation.

6.3 Project implementation, monitoring and assessment

Lack of specific and clear plans in dealing with COVID-19 in project management

141. It is stated in section 1.7 of the UNEP programme and project management manual that, “starting in 2020, UNEP will launch the implementation plan for an effective risk management framework – in compliance with the UN-Secretariat Enterprise Risk Management and Internal Control (ERM/IC) Policy and Methodology as adopted by the Secretary-General in May 2011”. Project managers should document all identified risks and associated information in the risk assessment table, which is an integral part of the project document.

142. In response to the message of the Secretary-General on building back better, following extensive communication, UNEP formulated a COVID-19 response building block strategy and involved stakeholders in developing a road map for recovery.

143. The Board noted that, as of November 2020, except for the Evaluation Office, which had developed guidelines on field work and travel during the COVID-19 pandemic, UNEP had not formulated specific and clear plans or guidelines to help staff, especially those who carried out projects on site, to cope with the challenges brought by the pandemic.

144. In addition, the Board reviewed five projects in PIMS and noted that the project managers of four of them had failed to upload the risk assessment form and risk mitigation plan in PIMS, as required pursuant to the programme manual.

145. The Board is of the view that the lack of systematic and specific response measures or guidelines to the challenges caused by the COVID-19 pandemic will affect the achievement of the UNEP mandate. Failure to implement the existing risk assessment and response procedures will also affect the ability of the organization to achieve its objectives.

146. **The Board recommends that UNEP formulate specific and clear plans or guidelines to guide the project-managing divisions and the project managers to deal with unexpected events that may have an impact on project implementation at field sites and events with significant, lasting adverse effects.**

147. UNEP accepted the recommendation.

Delayed submission of expenditure reports at the Regional Office for Asia and the Pacific

148. It is stated in section 5.2.4 of the UNEP programme and project management manual, on how to monitor financial performance, that an expenditure report is the main tool to monitor project expenditure and that the minimum requirement is the submission of expenditure reports every six months, one of which should be issued on 31 January of each year.

149. The Board noted that, of the 35 implementing partners of ongoing projects managed by the Regional Office for Asia and the Pacific, 13 were delayed in submitting interim expenditure/financial reports and 13 were delayed in submitting final expenditure/financial reports, with one overdue by eight months.

150. The Regional Office for Asia and the Pacific responded that COVID-19 had presented challenges in implementation on the ground.

151. The Board is of the view that it is the responsibility of the project managers to supervise the submission of expenditure reports. Delays in the submission of expenditure reports would result in the manager being unaware of the actual expenditure of the project and an inability to guarantee whether the project would achieve the expected outputs on schedule.

152. **The Board recommends that the Regional Office for Asia and the Pacific follow up with implementing partners to ensure the timely submission of expenditure/financial reports.**

153. UNEP accepted the recommendation.

Projects with milestones pending attainment or not attained

154. It is stated in section 1.4.2 of the UNEP programme and project management manual that "Information entered in the Project Document template serves as the basis for monitoring overall project performance". The project document template considers biennium/bienniums of the programme of work, subprogramme expected accomplishment(s), the most relevant target(s) and indicator(s) of the Sustainable Development Goals to which the project contributes and results targeted as essential content. It also requires that outcome milestones and the outcome milestone attainment date be part of the results targeted.

155. The Board reviewed 35 of the 96 ongoing projects in PIMS as at 23 October 2020 and found that 85 output milestones of 16 ongoing projects with a total planned budget of $68.33 million were pending attainment or not yet attained. In addition, 26 outcome milestones of 13 of the 16 projects were pending attainment or not attained.

156. UNEP explained that one outcome milestone and six output milestones of three projects had been attained and that one project had been revised on August 2020.

Some milestones were cancelled, and one project was under revision and that its existing milestones would be changed. UNEP also explained that the COVID-19 pandemic had affected all project activities that required travel and in-person meetings.

157. The Board also noted that two outcome milestones and six output milestones of the three ongoing projects managed by the Regional Office for Asia and the Pacific were pending attainment or not yet attained.

158. In addition, the Board noted that two milestones of Regional Office for Asia and the Pacific projects had been attained, one had been attained in part, two were “in progress” and one joint project had timelines later than the milestone dates.

159. The Board is of the view that milestones pending attainment and not attained may be detrimental to the overall progress of the projects, and that this therefore affects the implementation of the programme of work, and the realization of the subprogramme’s expected accomplishments and even relevant targets and indicators of the Sustainable Development Goals. For projects that have been revised or will be revised, the lessons and reasons related to the pending attainment or non-attainment of milestones are worth summarizing and paying attention to.

160. **The Board recommends that UNEP actively explore feasible alternative measures and strengthen communication with external units in order to realize the attainment of milestones as planned.**

161. **In addition, the Board recommends that UNEP complete necessary revisions as soon as possible in order to ensure that the project is carried out smoothly in the face of various internal and external uncertainties, especially under the circumstances of the COVID-19 pandemic.**

162. UNEP accepted the recommendations.

Delayed closure of completed projects in the Programme Information Management System

163. It is stated in section 1.4.5 of the UNEP programme and project management manual that “The Quality Assurance Section changes the status of the project in PIMS to ‘completed’ once it receives written notification from the Project Manager that the project is technically closed … The Quality Assurance Section updates the status of the project in PIMS from ‘completed’ to ‘closed’ … A project should be closed no more than 12 months after the date of operational completion”.

164. The Board noted that, of 368 projects with a “completed” status in PIMS, 330 (90 per cent) did not complete the closure procedures within 12 months of the project completion date. The Board also found that the dates of completion of 26 (7 per cent) of the 368 projects had not been recorded.

165. Furthermore, the time needed for the closure of those 330 projects exceeded the closing deadline by 3 to 223 months.

166. UNEP explained that the main reasons included legacy issues arising as a result of both the introduction of PIMS in 2010 and the conversion of projects in 2015, insufficient project management capacity and an absence of a modern project management system to support project managers.

167. UNEP also explained that it had identified the risks associated with project closure and that measures had been initiated by the Corporate Services Division to close all projects.

168. **The Board recommends that UNEP accelerate the clean-up of legacy matters and complete the closure procedures for delayed projects as soon as possible.**

169. UNEP accepted the recommendation.

Evaluation reports concentrated mainly on Global Environment Facility projects

170. It is stated in section 1.8 of the UNEP programme and project management manual that "The mandate for evaluation is derived from a number of governing body decisions and covers all projects that are part of the Programme of Work ... Evaluation is defined as a systematic and discrete process, as objective as possible".

171. The Board noted that the Evaluation Office had issued 83 evaluation reports from 2018 to 2020, of which 64 (77 per cent) were on GEF projects implemented by UNEP. For the corresponding period, GEF projects accounted for only 56 per cent of total number and 27 per cent of the total budget of completed projects.

172. UNEP explained that the Evaluation Office's capacity did not allow for all projects ending within the year to have their terminal evaluations launched in that year, and that the Office was free to choose any project to evaluate. Management-led reviews therefore also had an important accountability role.

173. The Board is of the view that the evaluation reports from 2018 to 2020 are concentrated mainly on and deal with GEF projects, which does not allow for some completed PIMS projects and Green Climate Fund projects to be evaluated. Accordingly, the relevance, effectiveness, efficiency, impact and sustainability of the projects are not evaluated and acquired, which may lead to insufficient information on these aspects.

174. **The Board recommends that UNEP take various measures to increase the coverage of project evaluations and project reviews upon project completion and consider the balance of different types of projects when using available resources for project evaluation.**

175. UNEP accepted the recommendation.

Local office presence not optimized in monitoring project implementation at the liaison office to the African Union Commission, the Economic Commission for Africa and Ethiopia

176. UNEP states on its website that one of the mandates of the liaison office to the African Union Commission, ECA and Ethiopia is to "facilitate UN Environment's operations in Ethiopia and the region and identify new areas of cooperation with relevant partners which could enhance UN Environment's Program of Work and encourage sustainable development".

177. The Board noted that, as stipulated in the mandate, the liaison office played a central role in coordinating and facilitating UNEP operations/activities in Ethiopia and with the African Union Commission and ECA. However, of the 8 ongoing projects recorded in PIMS and 13 projects funded by GEF that had a physical presence in Ethiopia, 4 in PIMS (50 per cent) and 4 GEF projects (30 per cent) were implemented by the division responsible without any support from the liaison office.

178. The Board is of the view that, as a strategic presence of UNEP in Ethiopia, the liaison office is mandated not only to develop links with the African Union Commission and strengthen cooperation with ECA, but also to foster a strategic partnership with the Government of Ethiopia. The status quo is not in line with the office's mandates. Failure to see the whole picture and participate in the implementation of all UNEP projects in Ethiopia may result in uncoordinated efforts, needless networking costs and inefficient delivery.

179. **The Board recommends that the Regional Office for Africa review all the resources provided by UNEP to the liaison office to the African Union**

Commission, ECA and Ethiopia on a cost-neutral basis to determine whether it can enhance its role in Ethiopia and take advantage of its geographical closeness and partner acquaintances.

180. UNEP accepted the recommendation.

6.4 Project financial management

Incomplete recording of the expense line item of grants and other transfers

181. It is stated in the United Nations Policy Framework for International Public Sector Accounting Standards, on general principles of accounting under IPSAS, that "Financial statements are prepared on the accrual basis ... as all incomes and expenses received, paid, accrued or outstanding are taken into consideration … Hence, they provide the type of information about past transactions and other events that is most useful to users in making economic decisions".

182. When UNEP signs an agreement with an implementing partner, part of the promised amount is subsequently paid in advance to the implementing partner and recorded as an expense when the implementing partner proves the use of the expense through an expenditure report. The expenses are presented as grants and other transfers in the financial statements.

183. During the process of preparing the financial statements, UNEP set the cut-off date at 28 February 2021, indicating that expenses shown in expenditure reports submitted before the cut-off date had been recorded in the financial statements of 2020.

184. The Board noted that, in March 2021, UNEP had received expenditure reports with expenses of $11.27 million for 2020. However, because the reports had been submitted after the cut-off date, the expenses mentioned above were not included in the grants and other transfers ($253.54 million, or 4 per cent) of the financial statements of 2020.

185. UNEP explained that delays in the submission of expenditure reports happened every year and that the amount of actual expenses could not be estimated at the end of the financial year.

186. The Board is of the view that it is necessary and applicable to disclose the percentage of implementing partners who delayed in submitting expenditure reports for the financial statements in order to provide an accurate picture.

187. UNEP had disclosed the proportion of implementing partners that did not submit expenditure reports on time in note 31 of the financial statements as at 31 December 2020 during the Board's audit.

Inconsistencies regarding the financial rules for the Basel, Rotterdam and Stockholm Conventions

188. It is stated in regulation 1.2 of the Financial Regulations and Rules of the United Nations that "the financial period shall consist of a calendar year". In regulation 6.1, it is written that "The financial statements shall be prepared annually in United States dollars in accordance with the present Regulations and Rules, decisions of the appropriate legislative bodies and the International Public Sector Accounting Standards".

189. The Board noted that two rules in the financial rules for the Basel, Rotterdam and Stockholm Conventions Conference of the Parties, were inconsistent with rules in the Financial Regulations and Rules of the United Nations, in that it is stated in rule 2 that "the financial period shall be a biennium consisting of two consecutive calendar years" and in rule 6 that "An interim statement of accounts for the first year of the financial period shall be provided to the Conference of the Parties during the

second year of the period, and a final audited statement of accounts for the full financial period shall be provided to the Conference of the Parties as soon as possible after the accounts for the financial period are closed".

190. The secretariat of the Basel, Rotterdam and Stockholm Conventions explained that the budget period for the proposed programme was biennial.

191. The Board is of the view that the inconsistencies between the Financial Regulations and Rules of the United Nations and the financial rules for the Basel, Rotterdam and Stockholm Conventions might result in a misunderstanding of the financial reports of UNEP.

192. **The Board recommends that the secretariat of the Basel, Rotterdam and Stockholm Conventions review the financial rules and present updates to the Conference of Parties for its review and revision.**

193. UNEP accepted the recommendation.

6.5 Global Environment Facility

Projects exceeding the planned implementation end date

194. It is stated in section 1.4.5 of the UNEP programme and project management manual that a project is operationally complete when all the outputs indicated in the project document have been delivered, and that, under the overall coordination of the head of the branch/unit of the division or regional office managing a project, the project manager is responsible for the operational completion of a project within the planned time frame. In addition, it is indicated in section 1.6.2 that UNEP projects funded under the GEF financing mechanism follow UNEP project cycle management regulations and procedures.

195. The Board noted that, as at 31 December 2020, there were 259 GEF projects under implementation, among which 46 (18 per cent) with a planned budget of $71.46 million exceeded the planned implementation end date, and 11 of those projects had been overdue for completion by more than one year.

196. UNEP explained that the main reasons for the projects not being completed according to schedule included partners' internal challenges in finalizing the project on time, partner delays in execution and having to accommodate changing COVID-19-related circumstances. Some projects even had their dates for completion extended.

197. The Board is of the view that the delayed completion of projects indicates that project objectives have not been realized in full and that there is room for improvement in the efficiency of using budgeted funds. Even for projects whose dates for completion have been extended, the relevant lessons and the causes for the delayed completion are worth summarizing and paying attention to.

198. **The Board recommends that UNEP actively explore feasible measures to monitor the timeliness of GEF project implementation and the extension of projects, if required.**

199. UNEP accepted the recommendation.

Delayed closure of completed Global Environment Facility projects

200. It is stated in section 1.4.5 of the UNEP programme and project management manual that "A project should be closed no more than 12 months after the date of operational completion". In section 1.6.2, it is stated that "UNEP projects funded under the Global Environment Facility financing mechanism follow UNEP Project Cycle Management regulations and procedures".

201. The Board noted that 106 GEF projects had been completed from 2017 to 2020. Of those projects, the closure procedures of 99 (93 per cent) with a planned budget of $183.06 million had not been completed within 12 months of the project's actual implementation end date.

202. Furthermore, the time for the closure of those 99 projects exceeded the closing deadline, ranging from 1 to 32 months. Among them, there were 34 projects whose time overdue for closure was less than or equal to one year, accounting for 34 per cent, and 65 projects whose time was between one and three years, accounting for 66 per cent.

203. UNEP explained that it had identified the risk associated with project closure and that steps had been taken by the Corporate Services Division to close all projects, including GEF projects.

204. **The Board recommends that UNEP complete the delayed closure procedures for operationally completed Global Environment Facility projects as soon as possible.**

205. UNEP accepted the recommendation.

UNEP programme and project management manual in relation to the Global Environment Facility needs to be updated

206. It is stated in section 1.6.2 of the UNEP programme and project management manual that "The UNEP GEF Advanced DGEF Database Information System (ADDIS) is a project information management system that tracks all UNEP GEF projects through the various stages of the project cycle".

207. The Board noted that ADDIS had been used to track UNEP GEF projects for a short while before 2012 and that it did have historical information on most UNEP GEF projects prior to that date. However, ADDIS had not been used since 2012, and the content of UNEP GEF project databases in the manual was inconsistent with the current circumstances.

208. UNEP explained that the integrated planning, management and reporting solution in Umoja was one of the subprojects under Umoja Extension 2, that the first release of the solution had gone live as a pilot in December 2020 and that all United Nations Secretariat entities were expected to register all new voluntary funded projects in integrated planning, management and reporting. The UNEP GEF teams were engaged in discussions with the various teams to see how best the integrated planning, management and reporting solution could be used for UNEP GEF project integration and reporting.

209. The Board is of the view that the content of the UNEP GEF project databases in the manual is not updated in a timely manner according to the actual situation, which not only affects its importance, but also increases the risk of unnecessary misunderstanding.

210. **The Board recommends that UNEP review and update its programme and project management manual in relation to GEF and to the replacement of the advanced DGEF database information system with integrated planning, management and reporting, as well as ensure that the content of the manual is consistent with current circumstances.**

211. UNEP accepted the recommendation.

7. Human resources management

Lack of workforce planning and ageing vacancies

212. It is stated in the UNEP workforce planning guide that key roles and responsibilities of heads of entities are to "oversee workforce planning of their own entity. The

accountability of the entity workforce plan sits with the Heads of Entities, including the entity level strategic or operational direction required to conduct workforce planning".

213. The Board noted that UNEP did not make a strategic workforce plan and an operational plan. As at 30 September 2020, the total number of vacant posts was 241 (19 per cent), among which 67 were core positions funded through the regular budget and the Environment Fund. The Board also noted that 213 positions had been vacant since January 2018, of which 13 were core positions funded through the Environment Fund.

214. UNEP explained that its Human Resources Section had proposed initiating a workforce planning review exercise. Initial activities had already begun on skills mapping and would provide input towards an upcoming staffing review of UNEP functions.

215. UNEP also explained that it had identified the need to develop a recruitment forecasting model in the Umoja business intelligence module and had been working with United Nations Headquarters to amend the business intelligence dashboards to include real-time information that could be pulled from data sets in Inspira, an information technology system used by the Secretariat to support talent acquisition management. Amending the business intelligence dashboards was done only in the preliminary stages. Since COVID-19, all recruitment and related processing had slowed down owing to several factors, but priority critical recruitment continued.

216. **The Board recommends that UNEP develop a strategic workforce plan and an operational workforce plan and review the posts vacant for 24 months or longer in Umoja to decide on their retention or abolishment, with due justification.**

217. UNEP accepted the recommendation. It would review the requirements of the workforce planning strategy in line with the staffing review exercise slated for the biennium 2021–2022.

Insufficient assessment in selection of temporary appointments

218. In section 3.5 of the administrative instruction on the administration of temporary appointments (ST/AI/2010/4/Rev.1), it is stated that the "department/office will assess the candidates' applications in order to determine whether they are eligible, and whether they meet the minimum requirements, as well as the technical requirements and competencies of the temporary position. Such assessment will be undertaken through a comparative analysis of the applications. The assessment may also include a competency-based interview and/or other appropriate evaluation mechanisms".

219. The Board identified insufficient assessments of competency-based interviews or other appropriate evaluation mechanisms in the recruitment for three temporary appointments, such as unposted temporary job openings and undocumented reasons for the need for such an appointment. The Board also noted that one staff member selected was not included in the comparative analysis of preliminary evaluations.

220. The Board is of the view that sufficient and appropriate selection procedures for temporary appointments are crucial to enhance the effectiveness and efficiency of human resources management.

221. **The Board recommends that UNEP follow the instructions of administrative instruction ST/AI/2010/4/Rev.1 to ensure appropriate procedures for the selection of candidates for temporary appointments.**

222. UNEP accepted the recommendation and would work with the United Nations Office at Nairobi to standardize a desk review template.

Incorrect grant date of special post allowance

223. In section 6.1 of the administrative instruction on the special post allowance (ST/AI/1999/17), it is stipulated that "The earliest date from which a Special Post Allowance (SPA) may be paid shall normally be the beginning of the fourth month of service at the higher level. Exceptionally, an SPA may be paid as of the date when the staff member has assumed the higher-level functions in the following cases, provided that the staff member has discharged those functions for a period exceeding three months, in accordance with subsection 4 (b) above: (a) When a staff member has assumed the functions of a post classified more than one level above his or her level; (b) When a staff member has assumed higher-level functions in a mission; (c) When a staff member in the General Service or related categories has assumed the functions of a post in the Professional category, subject to the special conditions set out in section 10 below".

224. As at 8 October 2020, 74 UNEP staff members had been paid a special post allowance by management. The Board sampled 14 staff members in Umoja and noted that 2 of them had been granted a special post allowance at the beginning of the first month, rather than the fourth month. They were employed for the functions of a post classified one level above his or her level and granted a special post allowance at the beginning of the first month.

225. **The Board recommends that UNEP follow administrative instruction ST/AI/1999/17 to ensure the correct effective date for granting a special post allowance.**

226. UNEP accepted the recommendation and would work closely with the United Nations Office at Nairobi to enhance the special post allowance procedure to ensure correct grant dates for them.

Lack of justification for official travel at the secretariat of the Basel, Rotterdam and Stockholm Conventions

227. It is stated in section 3.2 of the administrative instruction on official travel (ST/AI/2013/3) that, "Prior to authorizing any official travel, the primary consideration should be whether direct face-to-face contact is necessary for mandate implementation. If not, then alternative methods should be employed. Therefore, programme managers are required to certify on form TTS.5 that alternative methods, such as videoconference, audioconference or other remote business practices, such as online meetings, have been carefully reviewed, were found not to be effective and that travel is therefore necessary".

228. The Board reviewed 105 planned missions of the secretariat of the Basel, Rotterdam and Stockholm Conventions in 2020 and noted 39 cases (37 per cent) that, while indicating that videoconferencing was not possible, provided no detailed written justifications thereof.

229. The secretariat explained that its branches submitted their proposed travel requests, which were compiled by the Executive Office using the travel plan templates. Although staff might not write the justification, the Deputy Executive Secretary would review them carefully to check if there were possibilities for a virtual meeting. Moreover, it was, in general, self-evident from the description of the meeting that it could not be held virtually.

230. The Board is concerned that it is difficult to ensure that economic alternatives to official travel have been adequately considered at the planning stage if the justification has not been included in the travel plan.

231. **The Board recommends that the secretariat of the Basel, Rotterdam and Stockholm Conventions record the reasons in the travel plan why each planned travel cannot be substituted by other options.**

232. UNEP accepted the recommendation.

Repeated use of consultants and individual contractors exceeding the contract duration at the Regional Office for Asia and the Pacific

233. It is stated in section 5.8 of the administrative instruction on consultants and individual contractors (ST/AI/2013/4) that "In order to limit the repeated use of the same consultant, either to perform different tasks within the workplan or a series of tasks within the same project, no consultant shall provide services for more than 24 months in a 36-month period".

234. The Board noted that the Regional Office for Asia and the Pacific had hired 64 consultants and individual contractors in 2019 and 62 in 2020, compared with its total staff of 71 in 2019 and 87 in 2020. Among the consultants and individual contractors, the services of one consultant had lasted for 27 months.

235. The Regional Office for Asia and the Pacific explained that the consultant had completed 24 months under the UNEP contract and, given that there was an important need to accomplish additional outputs of the project, the consultant was recruited for 3 additional months through UNOPS. Unlike the Secretariat, UNOPS used the term "individual contractor contract" for both consultants and individual contractors and was not subject to the Secretariat rules regulating the 24 months in a limit of 36 months.

236. The Board noted that the consultant's contract with UNOPS had the same terms of references as those in the contract with UNEP and that, in particular, it specified, "This contract is issued on behalf of UNEP pursuant to an agreement between UNEP and UNOPS for the provision of administrative services by the latter to the former. Your contractual rights and responsibilities are with UNEP and not with UNOPS. Except where the context requires otherwise, all references to UNOPS shall be construed as references to UNEP". This means, although it appeared that the consultant had signed the contract with UNOPS, in essence, the consultant still provided services to the Regional Office for Asia and the Pacific.

237. The Board is of the view that, considering substance over form, the consultant had continued to provide service for the Regional Office for Asia and the Pacific on the same task for 27 months, which does not conform to the regulations. In addition, the Regional Office, knowing that the duration of service is limited, avoided relevant constraints by signing contracts with other entities. This may encourage the breaking of the service duration limit and result in the repeated use of the same consultant, contrary to administrative instruction ST/AI/2013/4.

238. **The Board recommends that the Regional Office for Asia and the Pacific, in consultation with UNEP headquarters, improve supervision of and reporting on the contractual period of the services provided by consultants and individual contractors and, in cases in which there is repeated use of the same consultant, provide justification for the arrangement.**

239. UNEP accepted the recommendation.

C. Disclosures by management

1. Write-off of cash, receivables and property

240. UNEP reported that there were write-offs of accounts receivable and advances amounting to $63,050 in 2020, and no write-offs in cash assets.

2. Ex gratia payments

241. UNEP reported to the Board that there were no ex gratia payments in 2020.

3. Cases of fraud and presumptive fraud

242. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularities (including those resulting from fraud). The audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

243. During the audit, the Board made enquiries of management regarding their oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or that have been brought to their attention.

244. The Board also enquired whether management had knowledge of any actual, suspected or alleged fraud. In 2020, UNEP reported four cases of fraud and four cases of presumptive fraud that were under investigation. The estimated amount related to the referred cases is $632,126.

