A/78/5/Add.7

United Nations

Fund of the United Nations Environment Programme

Financial report and audited financial statements

for the year ended 31 December 2022

and

Report of the Board of Auditors

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

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Report of the Board of Auditors

United Nations • New York, 2023

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 2023 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 2022, 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 26 July 2023 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 2022.

(*Signed*) **Hou** Kai
Auditor General of the People’s Republic of China
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 2022 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 2022 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 and the International Standards of Supreme Audit Institutions. 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. The other information comprises the organization's IPSAS sustainability plan and overview of the financial statements for the year ended 31 December 2022, 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*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors
(Lead Auditor)

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

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

26 July 2023

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 2022, in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto and with the International Standards on Auditing, as well as with the International Standards of Supreme Audit Institutions. The interim audit was conducted remotely in Beijing for UNEP headquarters, the Regional Office for West Asia and the Regional Office for Europe from 17 October to 13 November 2022, and for the Ozone Secretariat from 17 October to 20 November 2022. The final audit was conducted from 1 April to 7 May 2023 at UNEP headquarters in Nairobi.

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 2022 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 the Global Environment Facility (GEF) and issued an unqualified opinion on their financial statements for the year ended 31 December 2022. The 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 2022. However, the Board identified scope for improvement, especially in the areas of financial and budget management, strategy management, programme and project management, information and communications technology and procurement management.

Key findings

Results-based budgeting was not fully adopted in multilateral environmental agreements

UNEP hosted the secretariats of 15 multilateral environmental agreements in 2022. Three of the 15 agreements have partly adopted a results-based budgeting approach, while the budget proposals for the other 12 agreements were not fully formulated using this approach, and the budgetary resources and planned outputs were not clearly linked to a total consumable budget of $110.81 million in 2022.

Incomplete implementation of the United Nations Environment Programme Strategy for South-South and Triangular Cooperation

The UNEP Strategy for South-South and Triangular Cooperation was incompletely implemented with regard to the following aspects: (a) there was an insufficient allocation of financial, organizational and human resources for South-South and triangular cooperation; and (b) the tools to enable the systematic monitoring and reporting of South-South and triangular cooperation were inadequate.

Need to strengthen controls on partnering with entities with critical risk levels

From 1 January 2021 to 30 September 2022, UNEP partnered with eight private entities which were assessed as having critical levels of risk. These approved partners represented high reputational risks owing to their alleged engagement in or financing of the military and/or the weapons industry, and allegations of labour and/or human rights violations, fraud, corruption, bribery and money-laundering, especially with regard to acts that damaged the environment to various degrees. UNEP explained the procedures followed to review these partners, and the appropriate risk treatment plans, which were in compliance with applicable procedures, and the rationale behind engaging with these partners, since UNEP strives to bring about transformational change.

Insufficient implementation of the evaluation of subprogrammes

The requirement to achieve evaluation coverage across all seven subprogrammes over a six-year period is emphasized in both the Organization's administrative instruction on evaluation in the United Nations Secretariat (ST/AI/2021/3) and the UNEP evaluation policy. The Board noted that the evaluation of subprogramme 1, Climate action, had not been completed by the end of 2022 as required. In addition, only three subprogramme evaluation reports had been disclosed in the past six years.

Imbalanced Global Environment Facility project allocation among task managers

The Board noted that 32 task managers were involved in the Global Environment Facility (GEF) portfolio, 5 of whom monitored 106 projects (37 per cent of 283 ongoing projects) with an approved budget of $304.76 million (30 per cent of the $1 billion ongoing project budget). The Board further noted that as at 30 September 2022, 28 GEF projects had exceeded the planned completion dates, among which 17 projects (61 per cent) were under the above five task managers.

Deficiencies in information and communications technology governance and management

The Board noted that the issuance of a digital governance framework had been delayed, as it was still in draft form as of April 2023, while subprogramme 2, on digital transformation, which should be governed by the framework, had officially begun in 2022. In addition, concerns were raised regarding the governance of information and communications technology (ICT), as the ICT Committee had not effectively performed its functions from 2017 to 2022.

Modality of pre-selection procurement bypasses monitoring

UNEP requested procurement services from the United Nations Office for Project Services (UNOPS) based on the pre-selection of supplier(s). The Board noted that UNOPS provided three pre-selection orders for UNEP with a total received amount of $109,345.19. Neither UNEP nor UNOPS can provide relevant evidence to prove that these purchases had met the requirements of the procurement process, while none of the pre-selection orders were recorded in Umoja.

Main recommendations

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

Results-based budgeting was not fully adopted in multilateral environmental agreements

(a) **Liaise with each of the multilateral environmental agreements' secretariats to conduct an individual analysis on the applicability of adopting a results-based approach in budget formulation for their respective budgets;**

Incomplete implementation of the United Nations Environment Programme Strategy for South-South and Triangular Cooperation

(b) **Develop a plan to implement its Strategy for South-South and Triangular Cooperation with adequate funding and human resources, and reinforced project implementation reporting, when