D. Acknowledgement

245. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and staff members of the United Nations Environment Programme.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

(*Signed*) **Hou** Kai
Auditor General of the People’s Republic of China
(Lead Auditor)

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

22 July 2021

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2019

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Status after verification: Under implementation	Status after verification: Not implemented	Status after verification: Overtaken by events
1.	2015	A/71/5/Add.7, chap. II, para. 52	The Board recommends that UNEP ensure sufficient controls over the preparation and submission of required project reports by implementing agencies in compliance with the project cooperation agreements.	UNEP is now using the implementing partner module of Umoja Extension 2 and working with Headquarters on enhancements using the agile method. UNEP has submitted to the Umoja Headquarters Deployment Group the proposals for the enhancements of the implementing partner module. The proposals include recommendations for the incorporation of system features in an implementing partner module of Umoja Extension 2; a facility to allow implementing partners to report directly against the logframe assigned to the implementing partners and attach certified financial reports; and monitoring of payments and reports.	The Board noted that UNEP had made the proposals for the enhancements to the implementing partner module to ensure sufficient controls for the reports required from the implementing partners. Given that the enhancements of the implementing partner module were ongoing, this recommendation is considered to be under implementation.		X		
2.	2015	A/71/5/Add.7, chap. II, para. 56	The Board recommends that UNEP-GEF: (a) make more effort and follow-ups to ensure that expenditure reports are submitted within the agreed time frames under the signed agreements; and (b) consider the write-off of receivables with respect to which expenditure reports cannot be retrieved and the recoverability of advances has proved to be uncertain.	For part (a), UNEP is now using the implementing partner module of Umoja Extension 2 and working with Headquarters on enhancements using the agile method. UNEP has submitted to Umoja Headquarters Deployment Group the proposals for the enhancements to the implementing partner module. For part (b), UNEP is promulgating the use of notional claims where reports cannot be received; however, some proof of delivery exists.	The Board noted that UNEP had submitted the proposals for the enhancements to the implementing partner module to ensure the timely completion of expenditure reports. The Board also noted that UNEP was promulgating the use of notional claims with respect to which expenditure reports could not be retrieved. Given that both the implementing partner module and the use of notional claims were in process, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
3.	2015	A/71/5/Add.7, chap. II, para. 67	The Board recommends that UNEP review the residual value and the useful lives of all assets and ensure that the asset register is updated to reflect the restated figures after Headquarters has completed the analysis of property, plant and equipment.	UNEP has received the update from the Task Force for Accounting Standards.	The Board noted UNEP had received the update from the Task Force for Accounting Standards and would apply it in the preparation of the 2021 financial statements. Therefore, this recommendation is considered to be under implementation.		X		
4.	2016	A/72/5/Add.7, chap. II, para. 24	The Board recommends that UNEP enhance its follow-up efforts with implementing partners to submit the required reports on time so as to expedite financial closure of operationally closed projects.	UNEP is now using the implementing partner module of Umoja Extension 2 and working with Headquarters on enhancements using the agile method. UNEP has submitted to the Umoja Headquarters Deployment Group the proposals for the enhancements to the implementing partner module.	The Board noted that UNEP had submitted the proposals for the enhancements to the implementing partner module to ensure sufficient controls for the reports required from the implementing partners. Given that the enhancements of the implementing partner module were still in process, this recommendation is considered to be under implementation.		X		
5.	2016	A/72/5/Add.7, chap. II, para. 33	The Board recommends that UNEP conduct a regular follow-up with implementing partners to ensure that they comply with the UNEP programme manual by submitting consolidated audited financial statements on completed projects to provide assurance over the expenditure incurred during the implementation of the projects.	UNEP is now using the implementing partner module of Umoja Extension 2 and working with Headquarters on enhancements using the agile method. UNEP has submitted to the Umoja Headquarters Deployment Group the proposals for the enhancements to the implementing partner module.	The Board noted that UNEP had submitted the proposals for the enhancements to the implementing partner module to ensure sufficient controls for the reports required from the implementing partners. Given that the enhancements of the implementing partner module were still in process, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
6.	2016	A/72/5/Add.7, chap. II, para. 39	UNEP agreed with the Board's recommendation to develop an anti-fraud policy to ensure that a consistent approach to fraud detection, measurement and reporting is in place across all implementing partners.	The anti-fraud and anti-corruption policy has been reviewed and updated. The official version has been published.	The Guidelines became effective on 1 December 2020. Therefore, this recommendation is considered implemented.	X			
7.	2016	A/72/5/Add.7, chap. II, para. 68	The Board recommends that UNEP expedite the implementation of enterprise risk management to ensure an effective and efficient risk management process.	The UNEP enterprise risk management framework guidelines and implementation plan have been finalized and are set for endorsement in the second quarter of 2021. The assessment phase will begin in the second quarter of 2021. Finalization of the first enterprise risk management cycle and full implementation of the framework is expected by the first quarter of 2022. UNEP has initiated the capacity-building phase for fund management officers and enterprise risk managers. A new unit on risk management and operations is being established to enhance resources and capacity.	Although UNEP took action, full implementation of the framework is not expected until the first quarter of 2022. Therefore, this recommendation is considered to be under implementation.		X		
8.	2017	A/73/5/Add.7, chap. II, para. 30	The Board recommends that UNEP (a) introduce a mechanism to enforce prompt recording of all project financial information in Umoja and regularly update the project financial data in the system; (b) introduce a regular review of project information in Umoja to verify the correctness and completeness of project data; and (c) ensure that all	Headquarters is deploying the project functionality of Umoja Extension 2, in which UNEP Policy and Programme Division project documents and logframes will be entered into the new module and will generate a work breakdown structure. An approval process is expected, and no project expenditure can occur without a work breakdown structure. UNEP is also convening a Programme Information Management System	The Board noted that UNEP had taken measures to adopt Umoja Extension 2; however, until the date of the present audit, not all project information had been integrated into Umoja. Therefore, the recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			transactions in Umoja are linked to a valid and approved project in support of the Programme of Work.	(PIMS) working group to identify what the needs of UNEP are vis-à-vis what Headquarters can deploy in Umoja Extension 2.					
9.	2017	A/73/5/Add.7, chap. II, para. 35	The Board recommends that UNEP establish guidelines for field offices on how to assess and select implementing partners who are not-for-profit, public-sector organizations.	UNEP has revised its partnership policy and procedures dated 11 August 2020. They provide the guidelines on the assessment and selection of implementing partners that are not-for-profit public sector organizations. For example, the partnership policy and procedures provide that the partnership assessments relating to partnerships with not-for-profit partners, which lead to a risk mitigation plan, must be submitted to the Partnership Committee for consideration.	UNEP provided its partnership policy and procedures, the guidelines on the assessment and selection of implementing partners that are not-for-profit public sector organizations. Therefore, this recommendation is considered implemented.	X			
10.	2017	A/73/5/Add.7, chap. II, para. 53	UNEP agreed with the Board's recommendation to issue a policy document based on the Anti-Fraud and Anti-Corruption Framework.	The anti-fraud and anti-corruption policy has been reviewed and updated. The official version has been published.	The guidelines became effective on 1 December 2020. Therefore, this recommendation is considered implemented.	X			
11.	2018	A/74/5/Add.7, chap. II, para. 29	The Board recommends that UNEP update PIMS with complete and up-to-date project information to ensure appropriate management and an integral future migration to Umoja, establishing control mechanisms that secure results-based management.	This process is ongoing. PIMS is being updated with complete and up-to-date project information and the organizational transition to the integrated planning, management and reporting solution is being implemented as part of Umoja Extension 2. The different elements of the integrated planning, management and reporting solution will be rolled out gradually during 2021 in order to establish control mechanisms that ensure results-based management.	While the Board noted UNEP had developed some templates to improve PIMS and the integrated planning, management and reporting solution, the templates were still undergoing testing. In addition, the Board found that some project managers had failed to give feedback or upload the status information of the project in PIMS. Therefore, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
12.	2018	A/74/5/Add.7, chap. II, para. 41	The Board recommends that UNEP conduct a staffing assessment related to the positions of project manager and supervisor. This assessment could be related to work distribution, recruitment needs, employee redeployment and training, or any other evaluation suitable to determine the measures needed to ensure adequate performance monitoring and reporting.	UNEP is in the process of initiating a staffing review to assess the allocation of approved positions and the assignment of personnel to reflect the most effective use of staff and ensure that the programme of work priorities are aligned with positions. UNEP requests a change in the target date to the first quarter of 2022.	The Board noted the efforts and progress of UNEP in that regard. However, there was still action to be taken regarding the improvement of the new corporate academy initiative. UNEP also requested a change in the target date to the first quarter of 2022. Therefore, this recommendation is considered to be under implementation.		X		
13.	2018	A/74/5/Add.7, chap. II, para. 43	In addition, the Board recommends to regulate the supervisor position, setting out its obligations and responsibilities in the UNEP programme manual, in accordance with what the agency has indicated.	Roles and responsibilities have been updated and information uploaded to the UNEP programme and project management manual. UNEP is in the process of updating its delivery model as part of an internal process to prepare for the implementation of the medium-term strategy for the period 2022–2025. The updated manual plays a central role in this process. The terms of reference for the manual have been approved by the Policy and Programme Division Director.	UNEP provided the roles and responsibilities that had been updated and information was uploaded to the UNEP programme and project management manual. The request for further integration of the information contained in the file into the manual would be finalized in 2021. Therefore, this recommendation is considered to be under implementation.		X		
14.	2018	A/74/5/Add.7, chap. II, para. 45	Despite actions that have already been taken, the Board recommends also that UNEP establish an appropriate training course for both positions as well as complete guidelines regulating the accountability process for their obligations set out in the UNEP programme manual.	The online results-based management course has been updated and is to be launched soon. The updated programme and project management manual will highlight existing training material for each of its chapters. To ensure that this process will be completed, a consultant will identify existing and potential new training content/courses and	The Board noted that the online results-based management course had been updated and was to be launched soon and that UNEP was preparing a survey on the training needs for those two positions. However, there was still action to be taken regarding the conduct of training and the establishment		X		

No.	*Audit report year*	*Report reference*	*Board's recommendation*	*UNEP response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
				analyse the existing content of the programme and project management manual and the associated WeCollaborate content pages. In addition, UNEP engaged in discussions with the Project Management Institute on how to define the best training on the manual for UNEP staff.	of complete guidelines regulating the accountability process for their obligations set out in the UNEP programme manual. Therefore, this recommendation is considered to be under implementation.				
15.	2018	A/74/5/Add.7, chap. II, para. 60	The Board recommends that UNEP establish measures to guarantee that the digital folders contain all the files that support the implementation of the projects and the performance of the implementing partners.	In the context of the secretariat of the Basel, Rotterdam and Stockholm Conventions, projects are activities that are presented to the Conference of the Parties in the form of factsheets that it uses to inform its deliberations when deciding on the biennial programme of work and budget. The secretariat of the Basel, Rotterdam and Stockholm Conventions tracks and monitors the implementation of its programme of work through a dedicated tracking tool, which is periodically shared with all staff. Following the collation of input, an updated version is circulated to all staff.	The Board noted that the secretariat of the Basel, Rotterdam and Stockholm Conventions and the UNEP Regional Office for Europe had been aware of the importance of ensuring that all the files were available in the digital folders. The secretariat tracked and monitored the implementation of its programme of work through a dedicated tracking tool. Therefore, this recommendation is considered implemented.	X			
16.	2018	A/74/5/Add.7, chap. II, para. 61	The Board recommends that UNEP improve its project planning process, in order to avoid significant variations in terms of deadlines and allocated funds.	UNEP has undertaken a series of training and briefings on project management processes to all the fund management officers. The training covered key thematic project management areas such as project closures and reconciliation to ensure the timely financial closure of completed projects.	The Board noted that the secretariat of the Basel, Rotterdam and Stockholm Conventions had taken a series of measures in that regard, for example, to provide training and briefings. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
17.	2018	A/74/5/Add.7, chap. II, para. 79	The Board recommends that UNEP carry out a review and consolidation of all current UNEP-GEF projects, with the necessary information to ensure adequate accountability and programme management.	The integrated planning, management and reporting solution utilizes several Umoja functionalities to provide a holistic, end-to-end solution to manage the life cycle of United Nations programmes and projects. The first release of the integrated planning, management and reporting solution went live as a pilot in December 2020 and all United Nations Secretariat entities are expected to register all new voluntarily funded projects in the solution. Different elements of the integrated planning, management and reporting solution will be rolled out gradually over the coming nine months. The GEF teams are engaged in discussions with the various teams to see how best the integrated planning, management and reporting solution can be used for GEF project integration and reporting.	The Board noted that the integrated planning, management and reporting solution was being updated with complete and up-to-date project information and that the solution was being implemented as part of Umoja Extension 2. Given that the integration is ongoing, this recommendation is considered to be under implementation.		X		
18.	2018	A/74/5/Add.7, chap. II, para. 80	The Board in addition recommends that UNEP take measures to integrate and to improve the management of information, in order to ensure compliance with the objectives of the Programme.	The integrated planning, management and reporting solution utilizes several Umoja functionalities to provide a holistic, end-to-end solution to manage the life cycle of United Nations programmes and projects. The first release of the integrated planning, management and reporting solution went live as a pilot in December 2020 and all United Nations Secretariat entities are expected to register all new voluntarily funded projects in the solution. Different elements of the integrated planning, management	The Board acknowledged that the integrated planning, management and reporting solution had gone live, which responded to the recommendation. However, the deployment remained in progress. Therefore, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				and reporting solution will be rolled out gradually over the next nine months. The GEF teams are engaged in discussions with the various teams to see how best the integrated planning, management and reporting solution can be used for GEF project integration and reporting.					
19.	2018	A/74/5/Add.7, chap. II, para. 88	The Board recommends that UNEP establish proper coordination with its Regional Office for Europe and the secretariat of the Basel, Rotterdam and Stockholm Conventions, in order to obtain that they systematically manage risks and facilitate effective implementation of their mandated activities under the United Nations enterprise risk management and internal control policy.	The secretariat of the Basel, Rotterdam and Stockholm Conventions has implemented a corporate risk log, which was approved as implemented by the Board. The risk log has been shared with UNEP, which enables it to verify that the secretariat is systematically managing risks in view of facilitating effective implementation of its mandated activities under the United Nations enterprise risk management and internal control policy.	The Board noted that a team was assigned to assume the enterprise risk management responsibilities to establish proper coordination and that the secretariat of the Basel, Rotterdam and Stockholm Conventions had implemented a corporate risk log. However, evidence from the Regional Office for Europe was not provided. Therefore, this recommendation is considered to be under implementation.		X		
20.	2018	A/74/5/Add.7, chap. II, para. 89	In addition, the Board recommends that the UNEP Regional Office for Europe and the Secretariat of the Basel, Rotterdam and Stockholm Conventions maintain an updated risk log, in accordance with the UNEP programme manual.	The secretariat of the Basel, Rotterdam and Stockholm Conventions continues to use the risk assessment log as a corporate risk management tool. The log has been already updated, in April 2020, since the Board's recommendations were brought to the attention to the secretariat, and the secretariat is updating it as part of the regular maintenance schedule of the document.	The log had been updated at the secretariat of the Basel, Rotterdam and Stockholm Conventions. However, evidence of the Regional Office for Europe was not provided. Hence, this recommendation is considered to be under implementation.		X		

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21.	2018	A/74/5/Add.7, chap. II, para. 114	The Board recommends that the UNEP Regional Office for Europe consider, in its next annual workplans, performance indicators for monitoring, reporting and measuring the impact of its activities in the region, so as to implement the UNEP operating principle of results-based management.	UNEP has introduced qualitative and quantitative measurements for individual workplans, and a regular meeting mechanism for a team of programme officers working on the analysis of the adequation of any new and planned projects with the programme of work and the agreed priorities in the workplan. This is also the tool to provide support to management in prioritizing the allocation of resources such as Swedish International Development Cooperation Agency-Norwegian Agency for Development Cooperation funds, which, in turn, support the implementation of the UNEP programme of work at the regional level.	The Board noted that the UNEP Regional Office for Europe had introduced various qualitative and quantitative measurements to assess the workplan's indicators. Thus, this recommendation is considered implemented.	X			
22.	2018	A/74/5/Add.7, chap. II, para. 143	The Board recommends that UNEP improve its monitoring of staff annual leave to ensure that all leave is requested and approved through supervisors in a timely manner in accordance with the Staff Regulations and Rules of the United Nations.	UNEP, in liaison with the United Nations Office at Nairobi, has conducted briefings on time management and the recording of leave, including telecommuting. In addition, UNEP, in collaboration with the Office, has conducted training for the time managers/leave monitors.	The Board noted that UNEP had already conducted briefings on time management and the recording of leave. Therefore, this recommendation is considered implemented.	X			
23.	2018	A/74/5/Add.7, chap. II, para. 144	The Board recommends that UNEP perform a periodic and timely review of the leave system to identify absences and, if relevant, apply the charges to the monthly salary of the staff.	UNEP is exploring the possibility of revamping the existing dashboard related to annual leave management to implement this recommendation. In the interim, UNEP has already conducted training for time managers and leave monitors to enhance monitoring. Furthermore, the leave monitors and time managers have been briefing the staff on time management issues.	While the Board recognized the efforts of UNEP, the dashboard has not been introduced yet. Therefore, this recommendation is considered to be under implementation.		X		

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24.	2018	A/74/5/Add.7, chap. II, para. 152	The Board recommends that UNEP ensure the accuracy of ICT data, preserve and protect ICT resources, related to the consolidation of the management information on projects in one system, considering also in this process the historical projects data, pursuant to bulletin ST/SGB/2004/15.	The first release of the Umoja the integrated planning, management and reporting solution went live in December 2020 and all United Nations Secretariat entities, as well as UNEP, are expected to register all new projects in the solution. Different elements of the integrated planning, management and reporting solution will be rolled out gradually over the coming months.	The Board noted that the integrated planning, management and reporting solution had gone live and would be rolled out in 2021. Therefore, this recommendation is considered to be under implementation.		X		
25.	2019	A/75/5/Add.7, chap. II, para. 26	The Board recommends that UNEP – at the headquarters level – set up an up-to-date dashboard with the consolidated financial and project data of the regional presence and secretariats, identifying all sources of budgetary and extrabudgetary financing, income and expenses, and information on projects and/or activities, in order to ensure an extensive view of UNEP worldwide presence.	UNEP has set up a dashboard in PIMS, which reflects the budget, income, expenses and information on projects by geography.	The Board noticed that UNEP had set up a dashboard in PIMS. Therefore, this recommendation is considered implemented.	X			
26.	2019	A/75/5/Add.7, chap. II, para. 27	The Board recommends that UNEP – at the headquarters level – establish monitoring and control mechanisms over the workplans delivered by regional offices and the secretariats of the multilateral environmental agreements in order to guarantee the accomplishment of the objectives of the UNEP programme of work and to	UNEP adopted a new medium-term strategy for the period 2022-2025 that demonstrates an increased focus on management for results. Its annex (UNEP programme of work for 2022-2023) builds on the development of indicators that are aligned with organizational objectives to reflect transformational change. The strategy includes project cycle reform, investment in human	The Board noted that UNEP had issued a new medium-term strategy, for 2022–2025, which enhanced focus on management for results and adopted integrated workplans across the organization to assist UNEP headquarters in monitoring workplan delivery. Therefore, this recommendation is considered implemented.	X			

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			ensure the fulfilment of the organization's secretariat functions.	resources and building capacity through customized and in-house training and the establishment of technical networks across the organization that can support programme delivery, while developing "best-in-class" fiduciary and governance standards that build on enterprise risk management tools.					
27.	2019	A/75/5/Add.7, chap. II, para. 28	The Board recommends that UNEP implement results-based budgeting approach at regional and secretariat level.	The integrated planning, management and reporting solution is one of the solutions under Umoja Extension 2 that is designed as an end-to-end solution, spanning multiple Umoja modules and to be used to manage the life cycle of United Nations programmes and projects, from approval of the project document to project closure. The first release of the integrated planning, management and reporting solution went live as a pilot in December 2020, and it will soon be mandatory for all United Nations Secretariat entities to register, record and track all projects in the solution. Different elements of the integrated planning, management and reporting solution will be rolled out gradually during 2021.	The Board noted that the first release of the integrated planning, management and reporting solution had gone live as a pilot in December 2020 and that different elements would be rolled out in 2021. Therefore, this recommendation is considered to be under implementation.		X		
28.	2019	A/75/5/Add.7, chap. II, para. 35	The Board recommends that UNEP implement a risk matrix, which considers the risks associated with the recommendations, for the purpose of prioritizing the recommendations made by	The document that UNEP had provided as evidence was updated.	The Board noted that the Evaluation Office had developed a template for presenting recommendations and lessons learned, presented in a main evaluation report. Therefore, this	X			

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			the evaluation office of UNEP.		recommendation is considered implemented.				
29.	2019	A/75/5/Add.7, chap. II, para. 46	The Board recommends that UNEP review the trust funds that have low contributions and/or no activity and determine whether they can be merged, closed or transferred.	UNEP has already completed the financial closure of 24 of 26 inactive trust funds. Six grants have been identified for closure in 2021. The Finance Unit of the Corporate Services Division is working to address the open items regarding the grants.	The Board noted that UNEP had completed the financial closure of most of the inactive trust funds in 2020 and identified six grants to be closed in 2021. Therefore, this recommendation is considered implemented.	X			
30.	2019	A/75/5/Add.7, chap. II, para. 59	The Board recommends that UNEP introduce a new framework for the regional workplan template elaboration, which involves regional representatives from an early stage of the development process and allows for the inclusion of indicators of achievement and targets customized to the reality of the respective regional office.	The 2020 Policy and Programme Division workplan has been finalized. All workplans will follow the integrated nature and strategic guidance of the new medium-term strategy for the period 2022–2025. In addition, UNEP is implementing a new delivery model that looks at the division of labour/administrative delivery of projects between regions and divisions.	UNEP introduced a new workplan template and adopted a new delivery model for an integrated implementation of the programme of work organization-wide. Therefore, this recommendation is considered implemented.	X			
31.	2019	A/75/5/Add.7, chap. II, para. 60	The Board recommends that UNEP establish the proper coordination measures and controls in order to ensure an adequate use of the workplan formats at the regional level and to enhance coherence within and between workplans.	The 2020 Policy and Programme Division workplan has been finalized. All workplans will follow the integrated nature and strategic guidance of the new medium-term strategy for the period 2022–2025. In addition, UNEP is implementing a new delivery model that looks at the division of labour/administrative delivery of projects between regions and divisions.	UNEP introduced a new workplan template and adopted a new delivery model for an integrated implementation of the programme of work organization-wide. Therefore, this recommendation is considered implemented.	X			

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32.	2019	A/75/5/Add.7, chap. II, para. 71	The Board recommends that UNEP introduce a new framework and a template for regional workplan reporting that includes an analysis of the implementation of indicators of accomplishment and takes into consideration the expected progress and sources of data for verification established in the programme of work as applied to the regional level.	The 2020 Policy and Programme Division workplan has been finalized. All workplans will follow the integrated nature and strategic guidance of the new medium-term strategy for the period 2022–2025. In addition, UNEP is implementing a new delivery model that looks at the division of labour/administrative delivery of projects between regions and divisions.	UNEP introduced a new workplan template and adopted a new delivery model for an integrated implementation of the programme of work organization-wide. Therefore, this recommendation is considered implemented.	X			
33.	2019	A/75/5/Add.7, chap. II, para. 72	The Board recommends that regional offices of UNEP maintain updated workplans by formalizing in them the new activities and projects that have been included in the respective year's performance.	The 2020 Policy and Programme Division workplan has been finalized. All workplans will follow the integrated nature and strategic guidance of the new medium-term strategy for the period 2022–2025. In addition, UNEP is implementing a new delivery model that looks at the division of labour/administrative delivery of projects between regions and divisions.	UNEP introduced a new workplan template and adopted a new delivery model for an integrated implementation of the programme of work organization-wide. Therefore, this recommendation is considered implemented.	X			
34.	2019	A/75/5/Add.7, chap. II, para. 82	The Board recommends that the Evaluation Office of UNEP establish a mechanism that allows it to verify the integrity of the project information received from other UNEP sections, to guarantee the completeness and integrity of databases for the elaboration of the workplan of the Evaluation Office of UNEP.	The Evaluation Office put in place an enhanced verification process to create an initial annual workplan.	The Board noted that, in 2020, the Evaluation Office had gathered input across UNEP for the 2020 workplan and consulted with the Programme and Policy Division's team in charge of the UNEP PIMS. The Office assigned project evaluations on an ongoing basis throughout the year as its staff capacity allowed. Therefore, this recommendation is considered implemented.	X			

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35.	2019	A/75/5/Add.7, chap. II, para. 98	The Board recommends that UNEP coordinate with the Regional Office for Latin America and the Caribbean and the Regional Office for Africa in order to take liaison measures with the external institutions involved in project implementation, aiming to improve the efficiency of the project implementation process.	UNEP has developed a new policy and procedures to engage and monitor implementing partner agreements, small-scale funded agreements and programme cooperation agreements to contribute to effective and transparent decision-making. The Regional Office for Latin America and the Caribbean implemented the pilot of the new partnership policy for the processing of agreements, including the evaluation and selection of partners. In addition to the due diligence, the programme officer prepares a call for interest, evaluates candidate partners, prepares a report and prepares the additional documentation that the programme officer is to complete/provide.	The Board noted that UNEP had developed a new policy and procedures to engage and monitor implementing partner agreements, small-scale funded agreements and programme cooperation agreements. The Board also noted that the pilot implementation of the new policy and procedures had been announced in September 2020 by the Regional Office for Latin America and the Caribbean. Given that the policy and procedures were not approved as a formal document, this recommendation is considered to be under implementation.		X		
36.	2019	A/75/5/Add.7, chap. II, para. 99	The Board recommends that UNEP expedite the recruitment process of project coordinators as a principal priority and, subsequently, the recruitment of personnel to support project implementation, taking into consideration the committed starting date.	The Regional Office for Latin America and the Caribbean had formulated a guide for project implementation with workflows and checklists. In the workflow for the recruitment of consultants and individual contractors pursuant to administrative instruction ST/AI/2013/4, the Regional Office indicates in the checklist HR/1 that coding blocks are not requested to issue job openings in Inspira for the recruitment of consultants and individual contractors. Therefore, all job openings for consultancies are being issued in Inspira without Umoja coding blocks because they	The Board noted that the Regional Office for Latin America and the Caribbean had formulated a guide for project implementation with workflows and checklists for the recruitment of consultants and individual contractors. Therefore, this recommendation is considered implemented.	X			

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				are required only at the time of the creation of shopping carts for the selected candidate.					
37.	2019	A/75/5/Add.7, chap. II, para. 100	The Board recommends that UNEP liaise with the Regional Office for Latin America and the Caribbean to coordinate and organize in a timely manner the inception workshops to start with the project review and, subsequently, begin its implementation.	UNEP confirms that it is a requirement for GEF and Green Climate Fund projects to undertake the inception workshops during the start-up phase of the project. This is being done with all projects, the source of funding notwithstanding.	The Board reviewed the documents of some inception workshops that started with a project review. Therefore, this recommendation is considered implemented.	X			
38.	2019	A/75/5/Add.7, chap. II, para. 101	The Board recommends that UNEP coordinate its budget allocations in a timely manner in order to comply with the execution schedule of project workplans.	The difficulties that the Regional Office for Latin America and the Caribbean was facing related to the cash allocation relating to GEF and Green Climate Fund projects, in which cash is allocated by units that are implementing these projects but not by the Regional Office that is executing them. In these cases, the Regional Office faced delays in cash allocations that caused rejections on payments to implementing partners, consultants and procurement service providers. For the projects that the Regional Office is implementing and therefore has the capacity to manage budget and cash, no cash problems have occurred because the Regional Office does not approve budget releases when cash is not already registered in Umoja.	The Board noted that, although UNEP had taken measures to improve the efficiency of cash application, the difficulties for the Regional Office for Latin America and the Caribbean remained and needed to be resolved. Therefore, this recommendation is considered to be under implementation.		X		

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39.	2019	A/75/5/Add.7, chap. II, para. 109	The Board recommends that UNEP coordinate with the Umoja team to improve the structure of the registration of information in the Umoja system with regard to regional projects that develop activities in several countries of the region, allowing for segregation by country in the system.	In the short-term, UNEP is working on the implementation of PIMS+ which was pilot tested from March to August of 2020. Currently, the system is undergoing data migration of all projects. In the long term, UNEP hopes that the full implementation of Umoja Extension 2, in due consideration of the recommendations for system enhancement, will address the programmatic aspects raised through this recommendation. UNEP estimates that full implementation will be completed by early in 2021.	The Board noted the first release of the integrated planning, management and reporting solution had gone live as a pilot in December 2020 and that different elements would be rolled out in 2021. Therefore, this recommendation is considered to be under implementation.		X		
40.	2019	A/75/5/Add.7, chap. II, para. 126	The Board recommends that the UNEP Regional Office for Latin America and the Caribbean improve the preparation of progress reports by adequately informing the development of activities together with measurable results, in order to enhance transparency and accountability of the outcomes that are obtained from the use of the resources allocated.	The UNEP Regional Office for Latin America and the Caribbean has developed a checklist for all progress reports. Progress report templates of the Green Climate Fund and GEF have also been a reference for this checklist.	The Board noted that UNEP had introduced a checklist for all progress reports and other supporting documents. Therefore, this recommendation is considered implemented.	X			
41.	2019	A/75/5/Add.7, chap. II, para. 127	The Board recommends that the UNEP Regional Office for Latin America and the Caribbean take the necessary measures to maintain updated information in Umoja regarding ongoing projects in order to use that information for reporting.	All grants under Regional Office for Latin America and the Caribbean financial responsibility have updated information in Umoja. Some errors have been detected regarding the validity of the grants in Umoja for projects for which the Regional Office receives suballotments from other units and have been	The Board noted that the Regional Office for Latin America and the Caribbean had updated information in Umoja, as recommended. Therefore, this recommendation is considered implemented.	X			

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				reported to the relevant units immediately for correction.					
42.	2019	A/75/5/Add.7, chap. II, para. 137	The Board recommends that UNEP establish a control mechanism that ensures compliance with the provisions of the partnership policy and procedures with regard to the requirement to compare at least three candidate organizations. This mechanism should include the correct documentary record of the performance of the comparison.	UNEP has initiated the process of revising and updating the partnership policy and procedures, including the incorporation of controls to enhance compliance.	The Board noted that UNEP had revised and updated procedure 2 of the partnership policy and procedures. Therefore, this recommendation is considered implemented.	X			
43.	2019	A/75/5/Add.7, chap. II, para. 138	The Board recommends that UNEP include, in the evaluation process of candidates, records of their compliance with the requirements to be an implementing partner of UNEP and, in addition, implement a weighting or scoring system of the factors evaluated to ensure greater transparency in the selection process.	UNEP has initiated the process of revising and updating the partnership policy and procedures, including the incorporation of controls to enhance compliance.	The Board noted that UNEP had revised and updated procedure 2 of the partnership policy and procedures. Therefore, this recommendation is considered implemented.	X			
44.	2019	A/75/5/Add.7, chap. II, para. 139	The Board recommends that UNEP identify, within the requirements that UNEP considers when evaluating a candidate, those that are requested by the donor, so that the process is more transparent and creates a climate of trust between the different stakeholders towards the processes of implementing partnership	The importance of staff impartiality and independence as international civil servants is stressed in the United Nations standards of conduct. Staff must not seek or accept instructions from any Government, person or entity external to the United Nations. For their part, neither Governments nor organizations should place international civil servants in a position in which	The Board noted that donor requirements were assessed in connection with the updated principles and procedures of the draft 2020 partnership policy and procedures. Therefore, this recommendation is considered implemented.	X			

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			selection carried out by UNEP.	their international and national loyalties may conflict. Donor requirements shall be assessed in connection with the updated principles and procedures of the draft 2020 partnership policy and procedures.					
45.	2019	A/75/5/Add.7, chap. II, para. 151	The Board recommends that UNEP develop guidelines for the determination of instalments to be paid to implementing partners, regulating the quantity of payments to be disbursed, assigning to each of those payments a range or percentage of the total amount of the agreement and evaluating the establishment of a minimum number of instalments to be disbursed to implementing partners. For this purpose, the entity could consider the indications in the UNEP programme manual.	UNEP had revised its partnership policy and procedures as at 11 August 2020 to address the issues relating to implementing partners. In this regard, UNEP estimates that this recommendation has been implemented in full and therefore requests the Board to consider closing it.	The Board noticed that UNEP had revised its partnership policy and procedures to address those issues. Therefore, this recommendation is considered implemented.	X			
46.	2019	A/75/5/Add.7, chap. II, para. 152	The Board recommends that UNEP establish the factors and/or situations that will be considered as exceptions to the instalment payment rule, keeping records of the authorizations and decisions made.	In its revised partnership policy and procedures dated 11 August 2020, UNEP had already formulated the criteria for the exceptions to the instalment payment rule. For example, a higher initial instalment may be warranted by factors such as the partner's satisfactory prior performance, low overall cost of the agreement and the nature of the activity.	The Board noticed that UNEP had revised its partnership policy and procedures to address those issues. Therefore, this recommendation is considered implemented.	X			

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47.	2019	A/75/5/Add.7, chap. II, para. 170	The Board recommends that UNEP establish the proper liaison between its headquarters and the Executive Secretary of the Convention on Biological Diversity and its Protocols in order to agree on the procedures and responsibilities that each entity shall assume with regard to the provision of secretariat services to the Conference of the Parties to the Convention on Biological Diversity, including the aspects related to non-administrative functions.	UNEP notes that the roles and responsibilities are set out in the revised administrative arrangements between UNEP and the secretariat of the Convention of Biological Diversity (annex to decision X/45). UNEP plans to develop the service-level agreement envisaged pursuant to the decision.	The Board took note of decision X/45. Given that the plans were to be developed, this recommendation is considered to be under implementation.		X		
48.	2019	A/75/5/Add.7, chap. II, para. 171	The Board recommends that UNEP liaise with the Executive Secretary of the Convention on Biological Diversity to propose to the Conferences of Parties to the Convention on Biological Diversity and its Protocols the adoption of a memorandum of understanding. If agreed, this instrument shall include the arrangements for the provision of secretariat functions by UNEP, aiming to establish a regulatory framework that sets out clear responsibilities, transparency, guidance and accountability among the Parties and Member States.	The secretariat of the Convention on Biological Diversity notes that the revised administrative arrangements endorsed pursuant to decision X/45 already establish the relevant roles of UNEP and the secretariat of the Convention. It also notes that programmatic cooperation with UNEP, as with other United Nations entities, is guided pursuant to relevant decisions of the Conference of the Parties. In this context, there are several memorandums of cooperation with other entities, including with various programmes under UNEP.	The Board took note of decision X/45. Given that the suggested regulatory framework on accountability among the Parties was yet to be established, this recommendation is considered to be under implementation.		X		

						Status after verification			
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49.	2019	A/75/5/Add.7, chap. II, para. 180	The Board recommends that UNEP coordinate with the secretariat of the Convention on Biological Diversity to introduce a framework that guides the planning process at the different levels of the secretariat, incorporating a clear definition of the main concepts to be used in that process, such as results, outputs, indicators of achievement and/or means of verification.	The secretariat of the Convention of Biological Diversity will develop a results-based budgeting framework in accordance with the decision of the Conference of the Parties. The framework will serve as the basis for the secretariat's programme budget for the period 2021–2022 that is scheduled to be submitted to the Conference of the Parties by mid-July 2021. Once the report is finalized, it will be provided as evidence of implementation of the recommendation.	The Board noted that the result-based budget framework was being formulated. Therefore, this recommendation is considered to be under implementation.		X		
50.	2019	A/75/5/Add.7, chap. II, para. 181	The Board recommends that UNEP coordinate with the secretariat of the Convention on Biological Diversity the establishment of a comprehensive workplan on the secretariat's activities, which is aligned with the secretariat's strategic objectives and with the decisions of the Conference of the Parties to the Convention on Biological Diversity and incorporates measurable indicators of accomplishment and means of verification.	The secretariat of the Convention on Biological Diversity notes that its reports to the Conference of the Parties on its programmatic activities in accordance with article 24 of the Convention. The reports include updates on the implementation of the decisions of the Conference of the Parties. However, the secretariat will continue to work with UNEP headquarters, in consultation with the Conference of the Parties, as necessary, on the alignment of its workplans with the strategic objectives.	The Board noted the efforts of the secretariat and UNEP headquarters. Considering the alignment of the workplan to the strategic objectives was still in process, this recommendation is considered to be under implementation.		X		
51.	2019	A/75/5/Add.7, chap. II, para. 185	The Board recommends to UNEP that the secretariat of the Convention on Biological Diversity issue the report on the administration of the Convention on Biological Diversity in line with the activities disclosed in its programme of work,	While the format of the biannual report of the secretariat of the Convention of Biological Diversity on the administration of the Convention has been changed to comply with this recommendation, the report for the period January to June 2020 is still not finalized.	The Board noted that the format of the report had been changed, but that the report itself was yet to be finalized. Therefore, this recommendation is considered to be under implementation.		X		

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						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
			presenting those activities in accordance with its budget and its execution.						
52.	2019	A/75/5/Add.7, chap. II, para. 186	The Board recommends that UNEP assist and coordinate with the secretariat of the Convention on Biological Diversity in order to standardize the secretariat's reporting processes, with the aim of including indicators, means of verification, outcomes and assessment for each activity presented in the programme of work.	The Secretariat of the Convention of Biological Diversity notes that it reports to the Conference of the Parties in accordance with article 24 of the Convention and receives its mandate on programmatic and reporting matters from the Conference. However, the secretariat will continue to work with UNEP headquarters, in consultation with the Conference of Parties, as necessary, to determine the possibility of making appropriate changes to the processes of issuance of reports, as outlined in this recommendation.	The Board noted the efforts of the secretariat and UNEP headquarters. Given that the processes of issuance of reports were still under discussion, this recommendation is considered to be under implementation.		X		
53.	2019	A/75/5/Add.7, chap. II, para. 199	The Board recommends that UNEP assess and correct the grants posted in its BHL and BXL trust funds.	The secretariat of the Convention of Biological Diversity is in the process of reconciling and cleaning up the trust funds in line with the Board's recommendation.	The Board noted that the secretariat was analysing and reconciling the grants for the BHL and BXL trust funds. Therefore, this recommendation is considered to be under implementation.		X		
54.	2019	A/75/5/Add.7, chap. II, para. 200	The Board recommends that UNEP coordinate with the secretariat of the Convention on Biological Diversity in order to include in the report on the administration of the secretariat information on the performance of BHL and BXL trust funds.	The activities carried out under the BHL trust fund are now reflected in the biannual report of the secretariat. The activities under the BXL trust funds were completed in 2018 and only adjustments were recorded in 2019 and 2020.	The Board noted that the BHL and BXL Trust funds had been requested by the Conference of the Parties in 2021 to be closed, and no contributions had been recorded in those two trust funds since 2016. Therefore, this recommendation is considered implemented.	X			

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55.	2019	A/75/5/Add.7, chap. II, para. 209	The Board recommends that UNEP coordinate with the secretariat of the Convention on Biological Diversity to take the measures needed to comply with the preparation of a complete long-term strategic framework for capacity-building beyond 2020, in order for it to be presented in conformity with the requirements of the Conference of the Parties.	The secretariat of the Convention on Biological Diversity and the UNEP Law Division will take the measures needed to ensure conformity with the decisions of the Conference of the Parties.	The Board noted the efforts of the secretariat. Given that the measures were still in progress, this recommendation is considered to be under implementation.		X		
56.	2019	A/75/5/Add.7, chap. II, para. 219	The Board recommends that UNEP assist and liaise with the secretariat of the Convention on Biological Diversity to coordinate with the Conference of the Parties to the Convention to adjust the programme of work and budget submission, with the aim of evaluating and implementing a more realistic workplan for the secretariat in accordance with available resources.	The format of the biannual report of the secretariat on the administration of the Convention on Biological Diversity has been changed to comply with the Board's recommendation, but the report for the period January to June 2020 is still not finalized.	The Board noted that the format of the report had been changed, but that the report itself was yet to be finalized. Therefore, this recommendation is considered to be under implementation.		X		
57.	2019	A/75/5/Add.7, chap. II, para. 220	The Board recommends that UNEP assist and liaise with the secretariat of the Convention on Biological Diversity to coordinate with the Conference of the Parties to include the voluntary contributions in the budget submission in a way that reflects the necessary resources to implement the Conference of the Parties' decisions.	The secretariat provides information on voluntary contributions in the budget document and will do so again in its programme budget for 2021–2022, currently under preparation.	UNEP did not provide evidence of including information on voluntary contributions in the budget document. Therefore, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
58.	2019	A/75/5/Add.7, chap. II, para. 221	The Board recommends that UNEP assist and liaise with the secretariat of the Convention on Biological Diversity to coordinate with the Conference of the Parties to the Convention in order to agree on the implementation of a more effective resource mobilization mechanism for the secretariat.	UNEP has received clarification that it does not have a direct coordination role regarding the resource mobilization mechanism for the secretariat, and therefore this recommendation is not accepted.	UNEP did not accept this recommendation and did not provide the evidence of the received clarification. Therefore, this recommendation is considered not implemented.			X	
59.	2019	A/75/5/Add.7, chap. II, para. 237	The Board recommends that UNEP reinforce its control mechanisms at the secretariat of the Convention on Biological Diversity to ensure that the selection processes of consultants and individual contractors are competitive and transparent and consider at least three recommended applicants.	The Secretariat now ensures that there is a minimum of three suitable candidates recommended for each position. A copy of a signed supplementary data form has already been provided as documentary evidence.	The Board noted that the secretariat had already taken measures to ensure that a minimum of three suitable candidates were recommended for each position. However, no evidence showed that the control mechanism had been established in full. Therefore, this recommendation is considered to be under implementation.		X		
60.	2019	A/75/5/Add.7, chap. II, para. 238	The Board recommends that UNEP establish and correctly document an initial control mechanism at the secretariat of the Convention on Biological Diversity to verify whether the applicants for consultants and individual contractors have permission to work in the country, when that is required by the terms of reference, as a first filter before starting to make any evaluation of the candidate.	The secretariat has added a screening question in Inspira for all international contractor job openings that require locally recruited candidates to verify that they have permission to work in Canada.	The Board noted that the secretariat had added a screening question. However, no evidence showed that the mechanism had been established in full. Therefore, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
61.	2019	A/75/5/Add.7, chap. II, para. 239	The Board recommends that UNEP liaise with the secretariat of the Convention on Biological Diversity with the aim of ensuring that the secretariat completes each field of the application process documents to ensure that all participants have complete information.	The secretariat ensures that every field in the application process documents has been completed in full and that no contract is issued to consultants/ international contractors unless all fields, mandatory information and documentation have been addressed.	The Board reviewed samples of duly completed forms. However, no evidence showed that the mechanism had been established in full. Therefore, this recommendation is considered to be under implementation.		X		
62.	2019	A/75/5/Add.7, chap. II, para. 247	The Board recommends that UNEP establish a control and supervision mechanism that periodically and in a documented manner ensures that the contracting processes of consultants and individual contractors include terms of reference for each of them, and that these terms of reference contain all information established in the administrative instruction ST/AI/2013/4.	The secretariat has strengthened its internal control and supervision mechanism to ensure that terms of reference contain all the information established in ST/AI/2013/4.	The Board noted that the secretariat had made some efforts to address the recommendation. However, no evidence showed that the mechanism had been established in full. Therefore, this recommendation is considered to be under implementation.		X		
63.	2019	A/75/5/Add.7, chap. II, para. 255	The Board recommends that UNEP establish a control mechanism that guarantees compliance with the terms of reference of the hiring processes of consultants and individual contractors at the secretariat of the Convention on Biological Diversity, in particular with regard to the deadline for the development of contracted tasks, so that contracts do not exceed the duration specified in the terms of reference.	The secretariat is developing an internal control mechanism tool to guarantee compliance with the terms of reference of the hiring processes for consultants/ international contractors.	The Board noted that the secretariat was developing an internal control mechanism tool. Given that this was in progress, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
64.	2019	A/75/5/Add.7, chap. II, para. 256	The Board recommends that UNEP ensure that the contracts contain all the information necessary to identify the department that signs the contract and the consultants and individual contractors hired at the secretariat of the Convention on Biological Diversity.	The secretariat has worked with the Umoja team to address the issue.	UNEP provided a copy of a sample contract. However, updates on its implementation were not provided. Hence, this recommendation is considered to be under implementation.		X		
65.	2019	A/75/5/Add.7, chap. II, para. 257	The Board recommends that UNEP keep records of how the fee level was determined for each contract with consultants and individual contractors at the secretariat of the Convention on Biological Diversity.	The secretariat is making sure that the fee level is included in the terms of reference for all consultants/international contractors.	UNEP provided a copy of the information sent to programme management officers. However, updates on its implementation were not provided. Therefore, this recommendation is considered to be under implementation.		X		
66.	2019	A/75/5/Add.7, chap. II, para. 267	The Board recommends that UNEP establish a control mechanism that allows for the alerting of personnel in charge of hiring consultants and individual contractors about possible risk situations, such as hiring former and retired staff members or surpassing the maximum hiring periods in accordance with the administrative instruction.	The internal control mechanism referred to will also alert persons in charge of consultant/ international contractor recruitment to possible risk situations, such as the recruitment of former and retired staff members. At present, this is being done on a manual basis until the tool is finalized and rolled out.	UNEP provided a copy of a sample contract and a copy of the information sent to programme management officers. However, updates on its implementation were not provided. Therefore, this recommendation is considered to be under implementation.		X		
67.	2019	A/75/5/Add.7, chap. II, para. 274	The Board recommends that UNEP reinforce its control mechanism and ensure that each interim evaluation and each final evaluation are carried out in a timely manner in accordance with the provisions of the administrative instruction.	The secretariat has reinforced its internal control mechanisms to make sure that interim and final evaluations are done in a timely manner. This will also be captured by an internal control mechanism tool.	UNEP provided a copy of a sample contract and a copy of the information sent to programme management officers. However, updates on its implementation were not provided. Therefore, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
68.	2019	A/75/5/Add.7, chap. II, para. 284	The Board recommends that UNEP coordinate with the secretariat of the Bamako Convention in order to establish a comprehensive workplan on the secretariat's activities. The workplan should be aligned with the secretariat's strategic objectives and with the decisions of the Conference of the Parties to the Bamako Convention, incorporating also a schedule of milestones and measurable indicators of accomplishment and means of verification.	This was done at the Third Conference of the Parties to the Bamako Convention on the Ban of the Import into Africa and the Control of Transboundary Movement and Management of Hazardous Wastes within Africa, held in February 2020.	The Board noted that the secretariat of the Bamako Convention had established a comprehensive workplan on the secretariat's activities, as recommended. Therefore, this recommendation is considered implemented.	X			
69.	2019	A/75/5/Add.7, chap. II, para. 297	The Board recommends that UNEP assess the creation of trust funds in Umoja for the Bamako Convention secretariat in order to comply with the structure settled by the United Nations Environment Assembly.	A trust fund for the revolving fund activities of the Bamako Convention was established.	The Board noted that the trust fund for the revolving fund activities of the Bamako Convention had been established. Therefore, this recommendation is considered implemented.	X			
70.	2019	A/75/5/Add.7, chap. II, para. 298	The Board recommends that UNEP reallocate the Bamako Convention revolving fund into an assessed contribution category, creating a specific account for this purpose in the BML trust fund.	A trust fund for the revolving fund activities of the Bamako Convention was established.	The Board noted that the trust fund for the revolving fund activities of the Bamako Convention had been established. Therefore, this recommendation is considered implemented.	X			
71.	2019	A/75/5/Add.7, chap. II, para. 299	The Board recommends that UNEP liaise with the Bamako Convention secretariat to coordinate with the Conference of the Parties	This was done at the Third Conference of the Parties to the Bamako Convention on the Ban of the Import into Africa and the Control of Transboundary	The Board noted that the new workplan had been adopted. Therefore, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			to the Bamako Convention to adjust the programme of work and budget submission, with the aim of evaluating and implementing a more realistic workplan for the secretariat in accordance with the available resources.	Movement and Management of Hazardous Wastes within Africa, held in February 2020.					
72.	2019	A/75/5/Add.7, chap. II, para. 312	The Board recommends that UNEP coordinate with the United Nations Secretariat and the United Nations Office at Nairobi to assess and elaborate a new accounting policy in order to establish an enhanced basis for decision-making on the recognition of non-exchange transactions, in line with IPSAS 23.	UNEP awaits the secretariat's issuance of a new accounting policy, in line with IPSAS 23. Before receiving the policy, UNEP will continue to consider European Commission agreements as contribution agreements, establishing conditional liability in Umoja in compliance with IPSAS policy framework.	The Board noted that UNEP was waiting for the Secretariat to issue a new accounting policy, in line with IPSAS 23. Therefore, this recommendation is considered to be under implementation.		X		
73.	2019	A/75/5/Add.7, chap. II, para. 313	The Board recommends that UNEP implement the appropriate control mechanisms to measure the level of accomplishment of contribution agreements and to make the necessary budgetary and programme of work adjustments before the year's closure.	UNEP and the United Nations Office at Nairobi are working closely on grants closure and have developed a Power BI dashboard specifically targeting grants closure, including a "cash position" report. The Deputy Executive Director also signed a memo containing a request to Programme Managers to ensure that donor and contributing partners agreed on a project's expected results.	The Board noted that UNEP was working on the grants closure and developed the dashboard to monitor the process. Therefore, this recommendation is considered to be under implementation.		X		
74.	2019	A/75/5/Add.7, chap. II, para. 314	The Board recommends that UNEP implement a mechanism to ensure proper support documentation for the contribution agreements uploaded in Umoja.	UNEP, in collaboration with the United Nations Office at Nairobi, developed standard operating procedures to ensure that proper supporting documentation was maintained in Umoja for the financial transactions, including the contribution agreement and	UNEP developed the standard operating procedures of grants approval to ensure proper support documentation for the contribution agreements uploaded in Umoja. The recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				other relevant documentation. For example, the prerequisites for approval and mapping of grants in Umoja include that, on receipt of the certified request for approval through the portal workflow, Budget and Financial Management Service approving officers are required to (a) check that the donor agreement or implementing partner agreement has been attached in Umoja; (b) confirm that the details indicated in the portal agree with the details entered in Umoja; (c) if it is a related grant, confirm that the main/parent grant has been indicated on the Lotus portal (now replaced by I-need); and (d) confirm that all details are correct in accordance with the job aid for grants creation.					
75.	2019	A/75/5/Add.7, chap. II, para. 326	The Board recommends that UNEP improve its note on segment reporting in the notes to the financial statements by adding the description of the structure and activities developed by each segment.	The 2020 financial statements reflect the update.	In the 2020 financial statements, UNEP disclosed the description of the structure and activities developed by each segment. Therefore, this recommendation is considered implemented.	X			
76.	2019	A/75/5/Add.7, chap. II, para. 327	The Board recommends that UNEP disclose in the annexes to the notes to the financial statements the details, at the fund level, of the five pending segments, in order to enhance transparency of financial reporting.	The 2020 financial statements reflect the update.	In the 2020 financial statements, UNEP disclosed the assets, liabilities, revenue and expenses at the fund level of all seven segments. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
77.	2019	A/75/5/Add.7, chap. II, para. 328	The Board recommends that UNEP evaluate, in coordination with the United Nations Office at Nairobi and United Nations Headquarters, the disclosure of expenses in the notes to financial statements disaggregated by geographical segments. This evaluation should also be extended to revenue, assets and liabilities.	At its biweekly meeting held on 29 October 2020, UNEP and the United Nations Office at Nairobi evaluated the feasibility of geographical segment reporting and found that this was not technically possible. UNEP does not accept this recommendation on the grounds that its mandate is global in nature, among other fundamental factors, and therefore requests its closure.	UNEP had evaluated, with the United Nations Office at Nairobi, the feasibility of geographical segment reporting. Therefore, this recommendation is considered implemented.	X			
78.	2019	A/75/5/Add.7, chap. II, para. 329	The Board recommends that UNEP enact a reasoned decision on the feasibility of reporting by geographical segment that includes an implementation schedule in case this disclosure is determined to be practicable.	At its biweekly meeting held on 29 October 2020, UNEP and the United Nations Office at Nairobi evaluated the feasibility of geographical segment reporting and found that this was not technically possible. UNEP does not accept this recommendation on the grounds that its mandate is global in nature, among other fundamental factors, and therefore requests its closure.	The Board noted that the Administration did not accept this recommendation. UNEP had evaluated with the United Nations Office at Nairobi the feasibility of geographical segment reporting and found that this was not technically possible. On the basis of the discussion and review, the recommendation is considered to have been overtaken by events.				X
79.	2019	A/75/5/Add.7, chap. II, para. 358	The Board recommends that UNEP ensure that overtime rewards as compensatory time off and as additional payment be calculated in accordance with the information circular UNON/IC/2015/07 and the proper instructions, in compliance with the schedule established by the Nairobi duty station.	UNEP is closely monitoring overtime and compensatory time off in line with information circular UNON/IC/2015/07, and the target date for implementation remains the fourth quarter of 2021.	The Board noted that the target was set for the fourth quarter of 2021. Therefore, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
80.	2019	A/75/5/Add.7, chap. II, para. 359	The Board recommends that UNEP review and correct the cases identified, as accumulated entitlement of compensatory time off on inappropriate schedules; overtime payments on incorrect schedules; and payments that exceed the established rates.	Measures have been taken to correct this situation. The remaining records for one staff member were rectified and were awaiting confirmation of correction.	The Board noted that the remaining records for one staff member were awaiting confirmation of correction. Therefore, this recommendation is considered to be under implementation.		X		
81.	2019	A/75/5/Add.7, chap. II, para. 360	The Board recommends that UNEP regulate the lunch-break time on Fridays under the overtime hypothesis, indicating its duration, opportunity and counting the overtime rewards from this interruption thereafter.	Information circular UNON/IC/2015/07 to be rebroadcast in consideration of any new guidelines to be shared in the light of the unprecedented COVID-19 pandemic.	The Board noted that the information circular would be rebroadcasted. Therefore, this recommendation is considered to be under implementation.		X		
82.	2019	A/75/5/Add.7, chap. II, para. 361	The Board recommends that UNEP review the quantity of overtime per month, with special emphasis on those who exceed the allowed limit of 40 hours, taking the necessary measures to avoid surpassing this ceiling and requiring prior exceptional approval every time this boundary cannot be complied with.	Owing to COVID-19, overtime has been suspended. All overtime requests must be preapproved and the approvals attached to the request entered into Umoja. No payments are certified if the preapproval is not attached, and the ongoing target date for implementation remains the fourth quarter of 2021.	The Board noted that overtime had been suspended owing to COVID-19. Therefore, this recommendation is considered to be under implementation.		X		
83.	2019	A/75/5/Add.7, chap. II, para. 369	The Board recommends that UNEP reactivate the ICT group or ICT local committee by holding meetings twice a year, as indicated in its ICT terms of reference established in May 2015, and complying with the provisions of the Secretary-General's bulletin on the Information and Communications Technology Board.	Preparatory meetings of the UNEP ICT Committee meeting have been held and the draft revised terms of reference of the Committee have been completed; however, the Committee meeting with all the Committee members representing the various UNEP offices/divisions has not been held. It is being scheduled for a date when most of the Committee members will be available.	The Board noted that the UNEP ICT Committee meeting with all the Committee members representing the various UNEP offices/divisions had not been held. Therefore, this recommendation is considered to be under implementation.		X		

No.	Audit report year	Report reference	Board's recommendation	UNEP response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
84.	2019	A/75/5/Add.7, chap. II, para. 374	The Board recommends that UNEP issue its delegations of authority through the delegation of authority online portal and clear up any discordances between the delegation of authority online portal and Umoja roles in accordance with the delegation of authority in the administration of the Staff Regulations and Rules and the Financial Regulations and Rules.	UNEP has reviewed the roles in accordance with the delegation of authority web portal versus Umoja roles, with a view to identifying the discordances that exist for corrective action. To ensure continuous resolution of the discordances, UNEP will continue to review the delegation of authority and the Umoja portal on a quarterly basis to ensure that discordances are resolved. In addition, the Business Transformation and Accountability Division at United Nations Headquarters also does a quarterly review and requests the Department's focal points to review any inconsistencies.	The Board noted that UNEP had reviewed the Department of Administration's and Umoja role and resolved the discrepancies. Therefore, this recommendation is considered implemented.	X			
Total number of recommendations					**84**	**35**	**47**	**1**	**1**
Percentage of the total number of recommendations					**100**	**42**	**56**	**1**	**1**

Chapter III
Certification of the financial statements

Letter dated 31 March 2021 from the Chief Finance Officer of the United Nations Office at Nairobi addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Environment Programme (UNEP) for the year ended 31 December 2020 have been prepared in accordance with rule 106.1 of the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4) and rule 207.3 of the supplement to the Financial Regulations and Rules of the United Nations (ST/SGB/2015/4).

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. These notes, and the accompanying schedules, provide additional information and clarification of the financial activities undertaken by UNEP during the period covered by these statements.

The certification function defined in financial rules 105.5 and 105.7 to 105.9 of the Financial Regulations and Rules of the United Nations is assigned to UNEP. Responsibility for the accounts and the performance of the approving function, as defined in article VI and financial rule 105.6 of the Financial Regulations and Rules of the United Nations, is assigned to the United Nations Office at Nairobi.

In accordance with the authority assigned to me, I hereby certify that the appended financial statements of the Fund of UNEP for the year ended 31 December 2020 are correct in all material respects.

(*Signed*) Felista **Ondari**
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV
Administration's financial overview for the year ended 31 December 2020

A. Introduction

1. The Executive Director has the honour to submit herewith the financial report, together with the accounts, of UNEP, including the Environment Fund, associated trust funds and the related accounts, for the year ended 31 December 2020. The financial statements consist of five statements and notes to the financial statements. In accordance with financial rule 106.1, these financial statements were to be transmitted to the Board of Auditors on 31 March 2021.

2. The United Nations Secretariat's business intelligence (BI) tool has been used to produce various financial reports. BI also facilitates the set of strategies, process applications, data, technologies and technical architectures which are used to support the collection, analysis and presentations. In addition, Systems Applications and Products in Data Processing (SAP)/Business Planning and Consolidation (BPC) was introduced to support the preparation of financial statements and notes. SAP/BPC helps to automate and streamline business forecast, planning and consolidation activities.

3. Regular budget revenue and expense, insofar as they relate to UNEP, are included in Volume I, a related party, but for completeness have also been included in these financial statements.

4. The financial statements and schedules, as well as the notes thereto, are an integral part of the financial report.

B. International Public Sector Accounting Standards sustainability plan

5. This is the seventh year for which the financial statements of UNEP have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). To support continued IPSAS compliance, the organization has deployed an IPSAS sustainability plan with ongoing work under five major components that have been identified as the core pillars for IPSAS sustainability, namely:

(a) Management of the benefits of IPSAS: this entails tracking and compiling IPSAS benefits and examining ways of using IPSAS-triggered information to better manage the organization;

(b) Strengthening of internal controls: this includes the deployment and ongoing management of the framework that will support a statement of internal control;

(c) Management of the IPSAS regulatory framework: this includes active participation in the work of the IPSAS Board to formulate new IPSAS or change existing standards, and the related update of the IPSAS policy framework and financial rules and guidance, as well as the related changes to systems and processes;

(d) Maintenance of the integrity of Umoja as the backbone for IPSAS-compliant accounting and reporting: this includes ensuring IPSAS compliant processes for new programmes and activities, and automating the production of financial statements via Umoja;

(e) Continued IPSAS training and the deployment of a skills strategy that will support a strengthened finance function.

C. Overview of the financial statements of the year ended 31 December 2020

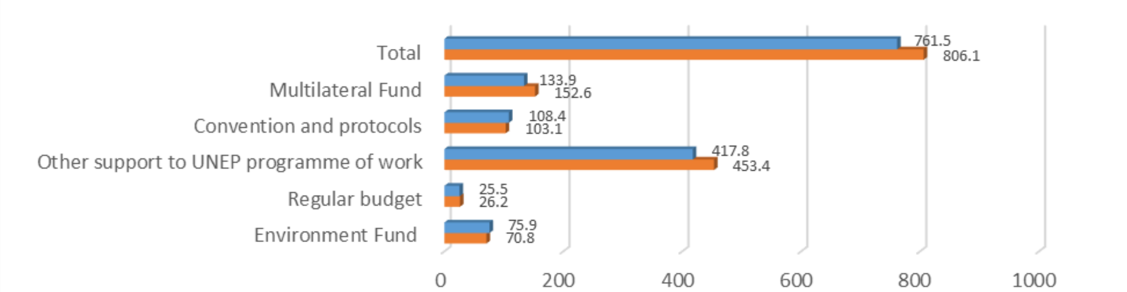
All funds

6. Statements I to IV show the consolidated figures for all UNEP activities, comprising the Environment Fund, the regular budget, trust funds supporting the UNEP programme of work, trust funds supporting UNEP conventions and protocols, the Multilateral Fund, the programme support account, and end-of-service and retirement benefits for the year ended 31 December 2020. Statement V reports on the Environment Fund and the regular budget.

7. Comparison between the year ended 31 December 2019 and the current reporting date is provided.

8. The revenue of UNEP for the year ended 31 December 2020, by source of funding, is shown in figures IV.I and IV.II.

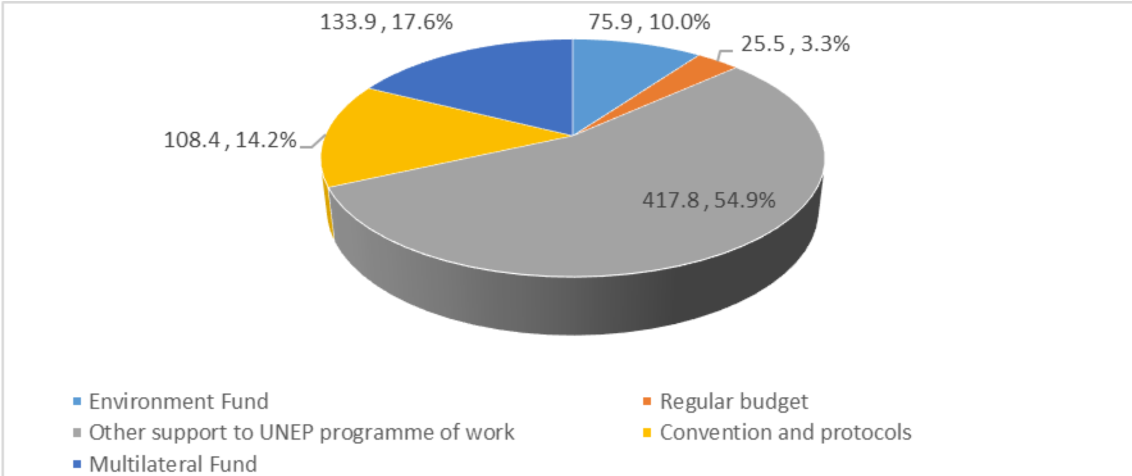
Figure IV.I
2020 contributions, by source of funding
(Millions of United States dollars)



	Environment Fund	Regular budget	Other support to UNEP programme of work	Convention and protocols	Multilateral Fund	Total
2020	75.9	25.5	417.8	108.4	133.9	761.5
2019	70.8	26.2	453.4	103.1	152.6	806.1

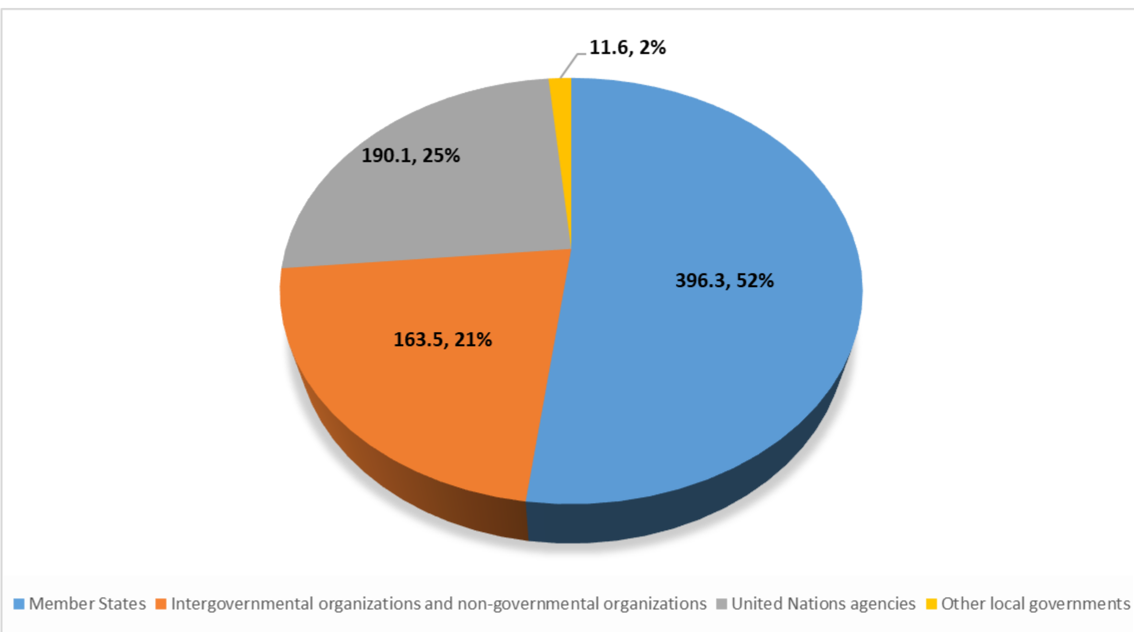
Note: Multilateral Fund revenue is presented less elimination for UNEP internal implementation of $23.2 million (2019: $11.6 million). Other support to UNEP programme of work revenue is presented less elimination adjustments for carbon offsets cost recovery of $0.2 million.

Figure IV.II
2020 contributions, by source of funding (proportions)
(Millions of United States dollars)



9. The distribution of contributions, by type of contributing entity, is shown in figure IV.III.

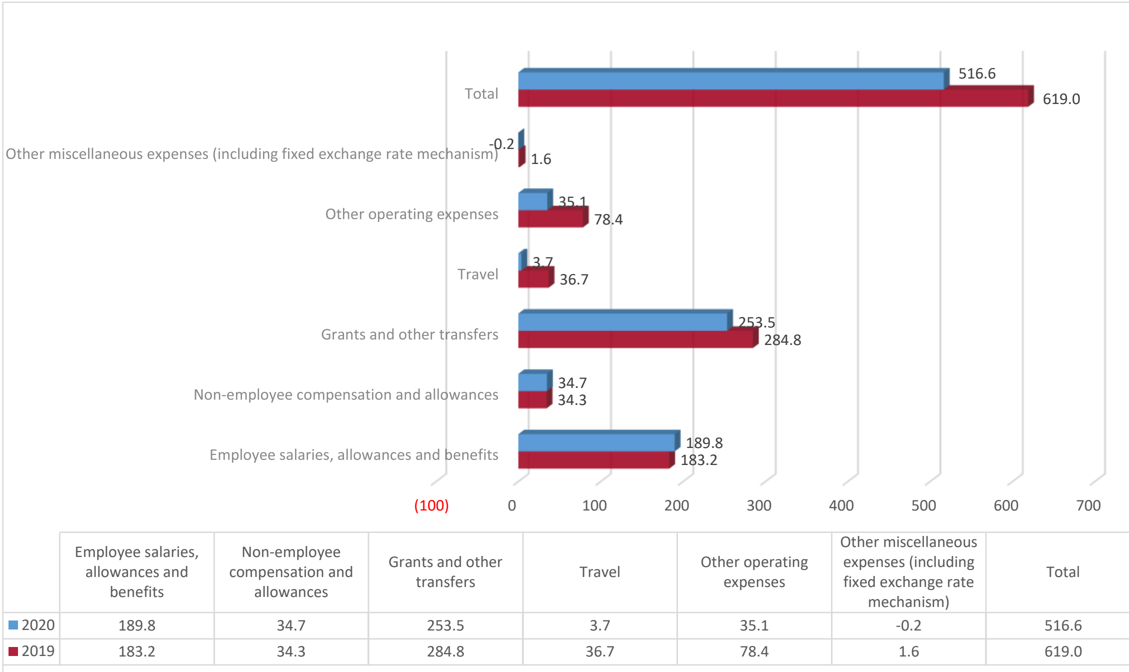
Figure IV.III
Distribution of contributions, by type of entity
(Millions of United States dollars)



10. The contributions are based on IPSAS accounting which includes recognizing donor project funding in full on the signing of a donor agreement by both the donor and UNEP. This includes project funding from the Global Environment Facility where revenue is recognized in full for multi-year projects following project approval by the Facility and receipt of a letter of commitment from the Facility trustee, the International Bank for Reconstruction and Development.

11. Expenditure in 2020 relative to 2019, by type of expense, is shown in figure IV.IV.

Figure IV.IV
Expenditure in 2020 relative to 2019, by type of expense
(Millions of United States dollars)



12. Total expense for 2020 is $516.6 million. Other miscellaneous expenses include exchange (gains)/losses from the fixed exchange rate mechanism of the Multilateral Fund (see note 25).

Key indicators from statement I

13. Total assets increased by $255.1 million (10.6 per cent) to $2,670.2 million as at 31 December 2020, from $2,415.1 million as at 31 December 2019.

14. Total liabilities decreased by $11 million (2.0 per cent) to $551.9 million as at 31 December 2020, from $562.9 million as at 31 December 2019.

15. Net assets increased by $266.1 million (14.4 per cent) to $2,118.2 million as at 31 December 2020, from $1,852.1 million as at 31 December 2019.

16. Table IV.1 summarizes other key indicators for the year ended 31 December 2020 compared with the year ended 31 December 2019.

Table IV.1
Other key indicators
(Millions of United States dollars)

	2020	*2019*	*Increase/ decrease*	*Change (percentage)*
Assessed contributions revenue	241.6	249.8	(8.2)	(3.3)
Voluntary contributions revenue	304.3	413.4	(109.1)	(26.4)
Other transfers and allocations	215.6	143.0	72.6	50.8
Total contributions revenue	**761.5**	**806.2**	**(44.7)**	**(5.5)**

	2020	*2019*	*Increase/ decrease*	*Change (percentage)*
Cash and cash equivalents	143.3	271.8	(128.5)	(47.3)
Short-term investments	878.7	567.0	311.7	55.0
Long-term investments	289.2	176.6	112.6	63.8
Total cash and investments	**1 311.2**	**1 015.4**	**295.8**	**29.1**
Assessed contributions receivable	22.7	42.8	(20.1)	(47.0)
Voluntary contributions receivable	964.6	942.7	21.9	2.3
Total receivables	**987.3**	**985.5**	**1.8**	**0.2**
Advance transfers	352.2	392.4	(40.2)	(10.2)
Other assets	16.3	19.2	(2.9)	(15.1)
Accounts payable and accrued payables	21.0	67.9	(46.9)	(69.1)
Employee benefits liabilities	278.9	250.5	28.4	11.3
Liabilities for conditional arrangements/ other liabilities	180.5	159.9	20.6	12.9

17. Additional information on the movements as shown in the table above is provided in the notes to the financial statements.

D. End-of-service and post-retirement accrued liabilities

18. The UNEP financial statements reflect end-of-service and post-retirement benefits, comprising after-service health insurance liabilities, annual leave and repatriation benefits. UNEP makes monthly provisions for repatriation benefits at 8 per cent of net salary. In addition, since January 2017, UNEP started to make monthly provisions for after-service health insurance at 3 per cent of net salary. The monthly rate for those provisions was increased to 6 per cent effective 1 January 2019.

19. The 31 December 2020 accrued balances have been adjusted to reflect the estimated liabilities as at 31 December 2020 as reflected in the 2020 actuarial study calculations by a consulting firm engaged by the United Nations Secretariat on behalf of UNEP. As a result of fully charging these liabilities in the financial statements as at 31 December 2020, an amount of $199.9 million of cumulative unfunded expenditure is shown in note 4, “Segment report”, under the end-of-service and post-retirement benefits segment.

E. Impact of coronavirus disease

20. 2020 demonstrated that, even as we continue to battle the COVID-19 pandemic, environmental crises remain an integral part of our journey in the years ahead and tackling them is more important than ever. As we deal with the tragic consequences of COVID-19, the focus of UNEP, based on its longstanding approach of ensuring that science and data drive effective policy, will remain on four broad areas: delivering transformational change for nature and people; investing in a sustainable and just post-COVID-19 recovery; helping nations to manage COVID-19-related waste; and modernizing global environmental governance.

21. During 2020, the COVID-19 pandemic had an impact on the planned deliverables and activities of UNEP, as it had to move towards alternative forms of

consultations, decision-making processes and capacity-building initiatives, using a range of innovative approaches. This included the organization of virtual meetings, accompanied by pre-recorded presentations and/or preparatory online sessions. Many of the scheduled meetings and conferences were held successfully; however, owing to logistical implications, many intergovernmental meetings and conferences of the parties meetings have been postponed until in-person meetings can be held.

22. Projects under implementation were impacted both financially and in terms of the expected completion date by physical access restrictions, in particular where the respective countries implemented a shutdown of all activities. The impact of the pandemic on these activities cannot be quantified in the scope of financial costs as these projects are generally multi-year and it is too early to assess the overall impact.

23. At the same time, however, some planned deliverables and activities were adjusted during 2020, within the overall scope of the objectives of the subprogrammes, in order to support Member States on issues related to the COVID-19 pandemic. On account of travel restrictions and an increasing need for capacity-building workshops and hands-on training and guidance, UNEP had to change its approach regarding on-the-ground support. New activities included the provision of support to Member States, staff members and other end-users by covering COVID-19 aspects in advice, publications, outreach, advocacy and other products or services. UNEP also implementing a COVID-19 response building block strategy and has involved stakeholders in the development of a road map for recovery.

24. By the end of 2020, in consultation with extrabudgetary funding sources donors, UNEP had authorized programmatic and operational budgets of $1.2 million for rapid COVID-19 response. The impact of the COVID-19 pandemic is evolving, and management is continuously assessing the impact of the pandemic on overall contributions to UNEP. The economic disruption from the pandemic could adversely affect future contributions.

25. Travel expenses decreased by 90 per cent, from $36.7 million in 2019 to $3.7 million in 2020, primarily as a result of travel bans and restrictions, the cancellation or postponement of duty travel, conferences and meetings and the impact of the pandemic on assignment and repatriation-related travel patterns (see note 25).

26. The limitations on physical movements that applied in many of the locations where UNEP operated resulted in a majority of staff and personnel working remotely, particularly administrative staff whose tasks did not require them to have direct physical contact with beneficiaries, other colleagues or other counterparts.

Chapter V

Financial statements and related explanatory notes for the year ended 31 December 2020

United Nations Environment Programme

I. Statement of financial position as at 31 December 2020

(Thousands of United States dollars)

	Notes	*31 December 2020*	*31 December 2019*[a]
Assets			
Current assets			
Cash and cash equivalents	6	143 261	271 786
Investments	7	878 703	566 987
Assessed contributions receivable	8	22 745	42 779
Voluntary contributions receivable	9	368 524	368 596
Other receivables	10	1 472	926
Advance transfers	11	251 340	273 613
Other assets	12	16 344	19 178
Total current assets		**1 682 389**	**1 543 865**
Non-current assets			
Investments	7	289 242	176 609
Assessed contributions receivable	8	–	–
Voluntary contributions receivable	9	596 032	574 101
Advance transfers	11	100 889	118 814
Property, plant and equipment	14	1 530	1 539
Intangible assets	15	101	168
Total non-current assets		**987 794**	**871 231**
Total assets		**2 670 183**	**2 415 096**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	16	20 967	67 883
Funds received in advance and deferred revenue	17	71 605	84 654
Employee benefits liabilities	18,19	10 629	9 058
Provisions	20	–	–
Liabilities for conditional arrangements	21	180 473	159 914
Other liabilities		–	–
Total current liabilities		**283 674**	**321 509**
Non-current liabilities			
Employee benefits liabilities	18,19	268 270	241 439
Total non-current liabilities		**268 270**	**241 439**
Total liabilities		**551 944**	**562 948**
Total net of total assets and total liabilities		**2 118 239**	**1 852 148**
Net assets			
Accumulated surpluses/(deficits) – unrestricted	22	2 081 962	1 816 144
Reserves	22	36 277	36 004
Total net assets		**2 118 239**	**1 852 148**

[a] Comparatives have been restated to conform to the current presentation.

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Environment Programme

II. Statement of financial performance for the year ended 31 December 2020

(Thousands of United States dollars)

	Notes	*2020*	*2019*
Revenue			
Assessed contributions	23	241 624	249 777
Voluntary contributions	23	304 261	413 364
Other transfers and allocations	23	215 585	142 978
Investment revenue	26	23 905	24 920
Other revenue	24	10 454	6 711
Total revenue		**795 829**	**837 750**
Expense			
Employee salaries, allowances and benefits	25	189 798	183 164
Non-employee compensation and allowances	25	34 653	34 331
Grants and other transfers	25, 31	253 537	284 787
Supplies and consumables	25	374	479
Depreciation	14	192	193
Amortization	15	67	66
Travel	25	3 729	36 655
Other operating expenses	25	35 067	78 426
Exchange (gains)/losses from the fixed exchange rate mechanism of the Multilateral Fund	25	(1 974)	(508)
Other expenses	25	1 166	1 425
Total expenses		**516 609**	**619 018**
Surplus/(deficit) for the year		**279 220**	**218 732**

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Environment Programme

III. Statement of changes in net assets for the year ended 31 December 2020[a]

(Thousands of United States dollars)

	Accumulated surpluses/(deficits) – unrestricted	*Elimination*	*Accumulated surpluses/ (deficits) – unrestricted after elimination*	*Reserves*	*Total*
Net assets at the beginning of the period	**1 853 505**	**(37 361)**	**1 816 144**	**36 004**	**1 852 148**
UNEP internal implementation elimination	–	67	67	–	67
Changes in net assets	–	–	–	–	–
Transfers to reserves	(273)	–	(273)	273	–
Actuarial gains (losses)	(13 196)	–	(13 196)	–	(13 196)
Total items recognized directly in net assets	**(13 469)**	**67**	**(13 402)**	**273**	**(13 129)**
Surplus/(deficit) for period	279 220	–	279 220	–	279 220
Net movement in net assets	**265 751**	67	**265 818**	**273**	**266 091**
Net assets, end of period	**2 119 256**	**(37 294)**	**2 081 962**	**36 277**	**2 118 239**

[a] See note 22.

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Environment Programme

IV. Statement of cash flows for the year ended 31 December 2020

(Thousands of United States dollars)

	Notes	*31 December 2020*	*31 December 2019*
Cash flow from operating activities			
Surplus/(deficit) for the year		**279 220**	**218 732**
Non-cash movements			
Depreciation and amortization	14,15	259	259
Actuarial gain/loss on employee benefits liabilities	19	(13 196)	(44 192)
Transfers and donated property, plant and equipment and intangibles	14,15	–	–
Loss on disposal of property, plant and equipment and intangibles		13	5
Changes in assets			
(Increase)/decrease in assessed contributions receivable	8	20 034	(14 579)
(Increase)/decrease in voluntary contributions receivable	9	(21 859)	(152 615)
(Increase)/decrease in other receivables	10	(546)	383
(Increase)/decrease in advance transfers	11	40 198	21 779
(Increase)/decrease in other assets	12	2 834	(4 957)
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	16	(46 916)	26 028
Increase/(decrease) in funds received in advance and deferred revenue	17	(13 049)	15 739
Increase/(decrease) in employee benefits payable	18	28 402	55 977
Increase/(decrease) in provisions	20	–	(50)
Increase/(decrease) in liabilities for conditional arrangements[a]	21	20 559	37 944
Increase/(decrease) in other liabilities	21	–	–
Investment revenue presented as investing activities	26	(23 905)	(24 920)
Net cash flows from/(used in) operating activities		**272 048**	**135 533**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool	26	(424 349)	10 357
Investment revenue presented as investing activities	26	23 905	24 920
Acquisitions of property, plant and equipment	14	(196)	(213)
Proceeds from disposal of property, plant and equipment		–	–
Net cash flows from/(used in) investing activities		**(400 640)**	**35 064**
Cash flow from financing activities			
Adjustments to net assets	22	67	19 563
Net cash flows from/(used in) financing activities		**67**	**19 563**
Net increase/(decrease) in cash and cash equivalents	**5**	**(128 525)**	**190 160**
Cash and cash equivalents – beginning of year		271 786	81 626
Cash and cash equivalents – end of year	**6**	**143 261**	**271 786**

[a] Comparatives have been restated to conform to the current presentation.

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Environment Programme

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2020[a]

(Thousands of United States dollars)

	Publicly available budget				
	Original biennial	*Original annual*	*Final annual*	*Actual expenditure (budget basis)*	*Difference (percentage)*[b]
Executive direction and management	11 200	5 600	5 907	5 162	(13)
Programme of work, comprising:					
Climate change	22 200	11 100	8 578	8 594	–
Resilience to disasters and conflicts	15 600	7 800	5 867	5 277	(10)
Healthy and productive ecosystems	28 000	14 000	10 956	9 682	(12)
Environmental governance	26 200	13 100	10 644	8 755	(18)
Chemicals, waste and air quality	23 400	11 700	8 971	8 257	(8)
Resource efficiency	28 400	14 200	10 898	9 751	(11)
Environment under review	23 000	11 500	8 785	8 545	(3)
Total programme of work	**178 000**	**89 000**	**70 606**	**64 024**	**(9)**
Fund programme reserve	10 000	5 000	2 000	994	(50)
Programme support	12 000	6 000	5 394	4 920	(9)
Total Environment Fund	**200 000**	**100 000**	**78 000**	**69 938**	**(10)**
United Nations regular budget allocation[c]	39 604	25 796	24 853	23 228	(7)
Total	**239 604**	**125 796**	**102 853**	**93 166**	**(9)**

[a] See note 5.
[b] Actual expenditure (budget basis) less final budget.
[c] The United Nations regular budget allocation is from assessed contributions as reported in Volume I.

The accompanying notes to the financial statements are an integral part of these financial statements.

United Nations Environment Programme
Notes to the 2020 financial statements

Note 1
Reporting entity

The United Nations Environment Programme and its activities

1. The United Nations Environment Programme (UNEP) was established by the General Assembly by its resolution 2997 (XXVII) of 15 December 1972 as an autonomous body and a separate reporting entity within the United Nations, with the Governing Council of UNEP as its policymaking organ and a secretariat responsible for leading and coordinating action on environmental matters. As from June 2014, UNEP adopted universal membership and the United Nations Environment Assembly became its governing body. UNEP is headed by an Executive Director. UNEP is supported by the Environment Fund, a United Nations regular budget allocation, assessed contributions and voluntary contributions from Governments, intergovernmental organizations, foundations, the private sector and other non-governmental sources. Headquartered in Nairobi, UNEP works through its divisions, regional offices, liaison and outposted offices and a growing network of collaborative centres of excellence. UNEP also hosts several environmental conventions, secretariats and inter-agency coordinating bodies that have been established in areas related to the UNEP programme of work.

2. UNEP is the leading global environmental authority, which sets the global agenda and promotes the coherent implementation of sustainable development within the United Nations system. UNEP is an implementing agency of the Global Environment Fund and the Multilateral Fund for the Implementation of the Montreal Protocol.

3. The activities for which UNEP is responsible for fall within programme 11, Environment, of the United Nations biennial programme plan and priorities for the period 2020–2021. Within its mandate UNEP promotes environmental sustainability while contributing to a balanced integration of the economic, social and environmental dimensions of sustainable development. This balanced approach also acknowledges the integrated nature of the challenges that countries face (e.g., gender equality, unemployment, income inequality, social exclusion and lack of environmental safeguards) and defines a new paradigm for sustainable development in which the environment is no longer treated in a silo.

The United Nations Environment Programme

4. The United Nations Environment Programme is a separate financial reporting entity of the United Nations and includes the Environment Fund, the UNEP United Nations regular budget allocation, trust funds that support the UNEP programme of work, trust funds that support the UNEP multilateral environment agreements and the Multilateral Fund for the Implementation of the Montreal Protocol, related programme support costs for the UNEP programme of work and the multilateral environment agencies and the Multilateral Fund.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

5. In accordance with the Financial Regulations and Rules of the United Nations, the financial statements are prepared on an accrual basis in accordance with International Public Sector Accounting Standards (IPSAS). They have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of UNEP, and the cash flows over the financial year, consist of the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

(c) Statement III: statement of changes in net assets;

(d) Statement IV: statement of cash flows (using the indirect method);

(e) Statement V: statement of comparison of budget and actual amounts;

(f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes;

(g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (d) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

6. This is the seventh set of financial statements prepared in compliance with IPSAS, which includes the application of certain transitional provisions, as identified below.

7. The financial statements are prepared for the 12-month period from 1 January to 31 December.

Going concern

8. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for the fiscal year 2021, the consistent historical trend of the collection of assessed and voluntary contributions over previous years and the fact that the Assembly has taken no decision to cease the operations of the United Nations.

Authorization for issue

9. These financial statements are certified by the Chief Financial Officer of the United Nations Office at Nairobi and approved by the Executive Director of UNEP. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements as at 31 December 2020 are to be transmitted to the Board of Auditors by 31 March 2021. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements.

Measurement basis

10. These financial statements are prepared using the historical-cost convention, except for financial assets recorded at fair value through surplus or deficit.

Functional and presentation currency

11. The functional currency and the presentation currency of the organization is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

12. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange (UNORE) at the date of the transaction. UNORE approximates the spot rates prevailing at the date of each transaction. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the UNORE rate. Non-monetary foreign currency denominated items that are measured at fair value are translated at the UNORE rate at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year-end.

13. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimates

14. Materiality is central to the preparation and presentation of the organization's financial statements, and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

15. Preparing financial statements in accordance with IPSAS requires the use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

16. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected.

17. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount rates used in the calculation of the present value of provisions and classification of contingent assets/liabilities.

Future accounting pronouncements

18. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the organization's financial statements continue to be monitored.

19. Heritage assets: the objective of the project is to develop accounting requirements for heritage assets.

20. Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits.

21. Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers).

22. Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new IPSAS that will replace IPSAS 13: Leases. The development of a new IPSAS is continuing with the date of its issuance yet to be determined by the IPSAS Board.

23. Public sector measurement: the objectives of this project include: (a) to issue amended IPSASs with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (b) to provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used; and (c) to address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs.

24. Infrastructure assets: the objective of the project is to research and identify issues faced by preparers in applying IPSAS 17: Property, plant and equipment to infrastructure assets with a view to providing additional guidance on accounting for infrastructure assets.

Recent and future requirements of the International Public Sector Accounting Standards

25. The IPSAS Board issued the following standards: IPSAS 41: Financial instruments, issued in August 2018 and effective 1 January 2023 and IPSAS 42: Social benefits, issued in January 2019 and effective 1 January 2023. The impact of these standards on the organization’s financial statements and the comparative period therein has been evaluated to be as follows.

Standard	*Anticipated impact in the year of adoption*
IPSAS 41	IPSAS 41: Financial instruments, substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29, Financial instruments – recognition and measurement, and improves that standard’s requirements by introducing: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. IPSAS 41: Financial instruments, effective date was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges that it has created. Its impact on the financial statements will be assessed prior to that date, and the organization will be ready for its implementation by the time it becomes effective.
IPSAS 42	IPSAS 42: Social Benefits, provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include State

Standard	*Anticipated impact in the year of adoption*
	retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. IPSAS 42: Social benefits, effective date was deferred to 1 January 2023 owing to the COVID-19 pandemic and the challenges that it has created. Currently, there are no such social benefits paid by the organization.

Note 3
Significant accounting policies

Financial assets classification

26. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The organization classifies its financial assets in one of the categories shown below at initial recognition and re-evaluates the classification at each reporting date.

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools
Loans and receivables	Cash and cash equivalents and receivables

27. All financial assets are initially measured at fair value. The organization initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date on which the organization becomes party to the contractual provisions of the instrument.

28. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the UNORE exchange rates prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

29. Financial assets at fair value through surplus or deficit are those that either have been designated in this category at initial recognition or are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the period in which they arise.

30. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

31. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset.

Impairment losses are recognized in the statement of financial performance in the year in which they arise.

32. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the organization has transferred substantially all risks and rewards of the financial asset.

33. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Financial assets: investment in cash pools

34. The United Nations Treasury invests funds pooled from the United Nations Secretariat entities and other participating entities, including UNEP. These pooled funds are combined in two internally managed cash pools. Participation in the cash pools implies sharing the risk and returns on investments with the other participants. Since the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investments portfolio to the extent of the amount of cash invested.

35. The organization's investment in the cash pools are included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position, depending on the maturity period of the investments.

Financial assets: cash and cash equivalents

36. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Financial assets: receivables from non-exchange transactions – contributions receivable

37. Contributions receivable represent uncollected revenue from assessed and voluntary contributions committed to the organization by Member States, non-member States and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, except for voluntary contributions receivable that will mature in more than 12 months, less impairment for estimated irrecoverable amounts, that is, the allowance for doubtful receivables. If deemed material, these long-term voluntary contribution receivables are reported at a discounted value calculated using the effective interest method.

38. Voluntary contributions receivable and other receivables are subject to general allowance provisions in addition to provisioning based on specific identification and review of accounts receivable. The general allowance provisions are 25 per cent for receivables outstanding longer than 12 months, 60 per cent for receivables outstanding longer than 24 months and 100 per cent for receivables outstanding longer than 36 months.

39. For assessed contributions receivable, the allowance is calculated at a rate of 25 per cent for receivables outstanding longer than 12 months, 60 per cent for receivables outstanding longer than 24 months and 100 per cent for receivables outstanding longer than 36 months.

40. Outstanding receivables that are identified as requiring specific allowances are first identified and then the general allowance based on ageing is applied.

41. Decisions for write-offs are considered at the executive body level of the organization, the Controller, the conventions or the Multilateral Fund, as appropriate.

Financial assets: receivable from exchange transactions – other receivables

42. Other receivables include primarily amounts receivable for goods or services provided to other entities, amounts receivable for operating lease arrangements, and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Material balances of other receivables are subject to specific review and an allowance for doubtful receivables is assessed based on recoverability and ageing following the general allowance provisions applied to voluntary contributions receivable.

Financial assets: notes receivable

43. Notes receivable consist of promissory notes pledged by Member States in support of the Multilateral Fund.

Other assets

44. Other assets include education grant advances and prepayments, including advances for the United Nations Development Programme (UNDP) Service Clearing Account, which are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Investments accounted for using the equity method

45. The equity method initially records an interest in a jointly controlled entity at cost, adjusted thereafter for the post-acquisition change in the organization's share of net assets. The organization's share of the surplus or deficit of the investee is recognized in the statement of financial performance. The interest is recorded under non-current assets unless there is a net liability position, in which case it is recorded under non-current liabilities. The organization also has entered into arrangements for jointly financed activities where the interests in such activities are accounted for using the equity method.

Advance transfers

46. Advance transfers relate mainly to cash transferred to executing agencies/ implementing partners as an advance in order for them to provide agreed goods or services. Advances issued are initially recognized as assets, and then expenses are recognized when goods are delivered or services are rendered by the executing agencies/implementing partners and confirmed by receipt of certified expense reports, as applicable. In some instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual is needed. Balances due for a refund are transferred to other receivables which, where necessary, are subject to an allowance for doubtful receivables.

Inventories

47. Inventory balances, if any, are recognized as current assets and include the following categories:

Categories	*Subcategories*
Held for sale or external distribution	Books and publications, stamps
Raw materials and work in progress associated with items held for sale or external distribution	Construction materials/supplies, work in progress
Strategic reserves	Fuel reserves, bottled water and rations reserves
Consumables and supplies	Material holdings of consumables and supplies, including spare parts and medicines

48. The cost of inventory in stock is determined using the average price cost basis. The cost of inventories includes the cost of purchase, plus other costs incurred in bringing the items to the destination and condition for use. A standard rate of 12 per cent of the cost of purchase is used in place of actual associated costs incurred. Inventories acquired through non-exchange transactions, that is, donated goods, are measured at fair value at the date of acquisition. Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no or nominal charge or for consumption in the production of goods/services are valued at the lower of cost and current replacement cost.

49. The carrying amount of inventories is expensed when inventories are sold, exchanged, distributed externally or consumed by the organization. Net realizable value is the net amount that is expected to be realized from the sale of inventories in the ordinary course of operations. Current replacement cost is the estimated cost that would be incurred to acquire the asset.

50. Holdings of consumables and supplies for internal consumption are capitalized in the statement of financial position only when material. Such inventories are valued by the periodic weighted average or the moving average methods based on records available in the inventory management systems, such as Galileo and Umoja, which are validated through the use of thresholds, cycle counts and enhanced internal controls. Valuations are subject to impairment review, which takes into consideration the variances between moving average price valuation and current replacement cost, as well as slow-moving and obsolete items.

51. Inventories are subject to physical verification based on value and risk as assessed by management. Valuations are net of write-downs from cost to current replacement cost/net realizable value, which are recognized in the statement of financial performance.

Heritage assets

52. Heritage assets are not recognized in the financial statements, but significant heritage assets are disclosed in notes to the financial statements.

Property, plant and equipment

53. Property, plant and equipment are classified into different groups, based on their nature, functions, useful lives and valuation methodologies, such as vehicles; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (land, buildings, leasehold improvements, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

(a) Property, plant and equipment are capitalized when their cost is greater than or equal to the threshold of $5,000 or $100,000 for leasehold improvements and self-constructed assets;

(b) All property, plant and equipment, other than real estate assets, are stated at historical cost, less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs. A standard rate of 2 per cent of the cost of purchase is used in place of actual associated costs incurred;

(c) Owing to the absence of historical cost information, buildings and infrastructure real estate assets were initially recognized at fair value using a depreciated replacement cost methodology for initial IPSAS implementation. The method involves calculating the cost per unit of measurement, for example the cost per square metre, by collecting construction cost data, utilizing in-house cost data (where available) or using external cost estimators for each catalogue of real estate assets and multiplying that unit cost by the external area of the asset to obtain the gross replacement cost. Depreciation allowance deductions from the gross replacement cost to account for physical, functional and economic use of the assets have been made to determine the depreciated replacement cost of the assets;

(d) With respect to property, plant and equipment acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire equivalent assets.

54. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Given that not all components of a building have the same useful lives or the same maintenance, upgrade or replacement schedules, significant components of owned buildings are depreciated using the component approach. Depreciation begins in the month in which the organization gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are set out below.

Estimated useful lives of property, plant and equipment classes

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communications and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6–12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years

Class	*Subclass*	*Estimated useful life*
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20–50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

55. In exceptional cases, the recorded useful lives for some assets may be different from the useful lives prescribed at the asset subclass level as set out above (although it would remain within the range at asset class level), because when preparing the 2014 IPSAS opening balance a thorough review of the remaining economic useful lives for these assets was made and the result had been entered in the master record of the asset.

56. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation and property, plant and equipment are incorporated into the financial statements to reflect a depreciation floor of 10 per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets.

57. The organization chose the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the organization and the subsequent cost exceeds the threshold for initial recognition.

Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

58. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises where proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance within other revenue or other expenses.

59. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstance indicate that carrying amounts may not be recoverable. Land, buildings and infrastructure assets with a year-end, net-book-value greater than $100,000 per unit are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is $25,000.

Intangible assets

60. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost of the asset. The threshold for recognition is $100,000 for internally generated intangible assets and $20,000 per unit for externally acquired intangible assets.

61. Acquired computer software licenses are capitalized based on costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by the organization are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultant costs and other applicable overhead costs.

62. Intangible assets with finite useful lives are amortized on a straight-line method, over their estimated useful lives starting from the month of acquisition or when the intangible assets become operational.

63. The useful lives of major classes of intangible assets have been estimated as shown below.

Estimates of useful lives of major classes of intangible assets

Class	*Range of estimate useful life*
Software acquired externally	3–10 years
Software internally developed	3–10 years
Licences and rights	2–6 years (period of licence/right)
Copyrights	3–10 years
Assets under development	Not amortized

64. Annual impairment reviews of intangible assets are conducted where assets are under construction or have an indefinite useful life. Other intangible assets are subject to impairment review only when indicators of impairment are identified.

Financial liabilities: classification

65. Financial liabilities are classified as “other financial liabilities”. They include accounts payable, transfer payables, unspent funds held for future refunds, and other

liabilities such as inter-fund balance payables. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with duration of less than 12 months are recognized at their nominal value. The organization re-evaluates the classification of financial liabilities at each reporting date and de-recognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

66. Accounts payable and accrued liabilities arise from the purchase of goods and services that have been received but not paid for as at the reporting date. Payables are recognized and subsequently measured at their nominal value, as they are generally due within 12 months. Transfers payable within this category relate to amounts owed to executing entities/implementing agencies and partners and residual balances due to be returned to donors.

Funds received in advance and deferred revenue, liabilities for conditional arrangements and other liabilities.

67. Funds received in advance and deferred revenue consist of advance receipts relating to contributions or payments received in advance, assessments or voluntary contributions received for future years and other deferred revenue. Funds received in advance and deferred revenue are recognized as revenue at the start of the relevant financial year or based on the organization's revenue recognition policies. Liabilities for conditional arrangements represent liabilities for conditional funding arrangements. Other liabilities include other miscellaneous items.

Leases: the organization as lessee

68. Leases of property, plant and equipment where the organization has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

69. Leases where all the risks and rewards of ownership are not substantially transferred to the organization are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the term of the lease.

Leases: the organization as lessor

70. The organization often leases out assets under operating leases. Leased-out assets are reported under property, plant and equipment, and lease revenue is recognized in the statement of financial performance over the term of the lease on a straight-line basis.

Donated rights to use

71. Land, buildings, infrastructure assets, machinery and equipment are frequently granted to the organization, primarily by host Governments at nil or nominal cost, through donated right-to-use arrangements. These arrangements are accounted for as operating leases or finance leases, depending on whether an assessment of the

agreement indicates that control over the underlying assets is transferred to the organization.

72. Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to the annual rental value of the asset or similar property are recognized in the financial statements. Where a donated right-to-use arrangement is treated as a finance lease (principally with a lease term of over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property or the term of the arrangement. In addition, a liability for the same amount is recognized, which is progressively recognized as revenue over the lease term. Donated right-to-use land arrangements are accounted for as operating leases where the organization does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

73. Where title to land is transferred to the organization without restrictions, the land is accounted for as donated property, plant and equipment and recognized at fair value at the acquisition date.

74. The threshold for the recognition of revenue and expense is the yearly rental value equivalent of $20,000 for donated right-to-use premises and $5,000 for machinery and equipment.

Employee benefits

75. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship with the organization are defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the Charter. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

76. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes, and home leave) provided to current employees on the basis of services rendered. All such benefits that are accrued but not paid are recognized as current liabilities within the statement of financial position.

Post-employment benefits

77. Post-employment benefits comprise the after-service health insurance plan and end-of-service repatriation benefits that are accounted for as defined-benefit plans, in addition to the pension provided through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

78. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the organization (other long-term benefits). Defined-benefit plans are those where the organization's obligation is to provide agreed benefits and therefore the organization bears the actuarial risks. The liability for defined-benefit plans is measured at the present value

of the defined benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The organization has elected to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. At the end of the reporting year, the organization did not hold any plan assets as defined by IPSAS 39: Employee benefits.

79. The defined-benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

80. **After-service health insurance.** This provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependents. Upon end of service, staff members and their dependents may elect to participate in a defined benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007, and 5 years for those who were recruited prior to that date. The after-service health insurance liability represents the present value of the share of the organization's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions by all plan participants in determining the organization's residual liability. Contributions from retirees are deducted from the gross liability, and a portion of the contributions from active staff is also deducted to arrive at the organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

81. **Repatriation benefits.** Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based on length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the organization and is measured as the present value of the estimated liability for settling these entitlements.

82. **Annual leave.** The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from the organization. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the organization at end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39: Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, the United Nations values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

83. UNEP is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

84. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Pension Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. UNEP and UNJSPF, in line with the other organizations participating in the Fund, are not in a position to identify the proportionate share of UNEP in the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNEP has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 39: Employee benefits. The organization's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

85. Termination benefits are recognized as an expense only when the organization is demonstrably committed, without a realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term employee benefits

86. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service.

87. Appendix D benefits; Appendix D to the Staff Rules of the United Nations governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations. Actuaries value these liabilities, and changes in the liability are recognized in the statement of financial performance.

Provisions

88. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the organization has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

Contingent liabilities

89. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the organization are disclosed as contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

90. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

91. An indicative threshold of $10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the financial statements.

Contingent assets

92. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the organization. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the organization.

Commitments

93. Commitments are future expenses that are to be incurred by the organization on contracts entered into by the reporting date and that the organization has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that will be delivered to the organization in future periods, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue: assessed contributions

94. Assessed contributions for the organization comprise the UNEP regular budget allocation and the assessed contributions of its multilateral environment conventions and the Multilateral Fund. Assessed contributions are assessed and approved for a budget period of one or more years. The one-year proportion of the assessed contributions is recognized as revenue at the beginning of the year. Assessed contributions include the amounts assessed on Member States and non-Member States to finance the activities of the organization in accordance with the agreed scale of assessments. Revenues from assessed contributions from Member States and from non-member States are presented in the statement of financial performance.

Non-exchange revenue: voluntary contributions

95. Voluntary contributions and other transfers that are supported by legally enforceable agreements are recognized as revenue at the time the agreement becomes binding, which is the point when the organization is deemed to acquire control of the asset. However, where cash is received subject to specific conditions or when

contributions are explicitly given for a specific operation to commence in a future financial year, recognition is deferred until those conditions have been satisfied. Revenue will be recognized up front for all conditional arrangements up to the threshold of $50,000.

96. Voluntary pledges and other promised donations are recognized as revenue when the arrangement becomes binding. These, as well as agreements not yet formalized by acceptance, are disclosed as contingent assets. For unconditional multi-year agreements the full amount is recognized as revenue when the agreement becomes binding.

97. Unused funds returned to the donor are netted against revenue.

98. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the organization to administer projects or other programmes on their behalf.

99. In-kind contributions of goods above the recognition threshold of $5,000 are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the organization and the fair value of those assets can be measured reliably. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The organization has elected not to recognize in-kind contributions of services but to disclose in-kind contributions of services above the threshold of $5,000 in the notes to the financial statements.

Exchange revenue

100. Exchange transactions are those in which the organization sells goods or services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met, as follows:

(a) Revenue from sales of publications, books and stamps and by the United Nations Gift Shop and Visitor Centre is recognized when the sale occurs and risks and rewards have been transferred;

(b) Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to Governments, United Nations entities and other partners, including the Global Environment Fund, is recognized when the service is performed;

(c) Exchange revenue also includes income from the rental of premises, net gains on the sale of used or surplus property, plant and equipment, income from services provided to visitors in relation to guided tours, and income from net gains resulting from currency exchange adjustments;

(d) An indirect cost recovery or “programme support cost” is charged to trust funds as a percentage of direct costs, including commitments and other “extrabudgetary” activities, to ensure that the additional costs of supporting activities financed from extrabudgetary contributions are not borne by assessed funds and/or other core resources of the Secretariat. The programme support cost is eliminated for the purposes of financial statement preparation, as disclosed in note 4, “Segment reporting”. The funding for the programme support cost charge agreed upon with the donor is included as part of voluntary contributions.

Investment revenue

101. Investment revenue includes the organization's share of net cash pool revenue and other interest revenue. Net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between sales proceeds and book value. Transaction costs that are directly attributable to investment activities are netted against revenue, and the net revenue is distributed proportionately to all cash pool participants on the basis of their average daily balances. Cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

102. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment.

103. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. The allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consist of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts, International Court of Justice judges' allowances and non-military personnel compensation and allowances.

104. Other operating expenses include acquisition of goods and intangible assets under capitalization thresholds, foreign exchange losses, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and allowance for doubtful accounts. Other expenses relate to contributions in kind, hospitality and official functions and donations or transfers of assets.

105. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities as well as quick-impact projects. Supplies and consumables relate to the cost of inventory used and expenses for supplies. For outright grants, an expense is recognized at the point at which the organization has a binding obligation to pay.

106. Programme activities, distinct from commercial or other arrangements where the United Nations expects to receive equal value for funds transferred, are implemented by executing entities/implementing partners to service a target population that typically includes Governments, non-governmental organizations and United Nations agencies. Transfers to implementing partners are initially recorded as advances, and balances that are not expensed during the year remain outstanding at the end of the year and are reported in the statement of financial position. These executing entities/implementing partners provide the organization with certified expense reports documenting their use of resources, which are the basis for recording expenses in the statement of financial performance. In instances where the partner has not provided financial reports as expected, programme managers make an informed assessment as to whether an accrual or an impairment should be recorded against the advance and submit the accounting adjustment. Where a transfer of funds is deemed to be an outright grant, an expense is recognized at the point that the organization has a binding obligation to pay, which is generally upon disbursement. Binding agreements to fund executing entities/ implementing partners not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Multi-partner trust funds

107. Multi-partner trust fund activities are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities. They are assessed to determine the existence of control and whether the organization is considered to be the principal of the programme or activity. Where control exists and the organization is exposed to the risks and rewards associated with the multi-partner trust fund activities, such programmes or activities are considered to be the organization's operations and are therefore reported in full in the financial statements.

Note 4
Segment reporting

108. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. The segments for UNEP are established by the grouping of trust funds that finance activities that are of a similar nature, or are aimed at achieving particular operating objectives consistent with its overall mission, or are under similar governance structure.

109. Segment reporting information is provided on the basis of seven segments:

(a) Environment Fund. The segment comprises the core trust funds of the Environment Fund, namely the programme of work, the programme reserve and programme support;

(b) Regular budget. The segment relates to all activities funded by United Nations regular budget allocations to UNEP;

(c) Other support to the UNEP programme of work. The segment comprises all other voluntary contributions trust funds managed by UNEP in support of the programme of work activities, including the Global Environment Fund, the Green Climate Fund, programme cooperation agreements and trust funds for Junior Professional Officers;

(d) Conventions and protocols. The segment relates to all assessed and voluntary contributions trust funds for multilateral environment agreements and protocols that are administered by UNEP;

(e) Multilateral Fund for the Implementation of the Montreal Protocol. The segment relates to the activities for the implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer by the implementing partners of the Multilateral Fund;

(f) Programme support. The segment comprises the trust funds for the programme support account and the cost recovery account;

(g) End-of-service and post-retirement benefits. The segment comprises the trusts for after-service health insurance, annual leave and repatriation benefits.

110. Both the statement of financial position and the statement of financial performance are as shown below.

All funds: statement of financial position for the period ended 31 December 2020, by segment

(Thousands of United States dollars)

	Environment Fund (Annex I)	*Regular budget*	*Other support to UNEP programme of work (Annex II)*	*Conventions and protocols (Annex III)*	*Multilateral Fund (Annex IV)*	*Programme support (Annex V)*	*End-of-service and post-retirement benefits (Annex VI)*	*Intersegment eliminations*	*31 December 2020*	*31 December 2019*[a]
Assets										
Current assets										
Cash and cash equivalents	5 775	–	65 661	19 332	42 429	2 071	7 993	–	143 261	271 786
Investments	35 461	–	402 757	118 575	260 396	12 478	49 036	–	878 703	566 987
Assessed contributions receivable	–	–	–	16 658	6 087	–	–	–	22 745	42 779
Voluntary contributions receivable	876	–	313 981	53 667	–	–	–	–	368 524	368 596
Other receivables	790	–	579	491	547	123	–	(1 058)	1 472	926
Advance transfers	1 116	–	154 474	20 047	94 866	325	–	(19 488)	251 340	273 613
Other assets	3 164	–	10 436	2 246	35	463	–	–	16 344	19 178
Total current assets	**47 182**	**–**	**947 888**	**231 016**	**404 360**	**15 460**	**57 029**	**(20 546)**	**1 682 389**	**1 543 865**
Non-current assets										
Investments	11 673	–	132 575	39 032	85 714	4 107	16 141	–	289 242	176 609
Assessed contributions receivable	–	–	–	–	–	–	–	–	–	–
Voluntary contributions receivable	–	–	584 437	11 595	–	–	–	–	596 032	574 101
Advance transfers	–	–	–	–	118 695	–	–	(17 806)	100 889	118 814
Property, plant and equipment	1 028	–	330	120	31	21	–	–	1 530	1 539
Intangible assets	–	–	101	–	–	–	–	–	101	168
Total non-current assets	**12 701**	**–**	**717 443**	**50 747**	**204 440**	**4 128**	**16 141**	**(17 806)**	**987 794**	**871 231**
Total assets	**59 883**	**–**	**1 665 331**	**281 763**	**608 800**	**19 588**	**73 170**	**(38 352)**	**2 670 183**	**2 415 096**
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	986	–	15 634	2 039	2 043	265	–	–	20 967	67 883
Funds received in advance and deferred revenue	–	–	32 098	6 351	33 156	–	–	–	71 605	84 654
Employee benefits liabilities	1 384	–	1 668	1 833	259	695	4 790	–	10 629	9 058
Provisions	–	–	–	–	–	–	–	–	–	–

	Environment Fund (Annex I)	Regular budget	Other support to UNEP programme of work (Annex II)	Conventions and protocols (Annex III)	Multilateral Fund (Annex IV)	Programme support (Annex V)	End-of-service and post-retirement benefits (Annex VI)	Intersegment eliminations	31 December 2020	31 December 2019[a]
Liabilities for conditional arrangements	–	–	131 610	48 863	–	–	–	–	180 473	159 914
Other liabilities	–	–	885	173	–	–	–	(1 058)	–	–
Total current liabilities	**2 370**	**–**	**181 895**	**59 259**	**35 458**	**960**	**4 790**	**(1 058)**	**283 674**	**321 509**
Non-current liabilities										
Employee benefits liabilities	–	–	–	–	–	–	268 270	–	268 270	241 439
Total non-current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**268 270**	**–**	**268 270**	**241 439**
Total liabilities	**2 370**	**–**	**181 895**	**59 259**	**35 458**	**960**	**273 060**	**(1 058)**	**551 944**	**562 948**
Total net of total assets and total liabilities	**57 513**	**–**	**1 483 436**	**222 504**	**573 342**	**18 628**	**(199 890)**	**(37 294)**	**2 118 239**	**1 852 148**
Net assets										
Accumulated surpluses/(deficits): unrestricted	37 513	–	1 483 436	210 727	573 342	14 128	(199 890)	(37 294)	2 081 962	1 816 144
Reserves	20 000	–	–	11 777	–	4 500	–	–	36 277	36 004
Total net assets	**57 513**	**–**	**1 483 436**	**222 504**	**573 342**	**18 628**	**(199 890)**	**(37 294)**	**2 118 239**	**1 852 148**

[a] Comparatives have been restated to conform to the current presentation.

All funds: statement of financial performance for the period ended 31 December 2020, by segment

(Thousands of United States dollars)

	Environment Fund (Annex I)	*Regular budget*	*Other support to UNEP programme of work (Annex II)*	*Conventions and protocols (Annex III)*	*Multilateral Fund (Annex IV)*	*Programme support (Annex V)*	*End-of-service and post-retirement benefits (Annex VI)*	*Intersegment eliminations*	*31 December 2020*	*31 December 2019*
Segment revenue										
Assessed contributions	–	25 470	–	59 976	156 178	–	–	–	241 624	249 777
Voluntary contributions	75 941	–	179 285	48 164	871	–	–	–	304 261	413 364
Other transfers and allocations	–	–	238 693	197	–	–	–	(23 305)	215 585	142 978
Investment revenue	1 846	–	16 645	5 075	9 235	309	1 110	(10 315)	23 905	24 920
Other revenue	14	–	99	17	1	27 379	11 543	(28 599)	10 454	6 711
Total revenue	**77 801**	**25 470**	**434 722**	**113 429**	**166 285**	**27 688**	**12 653**	**(62 219)**	**795 829**	**837 750**
Segment expense										
Employee salaries, allowances and benefits	54 777	22 873	50 709	40 265	3 241	16 051	13 424	(11 542)	189 798	183 164
Non-employee compensation and allowances	3 591	609	25 801	3 930	89	662	–	(29)	34 653	34 331
Grants and other transfers	2 290	514	162 853	18 095	92 712	229	–	(23 156)	253 537	284 787
Supplies and consumables	117	61	138	40	1	17	–	–	374	479
Depreciation	121	1	44	23	–	3	–	–	192	193
Amortization	–	–	67	–	–	–	–	–	67	66
Travel	332	93	1 658	1 685	25	86	–	(150)	3 729	36 655
Other operating expenses	6 765	1 319	26 677	17 002	(604)	11 246	4	(27 342)	35 067	78 426
Exchange losses from the fixed exchange rate mechanism	–	–	–	–	(1 974)	–	–	–	(1 974)	(508)
Other expenses	435	–	301	430	–	–	–	–	1 166	1 425
Total segment expenses	**68 428**	**25 470**	**268 248**	**81 470**	**93 490**	**28 294**	**13 428**	**(62 219)**	**516 609**	**619 018**
Surplus/(deficit) for the year	**9 373**	**–**	**166 474**	**31 959**	**72 795**	**(606)**	**(775)**	**–**	**279 220**	**218 732**

Note 5
Comparison to budget

111. The statement of comparison of budget and actual amounts (statement V) presents the difference between budget amounts, which are prepared on a modified cash basis, and actual expenditure on a comparable basis.

112. Approved budgets are those that permit expenses to be incurred and are approved by the United Nations Environment Assembly. For IPSAS reporting purposes, approved budgets are the appropriations authorized by United Nations Environment Assembly resolutions.

113. The original budget amounts are the 2020 proportion of the appropriation for the biennium 2020–2021 as approved by the United Nations Environment Assembly on 15 March 2019. The original budget was approved on the basis of the projected voluntary contributions to the Environment Fund, whereas the final appropriation was based on the funds that were made available on the basis of the Environment Fund balance brought forward at the start of the period and contributions received during the year.

114. Material differences between the final budget appropriation and actual expenditure on a modified cash basis are deemed to be those greater than 10 per cent. Overall, for the current reporting period, the variances are within the 10 per cent and exceptions are attributed to: (a) differences between the vacancy rates applied at the time the budget was being drawn up and the actual vacancy rates during the year; (b) the cyclical nature of activities that occur in the second year of the biennium as opposed to the first year. Savings or overruns are carried over to 2021, which is the second year of the biennium 2020–2021; and (c) Proactive management of the COVID-19 pandemic impact whereby non-critical recruitment and spending freezes resulted in the deferral of year 2020 activities to 2021. The COVID-19 travel ban also had an effect on planned implementation.

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

115. The reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows is shown below.

Reconciliation for the year ended 31 December 2020

(Thousands of United States dollars)

Reconciliation	*Operating*	*Investing*	*Financing*	*Total 2020*
Actual amounts on comparable basis (statement V)	(93 166)	–	–	(93 166)
Basis differences	(7 904)	(196)	–	(8 100)
Entity differences	(422 711)	–	–	(422 711)
Timing differences	–	–	–	–
Presentation differences	795 829	(400 444)	67	395 452
Actual amount in statement of cash flows (statement IV)	**272 048**	**(400 640)**	**67**	**(128 525)**

116. Basis differences capture the differences resulting from preparing the budget on a modified cash basis. In order to reconcile the budgetary results to the statement of cash flows, the non-cash elements such as unliquidated obligations, payments against prior-year obligations, property, plant and equipment and outstanding assessed contributions are included as basis differences.

117. Entity differences represent cash flows of fund groups other than the organization that are reported in statement V of the financial statements. The financial statements include results for all fund groups.

118. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. For the purposes of comparison of budget and actual amounts, there are no timing differences for the organization.

119. Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which are related primarily to the non-recording income in statement V and the net changes in cash pool balances.

Note 6
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Cash at bank and on hand	25	9
Cash pool cash and term deposits	143 236	271 777
Total cash and cash equivalents	**143 261**	**271 786**

120. Cash and cash equivalents include trust fund monies which are for the specific purposes of the respective trust funds.

Note 7
Investments

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Current cash pool	878 703	566 987
Non-current cash pools	289 242	176 609
Total	**1 167 945**	**743 596**

121. Investments include amounts in relation to trust funds and funds held in trust.

Note 8
Receivables from non-exchange transactions: assessed contributions

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2020*	*31 December 2019*
Assessed contributions – member State	218 352	–	218 352	240 661
Notes receivable	6	–	6	6
Total	**218 358**	**–**	**218 358**	**240 667**
Allowance for doubtful receivables – member State	(195 613)[a]	–	(195 613)	(197 888)
Total assessed contributions receivable	**22 745**	**–**	**22 745**	**42 779**

[a] Allowance for doubtful debts comprises mainly receivables from member States amounting to $188 million that have been outstanding for more than three years (see note 26), of which $178 million relates to outstanding assessed contributions under the Multilateral Fund. The Fund's governing bodies are aware of the outstanding receivables; however, they have not agreed to write these off. UNEP shall recommend to the governing bodies that further discussions should be held with member States to conclude on the matter.
The Organization estimates allowances for doubtful accounts using allowance rates published in the 2016 IPSAS policy framework. The framework provides allowance rates for both outstanding assessed and voluntary contributions receivables. UNEP assessed contributions receivable represent outstanding contributions which are assessed according to the scale of assessments under the multilateral environmental agreements.
The 2016 IPSAS policy framework provisions on the allowance rates for assessed contributions receivable are specifically applicable to the General Assembly assessed contributions and therefore inapplicable to assessed contributions receivable for UNEP multilateral environmental agreements. Owing to the inapplicability of these provisions, therefore, the organization has adopted the published rates of 25 per cent for receivables outstanding longer than 12 months, 60 per cent for receivables outstanding longer than 24 months and 100 per cent for receivables outstanding longer than 36 months for the calculation of the allowances for doubtful accounts of its assessed contributions. Using the previously applied rates for allowances for doubtful accounts, the allowances for doubtful accounts for 2020 would have been $194.262 million. Consequently, the change in the allowance rates in 2020 has resulted in an increase in allowances for doubtful accounts of $1.35 million. In addition, in accordance with paragraph 16 of these financial statements (Basis of preparation), accounting estimates are reviewed on an ongoing basis and revisions made as new information/experiences become available.

Note 9
Receivables from non-exchange transactions: voluntary contributions

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2020*	*31 December 2019*
Member States	74 641	33 783	108 424	169 212
Other governmental organizations	120 376	89 337	209 713	16 381
United Nations organizations	164 727	470 739	635 466	585 282
Private donors	34 095	2 173	36 268	201 236
Total voluntary contributions receivable before allowance	**393 839**	**596 032**	**989 871**	**972 111**
Allowance for doubtful receivables current	(25 315)	–	(25 315)	(29 414)
Total voluntary contributions receivable	**368 524**	**596 032**	**964 556**	**942 697**

Note 10
Other receivables

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Current other receivables		
Value added tax recoverable	386	663
Other receivables from United Nations agencies, funds and programmes	933	680
Other exchange accounts receivable	466	603
Loans receivable	34	–
Subtotal	**1 819**	**1 946**
Allowance for doubtful receivables	(347)	(1 020)
Total other receivables (current)	**1 472**	**926**

Note 11
Advance transfers

(Thousands of United States dollars)

	31 December 2020[a]	*31 December 2019*
Advance transfers (current)	251 340	273 613
Advance transfers (non-current)	100 889	118 814
Total advance transfers	**352 229**	**392 427**

[a] As at the time of the financial statements, 30 per cent of active implementing partners have not reported their 2020 expenses. UNEP recognized the 2020 expenses based on the reports received. The pending expenses from the implementing partners will be recorded against the commitments. The balances of the contractual commitments to the implementing partners are reported in paragraph 216.

Note 12
Other assets

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Advances to UNDP and other United Nations agencies[a]	11 140	14 669
Advances to vendor	402	1
Advances to staff	2 123	3 514
Advances to other personnel	19	495
Deferred charges	2 649	495
Other assets; other	11	4
Total other assets	**16 344**	**19 178**

[a] Includes the UNDP Service Clearing Account and advances to other entities to provide administrative services and operational support.

Note 13
Heritage assets

122. Certain assets are categorized as heritage assets because of their cultural, educational or historical significance. The organization's heritage assets were acquired over many years by various means, including purchase, donation and bequest. These heritage assets do not generate any future economic benefits or service potential; accordingly, the organization elected not to recognize heritage assets in the statement of financial position.

123. The organization does not own any significant heritage assets.

Note 14
Property, plant and equipment

124. In accordance with IPSAS 17, opening balances are initially recognized at cost or fair value as at 1 January 2014 and measured at cost thereafter. The opening balance of buildings was obtained on 1 January 2014, on the basis of depreciated replacement cost, and was validated by external professionals. Machinery and equipment are valued using the cost method.

125. During the year, the organization did not write down property, plant and equipment on account of accidents, malfunctions and other losses. As at the reporting date, the organization did not identify any additional impairment.

Property, plant and equipment

(Thousands of United States dollars)

	Building	*Furniture and fixtures*	*Communication and IT equipment*	*Vehicles*	*Machinery and equipment*	*Total*
Cost as at 1 January 2020	**842**	**470**	**1 453**	**1 263**	**54**	**4 082**
Additions	–	–	101	75	20	196
Disposals	–	(6)	(41)	(55)	–	(102)
Transfers	–	–	(6)	–	6	–
Cost as at 31 December 2020	**842**	**464**	**1 507**	**1 283**	**80**	**4 176**
Accumulated depreciation as at 1 January 2020	**(101)**	**(369)**	**(1 163)**	**(910)**	**–**	**(2 543)**
Depreciation	(21)	(6)	(95)	(64)	(6)	(192)
Disposal	–	6	35	48	–	89
Transfers	–	–	6	–	(6)	–
Other charges	–	–	–	–	–	–
Accumulated depreciation as at 31 December 2020	**(122)**	**(369)**	**(1 217)**	**(926)**	**(12)**	**(2 646)**
Net carrying amount at 31 December 2019	**741**	**101**	**290**	**353**	**54**	**1 539**
Net carrying amount at 31 December 2020	**720**	**95**	**290**	**357**	**68**	**1 530**

Note 15
Intangible assets

126. All intangible assets acquired before 1 January 2014, except for the capitalized costs associated with the Umoja project, are subject to the IPSAS transition exemption and are therefore not recognized.

(Thousands of United States dollars)

	Software acquired externally	*Licences and rights*	*Umoja*	*Other*	*Total*
Cost as at 1 January 2020	**349**	**23**	**–**	**–**	**372**
Additions	–	–	–	–	–
Other changes	–	–	–	–	–
Cost as at 31 December 2020	**349**	**23**	**–**	**–**	**372**
Accumulated amortization as at 1 January 2020	**(198)**	**(6)**	**–**	**–**	**(204)**
Amortization	(62)	(5)	–	–	(67)
Other changes	–	–	–	–	–
Accumulated amortization as at 31 December 2020	**(260)**	**(11)**	**–**	**–**	**(271)**
Net carrying amount 31 December 2019	**151**	**17**	**–**	**–**	**168**
Net carrying amount 31 December 2020	**89**	**12**	**–**	**–**	**101**

Note 16
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Vendor payables (accounts payable)	869	3 154
Transfers payable	826	586
Payables to Member States	922	84
Payables to other United Nations entities	1 704	5 378
Accruals for goods and services	14 122	35 161
Accounts payable – other	2 524	23 520
Total accounts payable and accrued liabilities	**20 967**	**67 883**

Note 17
Funds received in advance and deferred revenue

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Current advance receipts		
Funds received in advance and deferred revenue	71 605[a]	84 654
Total funds received in advance and deferred revenue	**71 605**	**84 654**

[a] Future year contributions to the Environment Fund that were previously reported as advance receipts are recognized as current year income in compliance with IPSAS. In 2019, the future year contributions for the Environment Fund amounted to $6.3 million, representing 0.75 per cent of the total revenue for that year.

Note 18
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2020*	*31 December 2019*
After-service health insurance	1 490	226 948	228 438	205 004
Annual leave	1 141	15 017	16 158	15 419
Repatriation benefits	2 159	26 305	28 464	26 499
Subtotal defined-benefit liabilities	**4 790**	**268 270**	**273 060**	**246 922**
Accrued salaries and allowances	5 818	–	5 818	3 549
Pension contributions liabilities	21	–	21	26
Total employee benefits liabilities	**10 629**	**268 270**	**278 899**	**250 497**

127. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under appendix D to the Staff Rules are determined by independent actuaries and are established in accordance with the Staff Rules and Staff Regulations of the United Nations. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2020.

Actuarial valuation: assumptions

128. The organization reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for the employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations at 31 December 2020 and 31 December 2019 are as follows.

Actuarial assumptions
(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates 31 December 2020	1.90	2.11	2.20
Discount rates 31 December 2019	2.19	3.01	2.48
Inflation 31 December 2020	2.75–5.31	2.20	–
Inflation 31 December 2019	2.85–5.44	2.20	–

129. The yield curves used in the calculation of the discount rates in respect of the United States dollar, the euro and the Swiss franc are those developed by Aon Hewitt, consistent with the recommendation of the United Nations Task Force on Accounting Standards to harmonize actuarial assumptions across the United Nations system (A/71/815, para. 26), which was endorsed by the General Assembly in section IV of its resolution 71/272 B. Other financial and demographic assumptions used for the valuation as at 31 December 2020 were maintained for the roll-forward. The salary increase assumptions for the Professional staff category were 8.47 per cent for staff aged 23, grading down to 3.97 per cent for staff aged 70. The salaries of the General Service staff category were assumed to increase by 6.84 per cent for staff aged 19, grading down to 3.47 per cent for staff aged 70.

130. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2020 were updated to include escalation rates for future years. As at 31 December 2020, these escalation rates were at 3.73 per cent (2019: 3.83 per cent), 3.64 per cent (2019: 3.76 per cent) and 5.31 per cent (2019: 5.44 per cent) for eurozone, Swiss and all other medical plans respectively, except 5.15 per cent (2019: 5.26 per cent) for the United States Medicare plan and 4.59 per cent (2019: 4.66 per cent) for the United States dental plan, grading down to 3.25 per cent (2019: 3.65 per cent) and 2.75 per cent (2019: 2.85 per cent) over 3 to 8 years for eurozone and Swiss health-care costs and to 3.65 per cent (2019: 3.85 per cent) over 13 years for United States health-care costs.

131. With regard to the valuation of repatriation benefits as at 31 December 2020, inflation in travel costs was assumed to be 2.20 per cent (2019: 2.20 per cent), on the basis of the projected United States inflation rate over the next 20 years.

132. Annual leave balances were assumed to increase at the following annual rates during the staff member’s projected years of service: 1–3 years, 9.1 per cent; 4−8 years, 1 per cent; and more than 9 years, 0.1 per cent, up to the maximum of 60 days. The attribution method is used for annual leave actuarial valuation.

133. For defined-benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation.

Note 19
Movement in employee benefits liabilities accounted for as defined-benefit plans

Reconciliation of opening to closing total defined-benefits liability

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total 2020*
Net benefit liability at 1 January 2020	**205 004**	**26 499**	**15 419**	**246 922**
Current service cost	9 584	2 003	1 418	13 005
Interest cost	4 470	755	364	5 589
Actual benefits paid	(1 304)	(2 894)	(1 454)	(5 652)
Total costs recognized in the statement of financial performance in 2020	**12 750**	**(136)**	**328**	**12 942**
Subtotal	**217 754**	**26 363**	**15 747**	**259 864**
Actuarial (gains)/loss[a]	10 684	2 101	411	13 196
Net defined liability as at 31 December 2020	**228 438**	**28 464**	**16 158**	**273 060**

[a] The cumulative amount of actuarial gains and losses recognized in the statement of changes in net assets is $13.196 million.

Discount rate sensitivity analysis

134. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bonds markets vary over the reporting period, and the volatility has an impact on the discount rate assumption. Should the assumption vary by 0.5 per cent, its impact on the obligations would be as shown below.

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

31 December 2020	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.5 per cent	(24 487)	(1 020)	(657)
As percentage of end-of-year liability	(11%)	(4%)	(4%)
Decrease of discount rate by 0.5 per cent	29 091	1 094	706
As percentage of end-of-year liability	13%	(4%)	4%

Medical cost sensitivity analysis

135. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability resulting from changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 0.5 per cent, this would have an impact on the measurement of the defined-benefit obligations, as shown below.

Medical costs sensitivity analysis: 0.5 per cent movement in the assumed medical cost trend rates

(Thousands of United States dollars)

2020	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	12.16%	27 785	(10.39%)	(23 735)
Effect on aggregate of the current service cost and interest cost	16.62%	2 286	(13.58%)	(1 908)

(Thousands of United States dollars)

2019	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	13.9%	28 304	(11.9%)	(24 184)
Effect on aggregate of the current service cost and interest cost	1.15%	2 342	(0.96%)	(1 953)

Other defined-benefit plan information

136. Benefits paid for 2020 are estimates of what would have been paid to separating staff and/or retirees during the year based on the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined-benefits payments (net of participants' contributions in these schemes) are shown in the table below.

Estimated defined-benefits payments, net of participants' contributions

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	*Total*
Estimated 2020 defined-benefit payments net of participants' contributions	1 522	2 224	1 169	4 915
Estimated 2019 defined-benefit payments net of participants' contributions	2 088	1 897	1 142	5 127

Historical information: total liability for after-service health insurance, repatriation benefits and annual leave as at 31 December

(Thousands of United States dollars)

	2019	*2018*	*2017*	*2016*	*2015*
Present value of the defined benefits obligations	246 922	190 864	203 218	140 633	131 220

Other employee benefit liabilities

Accrued salaries and allowance

137. Accrued salaries and allowances comprise $3.6 million relating to home leave benefits and $0.3 million for accrued salaries payable. The remaining balance of $1.9 million relates to other benefits.

United Nations Joint Staff Pension Fund

138. UNEP is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Pension Fund is a funded, multi-employer defined benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

139. The Pension Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. UNEP and the Fund, in line with the other organizations participating in the Fund, are not in a position to identify the proportionate share of UNEP in the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNEP has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 39: Employee benefits. The organization's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance

140. The Pension Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

141. The financial obligation of UNEP to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

142. The latest actuarial valuation of the Fund was completed as at 31 December 2019. A roll-forward of the participation data as at 31 December 2019 to 31 December 2020 will be used by the Fund for its 2020 financial statements. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2 per cent (139.2 per cent in the 2017 valuation). The funded ratio was 107.1 per cent (102.7 per cent in the 2017 valuation) when the current system of pension adjustments was taken into account.

143. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of the present report, the General Assembly has not invoked article 26. Should article 26 be invoked due to an actuarial

deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2017, 2018 and 2019) amounted to $7,546.92 million.

144. During 2019, the organization's contributions paid to the Pension Fund were fully settled.

145. Membership of the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of those members of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

146. The Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Fund publishes quarterly reports on its investments. The reports are available at www.unjspf.org.

Note 20
Provisions

147. As at the reporting date, the organization had no material legal claims that required the recognition of provisions.

Note 21
Liabilities for conditional arrangements

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Liabilities for conditional arrangements	180 473	159 914
Total other liabilities	**180 473**	**159 914**

Note 22
Net assets

Accumulated surpluses/deficits

148. The unrestricted accumulated surplus includes the accumulated deficit for employee benefits liabilities, the net positions of after-service health insurance, repatriation benefit and annual leave liabilities.

149. The following table shows the status of the organization's net assets balances and movements, by segment.

Net assets balances and movements[a]

(Thousands of United States dollars)

	1 January 2020	*Surplus/ (deficit)*	*UNEP internal elimination*	*Inter-segment transfers*	*Other movements*	*31 December 2020*
Unrestricted fund balance						
Environment Fund	28 194	9 373	–	(54)	–	37 513
Other support to UNEP programme of work	1 289 174	166 474	67	(9 571)	(2)	1 446 142
Conventions and protocols	169 416	31 959	–	9 625	(273)	210 727
Multilateral Fund	500 546	72 795	–	–	1	573 342
Programme support	14 734	(606)	–	–	–	14 128
End-of-service liabilities	(185 920)	(775)	–	–	(13 195)	(199 890)
Subtotal unrestricted fund balance	**1 816 144**	**279 220**	**67**	**–**	**(13 469)**	**2 081 962**
Reserves						
Environment Fund	20 000	–	–	–	–	20 000
Other support to UNEP programme of work	925	–	–	–	(925)	–
Conventions and protocols	10 579	–	–	–	1 198	11 777
Multilateral Fund	–	–	–	–	–	–
Programme support	4 500	–	–	–	–	4 500
Subtotal reserves	**36 004**	**–**	**–**	**–**	**273**	**36 277**
Total net assets						
Environment Fund	48 194	9 373	–	(54)	–	57 513
Other support to UNEP programme of work	1 290 099	166 474	67	(9 571)	(927)	1 446 142
Conventions and protocols	179 995	31 959	–	9 625	925	222 504
Multilateral Fund	500 546	72 795	–	–	1	573 342
Programme support	19 234	(606)	–	–	–	18 628
End-of-service liabilities	(185 920)	(775)	–	–	(13 195)	(199 890)
Total net assets	**1 852 148**	**279 220**	**67**	**–**	**(13 196)**	**2 118 239**

[a] Net assets movements, including fund balances, are IPSAS-based.

Detailed movements by fund are included in annexes I–VI.

Note 23
Revenue from non-exchange transactions

Assessed contributions

150. Assessed contributions of $241.6 million (2019: $249.8 million) have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the various conferences of parties and the policies of the United Nations, on the basis of the agreed budget scale of assessment. An amount of $25.5 million (2019: $26.2 million) of this is an allocation from the United Nations Secretariat.

151. Each biennium, the organization receives an allocation from the United Nations regular budget, which is included in assessed contributions. These are reported under Volume I, a related entity, but are also included in these statements for completeness. In addition, internally within the organization, funds are allocated for implementation

that is reflected as other transfers and allocations in the statement of financial performance.

Assessed contributions

(Thousands of United States dollars)

	2020	2019
Assessed contributions		
Assessed contributions by Member State Governments	217 391	227 348
Bilateral transfers from the Multilateral Fund	(1 237)	(3 807)
Allocations from regular budget	25 470	26 236
Amount reported in statement II, "Assessed contributions"	**241 624**	**249 777**

Voluntary contributions

152. All voluntary contributions under binding agreements signed during 2020 are recognized as revenue in 2020, including the future portion of multi-year agreements.

153. For the recognized contribution revenue, a breakdown of the amount intended to be contributed by donors per year is shown below.

Voluntary contributions

(Thousands of United States dollars)

	2020	2019
Voluntary contributions		
Voluntary contributions: in cash	307 168	418 240
Voluntary contributions: in kind	950	1 361
Total voluntary contributions received	**308 118**	**419 601**
Refunds	(3 857)	(6 237)
Net voluntary contributions received	**304 261**	**413 364**

(Thousands of United States dollars)

	Voluntary contributions
2020	191 711
2021	32 134
2022	31 356
2023	22 365
2024	13 062
Beyond 2024	13 633
Total voluntary contributions	**304 261**

Other transfers and allocations

154. Revenue from non-exchange transactions includes other transfers and allocations, mainly received from United Nations entities. This income mainly corresponds to transfers from the Global Environment Facility trust funds.

	2020	*2019*
Other transfers and allocations		
Allocations received from United Nations internal funds	215 585	142 978
	215 585	**142 978**

Services in kind

155. In-kind contributions of services received during the year are not recognized as revenue and, therefore, are not included in the above in-kind contributions revenue. Services in kind confirmed during the year are shown below.

Services in kind

(Thousands of United States dollars)

	2020	*2019*
Technical assistance/expert services	2 289	850
Administrative support	1 701	1 010
Training participation	–	2 324
Total	**3 990**	**4 184**

Note 24
Other revenue

(Thousands of United States dollars)

	2020	*2019*
Other/miscellaneous revenue	94	1 401
Foreign exchange gains and revenue-producing activities	10 360	5 310
Total other exchange revenue	**10 454**	**6 711**

Note 25
Expenses

Employee salaries, allowances and benefits

156. Employee salaries include international, national and general temporary staff salaries, post adjustments and staff assessments. Allowances and benefits include other staff entitlements, including pension and insurance, staff assignment, repatriation, hardship and other allowances.

Employee salaries, allowances and benefits

(Thousands of United States dollars)

	2020	*2019*
Salary and wages	143 891	139 938
Pension and insurance benefits	44 502	41 048
Other benefits	1 405	2 178
Total employee salaries, allowances and benefits	**189 798**	**183 164**

Non-employee compensation and allowances

157. Non-employee compensation and allowances consist of United Nations Volunteers living allowances and post-employment benefits, consultant and contractor fees, ad hoc experts and non-military personnel compensation and allowances.

Non-employee compensation and allowances

(Thousands of United States dollars)

	2020	*2019*
United Nations Volunteers	3 049	2 194
Consultants and contractors	31 570	32 133
Other	34	4
Total non-employee compensation and allowances	**34 653**	**34 331**

Grants and other transfers

158. Grants and other transfers include outright grants to implementing agencies, partners and other entities; see note 31 for more details.

Grants and other transfers

(Thousands of United States dollars)

	2020	*2019*
Grants to end beneficiaries.	2 577	2 307
Transfers to implementing partners	250 960	282 480
Total grants and other transfers	**253 537**	**284 787**

Supplies and consumables

159. Supplies and consumables include consumables, fuel and lubricants and spare parts, as set out in the table below.

Supplies and consumables

(Thousands of United States dollars)

	2020	2019
Fuel and lubricants	5	9
Spare parts	111	78
Consumables	258	392
Total supplies and consumables	**374**	**479**

Travel

160. Travel includes staff and representative travel as shown below.

Travel expenses

(Thousands of United States dollars)

	2020	2019
Staff travel	2 169	15 130
Non-staff travel	1 560	21 525
Total travel	**3 729**	**36 655**

Other operating expenses

161. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt and write-off expenses.

Other operating expenses

(Thousands of United States dollars)

	2020	2019
Air transport	7	118
Ground transport	213	359
Communication and IT	8 724	7 806
Other contracted services	13 281	20 069
Acquisitions of goods	1 483	1 377
Acquisitions of intangible assets	199	313
Rent: offices and premises	7 991	8 338
Rental: equipment	945	193
Maintenance and repair	2 161	1 720
Bad debt expense	(6 950)	29 338
Net foreign exchange losses/gains	6 736	8 198
Other/miscellaneous operating expenses	277	597
Total other operating expenses	**35 067**	**78 426**

Exchange losses from the fixed-rate mechanism

162. The Multilateral Fund operates a fixed exchange-rate mechanism (initially approved for implementation by the Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer in its decision XI/6 of 17 December 1999 and extended for the 2018–2020 period in its decision XXIX/2 of 20 November 2017) which, subject to fulfilling certain criteria, allows parties to opt in advance to pay their contributions for the forthcoming triennium, in their own currencies, at a predetermined exchange rate to the United States dollar fixed prior to the triennium. The exchange gain of $1.97 million (2019: $0.5 million) resulted from the difference between the actual United States dollar equivalent of the respective contributions received as compared to the United States dollar receivable that had been established in the UNEP books of account.

Exchange losses from the fixed exchange-rate mechanism

(Thousands of United States dollars)

	2020	*2019*
Exchange (gain)/loss from the fixed exchange rate mechanism	(1 974)	(508)

Other expenses

163. Other expenses relate largely to hospitality and official functions, and donation/transfer of assets.

(Thousands of United States dollars)

	2020	*2019*
Contributions in kind	950	1 361
Other/miscellaneous expenses	216	64
Total other expenses	**1 166**	**1 425**

Note 26
Financial instruments and financial risk management

Financial instruments

(Thousands of United States dollars)

	2020	*2019*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments: main pool	878 703	566 987
Total short-term investments	**878 703**	**566 987**
Long-term investments: main pool	289 242	176 609
Total long-term investments	**289 242**	**176 609**
Total fair value through surplus or deficit	**1 167 945**	**743 596**

	2020	*2019*
Cash, loans and receivables		
Cash and cash equivalents: main pool	143 236	271 777
Cash and cash equivalents – other	25	9
Cash and cash equivalents	**143 261**	**271 786**
Assessed contributions receivable	22 745	42 779
Voluntary contributions receivable	964 556	942 697
Other receivables	1 472	926
Other assets (excluding advances)	–	–
Total cash, loans and receivables	**1 132 034**	**1 258 188**
Total carrying amount of financial assets	**2 299 979**	**2 001 784**
Of which relates to financial assets held in main pool	1 311 206	1 015 382
Other investment revenue	23 905	24 920
Financial liabilities at amortized cost		
Accounts payable and accrued payables (excluding deferred payables)	20 967	67 883
Total carrying amount of financial liabilities	**20 967**	**67 883**
Summary of net income from financial assets		
Other investment revenue	3 688	3 565
Investment revenue	13 798	19 732
Foreign exchange gains/(losses)	6 419	1 623
Total net income from financial assets	**23 905**	**24 920**

Financial risk management: overview

164. The organization has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

165. The present note and note 27, Financial instruments: cash pool, present information on the organization’s exposure to the above-mentioned risks, the objectives, policies and processes for measuring and managing risk and the management of capital.

Risk management framework

166. The organization’s risk management practices are in accordance with its Financial Regulations and Rules and Investment Management Guidelines (Guidelines). The organization defines the capital that it manages as the aggregate of its net assets, which comprises accumulated fund balances and reserves. Its objectives are to safeguard its ability to continue as a going concern, to fund its asset base and to accomplish its objectives. The organization manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Credit risk

167. Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposures to outstanding receivables. The carrying value of financial assets less allowances for doubtful receivables is the maximum exposure to credit risk.

Credit risk management

168. The investment management function is centralized at United Nations Headquarters, and under normal circumstances other areas are not permitted to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Guidelines.

Contributions receivable and other receivables

169. A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities that do not have significant credit risk. As at the reporting date, the organization did not hold any collateral as security for receivables.

Allowance for doubtful receivables

170. The organization evaluates the allowance of doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the organization will not collect the full amount due. Balances credited to the allowance for doubtful receivables account are utilized when management approves write-offs under the Financial Regulations and Rules or are reversed when the previously impaired receivables are received. The movement in the allowances account during the year is as shown below.

Movement in allowance for doubtful receivables

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Opening allowance for doubtful receivables	228 322	199 207
Doubtful receivables adjustment for current year	(7 048)	29 115
Closing allowance for doubtful receivables	**221 274**	**228 322**

171. The ageing of contributions receivables and associated allowance is as shown below.

Ageing of assessed contributions receivable

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Neither past due nor impaired	–	–
Less than one year	12 269	–
One to two years	8 897	2 224
Two to three years	9 509	5 706
More than three years	187 683	187 683
Total	**218 358**	**195 613**

Assessed contributions outstanding for more than three years include an amount of $178 million in unpaid contributions under the Multilateral Fund. The Fund's governing bodies are aware of the outstanding receivables; however, they have not agreed to write these off. UNEP shall recommend to the governing bodies that further discussions should be held with member States to conclude on the write-off of the long-outstanding receivables.

Ageing of voluntary contributions receivable

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Neither past due nor impaired	596 032	–
Less than one year	340 997	–
One to two years	22 088	5 522
Two to three years	27 404	16 443
More than three years	3 350	3 350
Total	**989 871**	**25 315**

Ageing of other receivables

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Less than one year	973	–
One to two years	657	165
Two to three years	16	9
More than three years	173	173
Total	**1 819**	**347**

Cash and cash equivalents

172. The organization had cash and cash equivalents of $143.3 million as at 31 December 2020 (2019: $271.8 million), which is the maximum credit exposure on these assets. Cash and cash equivalents are held with bank and financial institution counterparties rated at "A-" and above, based on the Fitch viability rating.

Liquidity risk

173. Liquidity risk is the risk that the organization might not have adequate funds to meet its obligations as they fall due. The organization's approach to managing

liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the organization's reputation.

174. The Financial Regulations and Rules require that expenses be incurred after the receipt of funds from donors, thereby considerably reducing the liquidity risk with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses prior to the receipt of funds are permitted only if specified risk management criteria are adhered to with regard to the amounts receivable.

175. The organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that they have sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. The organization maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Financial liabilities

176. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to the receivables, cash and investments available to the entity and internal policies and procedures put in place to ensure that there are appropriate resources to meet its financial obligations. At the reporting date, the organization had not pledged any collateral for any liabilities or contingent liabilities, and in the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the organization can be required to settle each financial liability are shown below.

Maturities for financial liabilities as at 31 December 2020

(Thousands of United States dollars)

	<3 months	*3 to 12 months*	*>1 year*	*Total*
Maturities for financial liabilities: as at 31 December 2020, undiscounted accounts payable and accrued payables	11 561	9 406	–	20 967

Market risk

177. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the organization's income or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the organization's fiscal position.

Interest rate risk

178. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to change in interest rates. In general, as the interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk. The main exposure to interest rate risks relates to the cash pools and is considered in note 27.

Currency risk

179. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The organization has transactions, assets and liabilities in currencies other than its functional currency and is exposed to currency risk arising from fluctuations in exchange rates. Management policies and the Guidelines require the organization to manage its currency risk exposure.

180. The organization's financial assets and liabilities are denominated primarily in United States dollars. Non-United States dollar financial assets relate primarily to investments in addition to cash and cash equivalents and receivables held in order to support local operating activities where transactions are made in local currencies. The organization maintains a minimum level of assets in local currencies and, whenever possible, maintains bank accounts in United States dollars. The organization mitigates currency risk exposure by structuring contributions from donors in foreign currency to correspond to foreign currency needs for operational purposes. The most significant exposure to currency risk relates to cash pool cash and cash equivalents. At the reporting date, the non-United States dollar denominated balances in these financial assets were primarily euros and Swiss francs, along with over 30 other currencies, as shown below.

Currency exposure of the cash pools as at 31 December 2020

(Thousands of United States dollars)

	United States dollars	*Euros*	*Swiss francs*	*Others*	***Total***
Main cash pool	1 298 361	8 248	2 317	2 279	**1 311 206**

Sensitivity analysis

181. A strengthening/weakening of the euro and Swiss franc UNORE exchange rates as at the reporting date would have affected the measurement of investments denominated in a foreign currency and increased or decreased net assets and surplus or deficit by the amounts shown below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect on net assets, surplus or deficit

(Thousands of United States dollars)

	As at 31 December 2020		*As at 31 December 2019*	
	Effect on net asset surplus or deficit		*Effect on net asset surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	825	(825)	859	(859)
Swiss franc (10 per cent movement)	232	(232)	183	(183)

Other market price risk

182. The organization is not exposed to significant other price risk, as it has limited exposure to price-related risk related to expected purchases of certain commodities used regularly in operations. A change in those prices may alter cash flows by an immaterial amount.

Accounting classifications and fair value

183. Owing to the short-term nature of cash and cash equivalents, including cash pool term deposits with original maturities of less than three months, receivables and payables, the carrying value is a fair approximation of fair value.

Fair value hierarchy

184. The table below analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

(c) Level 3: inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

185. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian on the basis of the valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

Fair value hierarchy

(Thousands of United States dollars)

	31 December 2020			*31 December 2019*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds: corporates	55 671	–	55 671	16 139	–	16 139
Bonds: non-United States agencies	114 666	–	114 666	82 071	–	82 071
Bonds: non-United States sovereigns	18 591	–	18 591	46 005	–	46 005
Bonds: supranational	96 917	–	96 917	54 114	–	54 114
Bonds: United States treasuries	61 848	–	61 848	–	37 762	37 762
Main pool: commercial papers	–	253 933	253 933	–	371 709	371 709
Main pool: certificate of deposit	–	340 050	340 050	–	–	–
Main pool: term deposits	–	224 024	224 024	–	131 527	131 527
Main pool total	**347 693**	**818 007**	**1 165 700**	**198 330**	**540 998**	**739 328**

186. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. Valuation techniques maximize the use of observable market data where it is available. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

187. There were no level 3 financial assets, nor any liabilities carried at fair value, nor any significant transfers of financial assets between fair value hierarchy classifications.

Note 27
Financial instruments: cash pool

188. In addition to directly held cash and cash equivalents and investments, UNEP participates in the United Nations Treasury cash pool. The cash pool comprises operational bank account balances in a number of currencies and investments in United States dollars.

189. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity's principal balance.

190. As at 31 December 2020, UNEP participated in the cash pool, which held total assets of $10,652.4 million (2019: $9,339.4 million), of which $1,311.2 million was due to the organization (2019: $1,015.4 million), and its share of revenue from cash pools was $20.6 million (2019: $21.3 million).

Summary of assets and liabilities of the main pool as at 31 December 2020

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	7 120 427
Long-term investments	2 349 880
Total fair value through the surplus or deficit investments	**9 470 307**
Loans and receivables	
Cash and cash equivalents	1 163 684
Accrued investment revenue	18 398
Total loans and receivables	**1 182 082**
Total carrying amount of financial assets	**10 652 389**
Cash pool liabilities	
Payable to UNEP (12.31%)	1 311 206
Payable to other cash pool participants	9 341 183
Total liabilities	**10 652 389**
Net assets	**–**

Summary of revenue and expenses of the main pool for the year ended 31 December 2020

(Thousands of United States dollars)

	Main pool
Investment revenue	113 031
Unrealized gains/(losses)	54 145
Investment revenue from main pool	**167 176**
Foreign exchange gains/(losses)	5 837
Bank fees	(578)
Operating expenses from main pool	**5 259**
Revenue and expenses from main pool	**172 435**

Summary of assets and liabilities of the main pool as at 31 December 2019

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	5 177 137
Long-term investments	1 624 405
Total fair value through the surplus or deficit investments	**6 801 542**
Loans and receivables	
Cash and cash equivalents	2 499 953
Accrued investment revenue	37 867
Total loans and receivables	**2 537 820**
Total carrying amount of financial assets	**9 339 362**
Cash pool liabilities	
Payable to UNEP	1 015 382
Payable to other cash pool participants	8 323 980
Total liabilities	**9 339 362**
Net assets	**–**

Summary of revenue and expenses of the main pool for the year ended 31 December 2019

(Thousands of United States dollars)

	Main pool
Investment revenue	198 552
Unrealized gains/(losses)	14 355
Investment revenue from main pool	**212 907**
Foreign exchange gains/(losses)	3 287
Bank fees	(808)
Operating expenses from main pool	**2 479**
Revenue and expenses from main pool	**215 386**

Financial risk management

191. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Guidelines.

192. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market-rate-of-return component of the objectives.

193. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

194. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible cash pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

195. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

196. The credit ratings used for the cash pools are those determined by major credit-rating agencies; Standard and Poor's and Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown below.

Investments of the cash pool by credit ratings as at 31 December 2020

Main pool	*Ratings as at 31 December 2020*					*Ratings as at 31 December 2019*			
Bonds (long-term ratings)					**Bonds (long-term ratings)**				
	AAA	*AA+/AA/AA-*	*A+*	*NR*		*AAA*	*AA+/AA/AA-*	*A+*	*NR*
S&P Global	44.0%	53.2%	–	2.8%	S&P Global	35.8%	58.8%	–	5.4%
Fitch	61.4%	15.5%	–	23.1%	Fitch	60.2%	23.8%	–	16.0%
	Aaa	*Aa1/Aa2/Aa3*	*A1*			*Aaa*	*Aa1/Aa2/Aa3*	*A1*	
Moody's	61.1%	34.9%	0.4%	3.6%	Moody's	54.8%	45.2%	–	
Commercial papers/certificates of deposit (short-term ratings)					**Commercial papers (short-term ratings)**				
	A-1+/A-1					*A-1+/A-1*			
S&P Global	100%				S&P Global	100.0%			
	F1+/F1					*F1+/F1*			
Fitch	98%			2.0%	Fitch	100.0%			
	P-1					*P-1*			
Moody's	100%				Moody's	100.0%			
Reverse repurchase agreement (short-term ratings)					**Reverse repurchase agreement (short-term ratings)**				
	A-1+					*A-1+*			
S&P Global	–				S&P Global	100.0%			
	F1+					*F1+*			
Fitch	–				Fitch	100.0%			
	P-1					*P-1*			
Moody's	–				Moody's	100.0%			
Term deposits (Fitch viability ratings)					**Term deposits (Fitch viability ratings)**				
	aaa	*aa/aa-*	*a+/a*			*aaa*	*aa/aa-*	*a+/a/a-*	
Fitch	–	27.5%	72.5%		Fitch	–	84.2%	15.8%	

197. The United Nations Treasury actively monitors credit ratings and, given that the organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

Financial risk management: liquidity risk

198. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. They maintain sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The cash pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

199. The cash pools comprise the organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than four years (2019: five years). The average duration of the main pool on 31 December 2020 was 0.72 years (2019: 0.74 years), which is considered to be an indicator of low risk.

Cash pools interest rate risk sensitivity analysis

200. This analysis shows how the fair value of the cash pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Cash pool interest rate risk sensitivity analysis as at 31 December 2020

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars):									
Cash pool total	148.41	111.30	74.2	37.10	–	(37.10)	(74.18)	(111.26)	(148.34)

Cash pool interest rate risk sensitivity analysis as at 31 December 2019

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars):									
Cash pool total	134.47	100.84	67.22	33.61	–	(33.60)	(67.20)	(100.79)	(134.38)

Other market price risk

201. The cash pools are not exposed to significant other price risks because they do not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

202. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

203. The levels are defined as:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

204. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian on the basis of valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held in the cash pools is the current bid price.

205. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

206. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no level 3 financial assets, no liabilities carried at fair value and no significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December 2020: main pool

(Thousands of United States dollars)

	31 December 2020			*31 December 2019*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds: corporates	452 281	–	452 281	148 473	–	148 473
Bonds: non-United States agencies	931 565	–	931 565	755 027	–	755 027
Bonds: supranational	787 362	–	787 362	423 230	–	423 230
Bonds: United States treasuries	502 462	–	502 462	497 829	–	497 829
Bonds – non-United States sovereigns	151 035	–	151 035	–	–	–
Main pool: commercial papers	–	2 062 987	2 062 987	–	347 398	347 398
Main pool: certificates of deposit	–	2 762 615	2 762 615	–	3 419 585	3 419 585
Main pool: term deposits	–	1 820 000	1 820 000	–	1 210 000	1 210 000
Main pool total	**2 824 705**	**6 645 602**	**9 470 307**	**1 824 559**	**4 976 983**	**6 801 542**

Note 28
Related parties

Key management personnel

207. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the organization. For UNEP, the key management personnel group is deemed to comprise the Executive Director of UNEP, the Deputy Executive Director of UNEP, the Head of the New York office of UNEP, divisional directors, regional directors, the Head of Multilateral Environmental Agreements and Regional Seas and Conventions and the Executive Secretary of the Secretariat for the Convention on Biological Diversity.

208. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment and other entitlements such as grants, subsidies, employer pension and health insurance contributions.

209. The organization’s key management personnel were paid $9.26 million over the financial year; such payments are in accordance with the Staff Regulations and Staff Rules of the United Nations, the published salary scales of the United Nations and other publicly available documents.

Compensation of key management personnel

(Thousands of United States dollars)

	Key management personnel	*Close family members*	*Total*
Number of positions (full-time equivalents)	34	–	34
Aggregate remuneration:			
Salary and post adjustment	7 116	–	7 116
Other compensation/entitlements	2 140	–	2 140
Total remuneration for the year ended 31 December 2020	**9 256**	**–**	**9 256**

210. Non-monetary and indirect benefits paid to key management personnel were not material.

211. No close family member of key management personnel was employed by the organization at the management level. Advances made to key management personnel are those made against entitlements in accordance with the staff rules and regulations; and such advances against entitlements are widely available to all staff of the organization.

Related entity transactions

212. In the ordinary course of business, to achieve economies in executing transactions, financial transactions of the organization are often executed by one financial reporting entity on behalf of another. Before the introduction of the Umoja system, these had to be manually followed up and settled. In Umoja, settlement occurs when the service provider is paid.

Note 29
Leases and commitments

Finance leases

213. The organization does not normally enter into finance leases for the use of land, permanent and temporary buildings and equipment, and had no finance leases during the period.

Operating leases

214. The organization enters into operating leases for the use of land, permanent and temporary buildings and equipment. The total operating lease payments recognized in expenditure for the year were $6.4 million. Future minimum lease payments under non-cancellable arrangements are shown below.

Future minimum operating lease obligations

(Thousands of United States dollars)

	Minimum lease payment as at 31 December 2020	*Minimum lease payment as at 31 December 2019*
Due in less than 1 year	8 825	6 994
Due in 1 to 5 years	12 490	4 320
Due later than 5 years	7 510	2 034
Total minimum operating lease obligations	**28 825**	**13 348**

215. These contractual leases typically run between one and six years, with some leases allowing extension clauses and/or permitting early termination within 30, 60 or 90 days. The amounts present future obligations for the minimum contractual term, taking into consideration contract annual lease payment increases in accordance with lease agreements. No agreements contain purchase options.

Contractual commitments

216. At the reporting date, the commitments for property, plant and equipment; intangible assets; implementing partners; and goods and services contracted but not delivered were as shown below. These include contracts with partners for multi-year projects.

Contractual commitments by category

(Thousands of United States dollars)

	31 December 2020	*31 December 2019*
Goods and services	40 170	28 989
Implementing partners	761 487	544 407
Multilateral Fund external implementing partners	193 106	241 214
Total contractual commitments	**994 763**	**814 610**

Note 30
Contingent liabilities and contingent assets

Contingent liabilities

217. The organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations.

218. These claims are segregated into two main categories: commercial and administrative law claims. As at the reporting date, Geneva-based staff had filed claims before the United Nations Dispute Tribunal to challenge the implementation of the decision of the International Civil Service Commission to reduce the post adjustment in Geneva. If the complaint is successful, the Secretariat may have to pay the difference between the old and new post adjustment retroactively from the date of the implementation of the new post adjustment.

Contingent assets

219. In accordance with IPSAS 19, the organization discloses contingent assets when an event gives rise to a probable inflow of economic benefits or service potential to the organization and there is sufficient information to assess the probability of that inflow. As at 31 December 2020, there were no material contingent assets arising from the organization’s legal actions or interests in joint ventures that were likely to result in a significant economic inflow.

Note 31
Grants and other transfers

220. The following are the categories in which the funds given to implementing partners have been spent.

Grants and other transfers: expenditure reporting by category

(Thousands of United States dollars)

	2020[a]	*2019*
Grants to end beneficiaries	2 577	2 307
Grants to implementing partners:		
Staff and other personnel costs	48 088	60 072
Supplies, commodities, materials	2 099	1 659
Equipment, vehicles and furniture	6 261	5 269
Contractual services	23 747	32 858
Travel	12 446	12 955
Transfers and grants to counterparts	77 369	88 062
General operating and other direct costs	8 962	6 616
Indirect support costs (implementing partner)	2 432	1 470
Subtotal grants to implementing partners	**181 404**	**208 961**
Multilateral Fund expenditure	92 712	93 093
Less: eliminated expenses	(23 156)	(19 574)
Net Multilateral Fund expenditure	**69 556**	**73 519**
Total grants and other transfers	**253 537**	**284 787**

[a] As at the time of the financial statements, 30 per cent of active implementing partners had not reported their 2020 expenses. UNEP recognized the expenses of 2020 based on the reports received. The pending expenses from the implementing partners will be recorded against the commitments. The balances of the contractual commitments to the implementing partners are reported in paragraph 216.

221. The amount under the Multilateral Fund is implemented by the four implementing partners set out below.

(Thousands of United States dollars)

	Total 2020	*Total 2019*
United Nations Environment Fund	18 269	19 367
United Nations Industrial Development Organization	25 560	27 682
World Bank	16 750	13 151
United Nations Development Programme	32 133	32 893
Total	**92 712**	**93 093**

222. The amounts from the United Nations Development Programme, the United Nations Industrial Development Organization and the World Bank are recorded based on unaudited expenditure, based on the approval of the Executive Committee of the Multilateral Fund in order to allow UNEP to comply with the requirement to issue the financial statements by 31 March of the following year. There is, however, an agreement that the implementing agencies will provide audited expenditures as soon as they become available, but not later than 30 September of the following year.

223. Authorized advance transfers from the Multilateral Fund to the implementing agencies are issued for the full, multi-year project implementation period. Amounts against which expense reports are expected to be received by the end of 2021, calculated on the basis of the average levels of expenses reported in prior years, are classified as

current assets in the statement of financial position and the balances are classified as non-current assets.

Note 32
Future year contributions

224. The organization has an amount of $989.9 million worth of signed contributions from voluntary contributions for implementation in current and future years.

Note 33
Events after the reporting date

225. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

Note 34
Statement of cash flows for the year ended 31 December 2020

Environment Fund

(Thousands of United States dollars)

	Note	*31 December 2020*	*31 December 2019*
Cash flow from operating activities			
Surplus/(deficit) for the year		9 373	2 644
Non-cash movements			
Depreciation and amortization		121	141
Actuarial gain/(loss) on employee benefits liabilities		–	–
Transfers and donated property, plant and equipment and intangibles		–	–
Net gain/(loss) on disposal of property, plant and equipment		–	–
Changes in assets			
(Increase)/decrease in voluntary contributions receivable		7 019	467
(Increase)/decrease in other receivables		(150)	(330)
(Increase)/decrease in advance transfers		(148)	490
(Increase)/decrease in other assets		167	850
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities		(1 359)	998
Increase/(decrease) in funds received in advance and deferred revenue		(6 287)	5 350
Increase/(decrease) in employee benefits payable		414	(74)
Increase/(decrease) in provisions		–	(50)
Investment revenue presented as investing activities		(1 846)	(778)
Net cash flows from/(used in) operating activities		**7 304**	**9 708**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool		(15 036)	(1 946)
Investment revenue presented as investing activities		1 846	778
Acquisitions of property, plant and equipment		(78)	(78)
Net cash flows from/(used in) investing activities		**(13 268)**	**(1 246)**

	Note	*31 December 2020*	*31 December 2019*
Cash flow from financing activities			
Adjustments to net assets		–	–
Net cash flows from/(used in) financing activities		**–**	**–**
Net increase/(decrease) in cash and cash equivalents		(5 964)	8 462
Cash and cash equivalents: beginning of year		11 739	3 277
Cash and cash equivalents: end of year		**5 775**	**11 739**

Note 35
Statement of cash flows for the year ended 31 December 2020

Multilateral Fund

(Thousands of United States dollars)

	Note	*31 December 2020*	*31 December 2019*
Cash flow from operating activities			
Surplus/(deficit) for the year		72 795	71 955
Non-cash movements			
Depreciation and amortization		–	–
Transfers and donated property, plant and equipment and intangibles		–	–
Changes in assets			
(Increase)/decrease in assessed contributions receivable		21 364	(16 890)
(Increase)/decrease in voluntary contributions receivable		–	399
(Increase)/decrease in other receivables		(71)	522
(Increase)/decrease in advance transfers		22 516	38 385
(Increase)/decrease in other assets		5	13
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities		(3 734)	5 534
Increase/(decrease) in advance receipts		(6 463)	10 765
Increase/(decrease) in employee benefits payable		185	(4)
Investment revenue presented as investing activities		(9 235)	(10 486)
Net cash flows from/(used in) operating activities		**97 362**	**100 193**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool		(139 631)	(51 942)
Acquisitions of property, plant and equipment		–	–
Investment revenue presented as investing activities		9 235	10 486
Net cash flows from/(used in) investing activities		**(130 396)**	**(41 456)**
Cash flow from financing activities			
Adjustments to net assets		–	–
Net cash flows from/(used in) financing activities		**–**	**–**
Net increase/(decrease) in cash and cash equivalents		(33 034)	58 737
Cash and cash equivalents: beginning of year		75 463	16 726
Cash and cash equivalents: end of year		**42 429**	**75 463**

Annex I

Environment Fund segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2020

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2020*	*Revenue*	*Expense*	*Net assets 31 December 2020*
FEL	UNEP Environment Support Budget	15 762	20 000	35 762	16 329	11 379	40 712
FPL	Environment Fund programme activities	12 180	–	12 180	58 459	55 976	14 663
RAL	Environment Fund programme reserve activities	198	–	198	3 013	1 073	2 138
Net total		**28 140**	**20 000**	**48 140**	**77 801**	**68 428**	**57 513**

Note: Trust fund FRL with net assets amounting to $52,862, previously reported under the Environment Fund segment as at 31 December 2019, is reported under the UNEP programme of work segment (annex II) as at 31 December 2020.

Annex II

Other support to the programme of work segment of the United Nations Environment Programme

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2020

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2020*	*Revenue*	*Expense*	*Net assets 31 December 2020*
CBL	Trust fund for the capacity-building initiatives of the Global Environment Facility	11 561	–	11 561	8 217	1 103	18 675
CCL	Technical cooperation trust fund for the management of the United Nations Environment Programme (UNEP)/Global Environment Facility special climate change fund programme	12 023	–	12 023	427	3 384	9 066
FBL	Technical cooperation trust fund for the implementation of the Global Environment Facility fee-based system for funding project implementation	21 947	–	21 947	12 422	10 568	23 801
GFL	Technical cooperation trust fund for UNEP implementation of the activities funded by the Global Environment Facility	522 097	–	522 097	159 636	84 175	597 558
LDL	Technical cooperation for the management of the UNEP/Global Environment Facility national adaptation programme of action for least developed countries	86 827	–	86 827	22 770	8 172	101 425
NPL	Trust fund for the Nagoya Protocol implementation fund	3 854	–	3 854	(169)	254	3 431
Global Environment Facility trust fund: total		**658 309**	–	**658 309**	**203 303**	**107 656**	**753 956**
AEL	General trust fund for the purpose of post-conflict environmental assessment	6 962	–	6 962	617	4 177	3 402
AFB	Technical cooperation trust fund for UNEP activities as multilateral implementing entity of the Adaptation Fund Board	16 588	–	16 588	5 081	2 668	19 001
AML	General trust fund for the African Ministerial Conference on the Environment	2 812	–	2 812	(3 036)	(2 960)	2 736
BPL	Technical cooperation trust fund for the implementation of the agreement with Belgium	246	–	246	4	(3)	253
CFL	Technical cooperation trust fund for the implementation of the framework agreement on strategic cooperation between the Ministry of Environmental Protection of China and UNEP	6 621	–	6 621	100	847	5 874
CLL	Trust fund to support the activities of the Climate Technology Centre and Network	9 212	–	9 212	7 298	3 672	12 838

Fund ID code	Fund description	Net asset accumulated surplus unrestricted	Net asset reserve unrestricted	Net assets 1 January 2020	Revenue	Expense	Net assets 31 December 2020
CML	Trust fund for the special programme to enhance implementation of the Basel, Rotterdam and Stockholm Conventions, the Minamata Convention and the Strategic Approach to International Chemicals Management	8 890	–	8 890	1 589	3 194	7 285
CNL	Technical cooperation trust fund for the UNEP climate-neutral fund	1 189	–	1 189	(412)	293	484
CPL	Counterpart contributions in support of Environment Fund activities	205 563	–	205 563	63 791	61 363	207 991
DPL	Technical cooperation trust fund for the partnership agreement between the Government of the Netherlands and UNEP	25	–	25	–	–	25
EBL	General trust fund for implementing national biodiversity strategies and action plans	277	–	277	5	–	282
ECL	Technical cooperation trust fund to support achievement of contribution agreement No. 21 (0401/2011/608174/SUB/E2)	141	–	141	4 589	4 679	51
ESS	Technical cooperation trust fund for UNEP implementation of ecosystem-based adaptation	44 864	–	44 864	6 684	1 589	49 959
ETL	Trust fund for the environmental training network in Latin America and the Caribbean	313	–	313	53	59	307
EUL	Technical cooperation trust fund to support achievement of contribution agreement No. DCI-ENV/2010/258-800	535	–	535	1 690	2 226	(1)
FIL	General trust fund to support the activities of the UNEP financial services initiative on the environment	7 210	–	7 210	9 363	5 918	10 655
FRL	UNEP Environment Fund holding fund for cash transactions of UNEP Economy Division — Environment Fund support budget — Counterpart contributions	53	–	53	1	1	53
FSL	Technical cooperation trust fund to support implementation of the Seed Capital Assistance Facility	17 654	–	17 654	3 928	3 121	18 461
FTL	Revolving fund activities	91	–	91	9	2	98
GCF	Green Climate Fund	75 549	–	75 549	62 480	4 346	133 683
GCL	Green Climate Fund research and follow-up	37 343	–	37 343	19 949	5 405	51 887
GPL	General trust fund in support of the implementation of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities, and related information exchange and technical assistance	1 213	–	1 213	(14)	270	929
GPP	Trust fund to assist delegates from developing countries, least developed countries, landlocked developing countries and small island developing States in attending the sessions of the ad hoc open-ended working group	10	–	10	333	(11)	354

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2020*	*Revenue*	*Expense*	*Net assets 31 December 2020*
GPS	Trust fund for activities of the Secretariat and organization of meetings and consultations for the Global Pact for the Environment	41	–	41	(8)	(14)	47
GRL	Technical cooperation trust fund for the implementation of the greening economies in the Eastern neighbourhood and Central Asia programme	28	–	28	(14)	(15)	29
IAL	Technical cooperation trust fund for Irish Aid multilateral environment fund for Africa	222	–	222	4	11	215
IEL	Technical cooperation trust fund to improve the environment in the Democratic People's Republic of Korea	614	–	614	(453)	–	161
IML	Technical cooperation trust fund for UNEP implementation of the Multilateral Fund activities	49 037	–	49 037	23 017	18 660	53 394
JCL	Technical cooperation trust fund for the establishment of the International Environmental Technology Centre in Japan	4 326	–	4 326	3 002	1 413	5 915
MCL	General trust fund in support of the preparation of a global assessment of mercury and its compounds	6 980	–	6 980	(1 399)	(182)	5 763
MDL	Technical cooperation trust fund for UNEP implementation of the Millennium Development Goals achievement fund	120	–	120	2	–	122
NFL	Technical cooperation trust fund for the implementation of the framework agreement between UNEP and Norway	52 624	–	52 624	2 460	12 374	42 710
PGL	Technical cooperation trust fund for the implementation of the Partnership for Action on Green Economy	10 884	–	10 884	1 757	3 309	9 332
POL	General trust fund in support of the preparation for and negotiation of an internationally legally binding instrument for international action on persistent organic pollutants, and related information exchange	666	–	666	7	–	673
PPL	General trust fund in support of the preparation for and negotiation of an international legally binding instrument for the application of the prior informed consent procedure for certain hazardous chemicals in international trade	4	–	4	(6)	–	(2)
QGL	Support of the Global Environment Facility	4 478	–	4 478	(1 048)	95	3 335
RED	Technical cooperation trust fund to support the UNEP programme of work and responsibilities of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries	7 889	–	7 889	3 903	4 377	7 415
REL	Technical cooperation trust fund for the promotion of renewable energy in the Mediterranean region	3 476	–	3 476	113	714	2 875

Fund ID code	Fund description	Net asset accumulated surplus unrestricted	Net asset reserve unrestricted	Net assets 1 January 2020	Revenue	Expense	Net assets 31 December 2020
RPL	General trust fund to support participation of developing countries in reporting on the state of the marine environment	3	–	3	–	–	3
SCP	Technical cooperation trust fund for the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns	7 096	–	7 096	268	2 090	5 274
SEL	Technical cooperation trust fund for the implementation of the agreement with Sweden	29 859	–	29 859	2 305	3 976	28 188
SFL	Technical cooperation trust fund for implementation of the framework agreement between Spain and UNEP	1 876	–	1 876	31	88	1 819
SLP	Trust fund to support the activities of the Climate and Clean Air Coalition to Reduce Short-lived Climate Pollutants	26 844	–	26 844	5 731	8 569	24 006
SML	General trust fund for the Strategic Approach to International Chemicals Management: quick-start programme	(1 172)	–	(1 172)	4 159	153	2 834
UTL	Technical cooperation trust fund for the implementation of the UNEP/United Nations Conference on Trade and Development capacity-building task force on trade, environment and development	43	–	43	1	4	40
WPL	General trust fund to provide support to the Global Environment Monitoring System/Water Programme office	311	–	311	5	(17)	333
FEC	Trust fund for the Core Activities of the “Faith for Earth Coalition” of UNEP		–		21	(1)	22
	Other support to UNEP programme of work (non-Global Environment Facility trust fund non-Junior Professional Officer): total	**649 610**	–	**649 610**	**227 960**	**156 460**	**721 110**
TBL	Technical cooperation trust fund for provision of Junior Professional Officers (financed by the Government of Belgium)	257	–	257	3	101	159
CEL	Technical cooperation trust fund for financing of Professional Officers (financed by the Government of Finland)	656	–	656	166	84	738
SNL	Special purpose trust fund for the provision of a Professional Officer to UNEP/secretariat of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal	212	–	212	67	133	146
TCL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Nordic Governments through the Government of Sweden)	290	–	290	5	–	295
TDL	Special purpose trust fund for the Government of Denmark agreement with UNEP for the provision of Junior Professional Officers	598	–	598	(592)	–	6

Fund ID code	Fund description	Net asset accumulated surplus unrestricted	Net asset reserve unrestricted	Net assets 1 January 2020	Revenue	Expense	Net assets 31 December 2020
TGL	Special purpose trust fund for the provision of Junior Professional Officers (financed by the Government of Germany)	1 080	–	1 080	1 142	849	1 373
THL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of the Netherlands)	890	–	890	239	508	621
TIL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Italy)	571	–	571	381	306	646
TJL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Japan)	1 617	–	1 617	763	759	1 621
TKL	Technical cooperation trust fund for the provision of Professional Officers (financed by the Government of the Republic of Korea)	552	–	552	555	466	641
TNL	Special purpose trust fund for the Government of Norway agreement with UNEP for the provision of Junior Professional Officers	530	–	530	41	115	456
TPL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Spanish Agency for International Development Cooperation	157	–	157	3	–	160
TRL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of France)	685	–	685	9	260	434
TSL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Sweden)	952	–	952	671	549	1 074
	Trust funds for Junior Professional Officers: total	**9 047**	–	**9 047**	**3 453**	**4 130**	**8 370**
	Other support to UNEP programme of work: total	**1 316 966**	–	**1 316 966**	**434 716**	**268 246**	**1 483 436**
	Fund IML: financial statement elimination	–	–	**(37 361)**	–	–	**(37 294)**
	Net total	**1 316 966**	–	**1 279 605**	**434 716**	**268 246**	**1 446 142**

Note: The trust fund for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, with total assets of $9.54 million and the general trust fund for voluntary contributions in respect of the United Nations Scientific Committee on the Effects of Atomic Radiation, with net assets of $1.007 million, previously reported under the UNEP programme of work segment as at 31 December 2019, have been reported under the Conventions and protocols segment as at 31 December 2020. In addition, the UNEP Environment Fund holding fund for cash transactions of UNEP Economy Division — Environment Fund support budget — Counterpart contributions, with net assets of $53,000, reported under the Environment Fund segment in 2019, has been transferred to the UNEP programme of work segment as at 31 December 2020.

Annex III

Conventions and protocols segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2020

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2020*	*Revenue*	*Expense*	*Net assets 31 December 2020*
BDL	Trust fund to assist developing countries and other countries in need of technical assistance in the implementation of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal	13 027	–	13 027	4 504	1 334	16 197
BCL	Trust fund for the Basel Convention	4 417	728	5 145	4 882	3 886	6 141
ROL	General trust fund for the operational budget of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade	3 048	955	4 003	4 316	3 051	5 268
SCL	General trust fund for the Stockholm Convention on Persistent Organic Pollutants, its subsidiary bodies and the Convention	2 650	895	3 545	5 926	4 721	4 750
QRL	Support for the Basel Convention		–	–	–	–	–
RSL	Technical cooperation trust fund to support implementation of the Rotterdam and Stockholm Conventions in developing countries	3	–	3	(6)	–	(3)
RVL	General trust fund for the Rotterdam Convention	1 419	–	1 419	864	207	2 076
SVL	Special trust fund for the Stockholm Convention: its subsidiary bodies and the Convention	5 651	451	6 102	3 494	863	8 733
Basel, Rotterdam and Stockholm Conventions: total		**30 215**	**3 029**	**33 244**	**23 980**	**14 062**	**43 162**
QCL	Support of the Action Plan for the Caribbean Environment Programme	1 481	–	1 481	166	709	938
CRL	Regional trust fund for implementation of the Action Plan for the Caribbean Environment Programme	2 200	176	2 376	1 282	1 260	2 398
Caribbean Environment Programme: total		**3 681**	**176**	**3 857**	**1 448**	**1 969**	**3 336**
CAP	Trust fund for the core budget of the Framework Convention on the Protection and Sustainable Development of the Carpathians and related protocols	2 227	–	2 227	(1 358)	332	537
CAR	Trust fund for the core budget of the Carpathian Convention	1 008	–	1 008	249	100	1 157
Carpathian Convention: total		**3 235**	**–**	**3 235**	**(1 109)**	**432**	**1 694**
BEL	General trust fund for additional voluntary contributions in support of approved activities under the Convention on Biological Diversity	24 711	–	24 711	2 864	4 616	22 959

Fund ID code	Fund description	Net asset accumulated surplus unrestricted	Net asset reserve unrestricted	Net assets 1 January 2020	Revenue	Expense	Net assets 31 December 2020
BHL	Special voluntary trust fund for additional voluntary contributions in support of approved activities	1 493	–	1 493	(546)	(724)	1 671
BBL	Trust fund for the core programme budget for the Nagoya Protocol	1 405	283	1 688	2 186	1 745	2 129
BGL	General trust fund for the core programme budget for the Biosafety Protocol	3 480	386	3 866	2 932	2 219	4 579
BYL	General trust fund for the Convention on Biological Diversity	10 646	1 905	12 551	14 422	11 558	15 415
BXL	Additional voluntary contributions in support of approved activities of the Nagoya Protocol	54	–	54	(133)	(125)	46
BZL	General trust fund for voluntary contributions to facilitate the participation of parties in the process of the Convention on Biological Diversity	281	–	281	1 276	174	1 383
VBL	General trust fund for voluntary contributions to facilitate the participation of indigenous and local communities in the work of the Convention on Biological Diversity	334	–	334	111	49	396
	Convention on Biological Diversity: total	**42 404**	**2 574**	**44 978**	**23 112**	**19 512**	**48 578**
EAP	Multi-donor implementation: Africa	1 711	–	1 711	233	290	1 654
QTL	Support of activities related to the Convention on International Trade in Endangered Species of Wild Fauna and Flora	16 931	–	16 931	11 622	9 375	19 178
CTL	Trust fund for the Convention on International Trade in Endangered Species of Wild Fauna and Flora	4 503	959	5 462	6 330	4 812	6 980
	Convention on International Trade in Endangered Species of Wild Fauna and Flora: total	**23 145**	**959**	**24 104**	**18 185**	**14 477**	**27 812**
AVL	General trust fund for voluntary contributions in respect of the Agreement on the Conservation of African-Eurasian Migratory Waterbirds	1 350	–	1 350	1 018	558	1 810
MRL	Technical cooperation trust fund on the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South-East Asia	723	–	723	36	136	623
MVL	General trust fund for voluntary contributions in support of the Convention on the Conservation of Migratory Species of Wild Animals	13 721	–	13 721	6 933	3 194	17 460
QFL	Support of the secretariat of the Agreement on the Conservation of Populations of European Bats	53	–	53	79	39	93
AWL	General trust fund for the African-Eurasian Waterbirds Agreement	220	201	421	1 314	1 130	605
BAL	General trust fund for the African-Eurasian Waterbirds Agreement	177	54	231	251	220	262
BTL	General trust fund for the conservation of European bats	51	86	137	471	433	175
MSL	Trust fund for the Convention on the Conservation of Migratory Species of Wild Animals	2 120	500	2 620	3 726	2 623	3 723

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2020*	*Revenue*	*Expense*	*Net assets 31 December 2020*
QVL	Support of the secretariat of the Agreement on the Conservation of Small Cetaceans of the Baltic, North-East Atlantic, Irish and North Seas	190	–	190	70	55	205
QWL	Support of the Convention on the Conservation of Migratory Species of Wild Animals	262	–	262	4	–	266
SMU	Trust fund to support the activities of the secretariat of the memorandum of understanding on the conservation of migratory sharks	754	100	854	350	244	960
Convention on the Conservation of Migratory Species of Wild Animals: total		**19 621**	**941**	**20 562**	**14 252**	**8 632**	**26 182**
CAL	Support of the Mediterranean Action Plan	656	–	656	368	162	862
QML	Support of the Mediterranean Action Plan	857	–	857	1 772	1 595	1 034
MEL	Trust fund for the protection of the Mediterranean Sea against pollution	7 566	1 235	8 801	6 906	6 223	9 484
Mediterranean Action Plan: total		**9 079**	**1 235**	**10 314**	**9 046**	**7 980**	**11 380**
QNL	Support of the North-West Pacific Action Plan	3 406	–	3 406	1 504	965	3 945
PNL	General trust fund for the protection, management and development of the coastal and marine environment and the resources of the north-west Pacific region	1 317	75	1 392	620	509	1 503
North-West Pacific Action Plan: total		**4 723**	**75**	**4 798**	**2 124**	**1 474**	**5 448**
QOL	Support of the activities of the Ozone Secretariat	65	–	65	186	143	108
MPL	Trust fund for the Montreal Protocol on Substances that Deplete the Ozone Layer	6 951	803	7 754	5 486	1 928	11 312
VCL	Trust fund for the Vienna Convention for the Protection of the Ozone Layer	1 746	206	1 952	1 012	482	2 482
SOL	General trust fund for financing activities on research and observations on the Vienna Convention	236	–	236	50	25	261
Ozone: total		**8 998**	**1 009**	**10 007**	**6 734**	**2 578**	**14 163**
QAC	Support for the Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the West, Central and Southern African Region	1 911	–	1 911	240	137	2 014
QAW	Support of the Action Plan for the Eastern African Region	10 592	–	10 592	114	768	9 938
QEL	Support of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of the East Asian Seas	108	–	108	2	–	110
EAL	Regional seas trust fund for the Eastern African region	1 656	54	1 710	379	(104)	2 193
ESL	Regional trust fund for implementation of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of the East Asian Seas	828	59	887	339	343	883

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2020*	*Revenue*	*Expense*	*Net assets 31 December 2020*
WAL	Trust fund for the Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the West, Central and Southern African Region	2 631	62	2 693	680	1 275	2 098
Regional seas total		**17 726**	**175**	**17 901**	**1 754**	**2 419**	**17 236**
MCC	Trust fund for core activities under the Minamata Convention	1 336	679	2 015	3 129	2 497	2 647
MCP	Trust fund for activities relating to the Specific International Programme of the Minamata Convention on Mercury	4 374	–	4 374	1 257	409	5 222
MCV	Trust fund for voluntary activities relating to the Minamata Convention	317	–	317	1 455	159	1 613
Minamata Convention: total		**6 027**	**679**	**6 706**	**5 841**	**3 065**	**9 482**
BML	Trust fund for the Bamako Convention core programme budget, United Nations Environment Programme	289	–	289	196	134	351
BRL	Trust fund for the revolving fund activities of the Bamako Convention	–	–	–	2 515	–	2 515
BWL	Special Trust Fund for Voluntary Contributions in support of the Bamako Convention	–	–	–	40	40	–
Bamako Convention: total		**289**	**–**	**289**	**2 751**	**174**	**2 866**
PES	Trust fund for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services	8 615	925	9 540	5 126	4 532	10 134
SRL	General trust fund for voluntary contributions in respect of the United Nations Scientific Committee on the Effects of Atomic Radiation	1 007	–	1 007	185	161	1 031
Net total		**178 765**	**11 777**	**190 542**	**113 429**	**81 467**	**222 504**

Note: The Trust Fund for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, with total assets of $9.540 million and the General trust fund for voluntary contributions in respect of the United Nations Scientific Committee on the Effects of Atomic Radiation, with net assets of $1.007 million, previously reported under the UNEP programme of work segment as at 31 December 2019, have been reported under the conventions and protocols segment as at 31 December 2020.

Annex IV

Multilateral Fund segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2020

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted 31 December 2019*	*Net assets 1 January 2020*	*Revenue*	*Expense*	*Net assets 31 December 2020*
MFL	Trust fund for the Multilateral Fund under the Montreal Protocol on Substances that Deplete the Ozone Layer	500 547	–	500 547	166 285	93 490	573 342
Net total		**500 547**	**–**	**500 547**	**166 285**	**93 490**	**573 342**

Annex V

Programme support segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2020

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2020*	*Revenue*	*Expense*	*Net assets 31 December 2020*
ECR	Cost recovery	2 827	–	2 827	4 924	5 757	1 994
OTA	UNEP trust fund programme support cost	11 907	4 500	16 407	22 764	22 537	16 634
Net totals		**14 734**	**4 500**	**19 234**	**27 688**	**28 294**	**18 628**

Annex VI

End-of-service and post-retirement benefits segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2020

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus unrestricted*	*Net asset reserve unrestricted*	*Net assets 1 January 2020*	*Revenue*	*Expense*	*Net assets 31 December 2020*
AAL	After-service health insurance	(201 925)	–	(201 925)	7 751	12 751	(206 925)
ALL	Annual leave	(15 830)	–	(15 830)	–	328	(16 158)
RGL	Repatriation benefits	18 640	–	18 640	4 902	349	23 193
Net totals		**(199 115)**	**–**	**(199 115)**	**12 653**	**13 428**	**(199 890)**

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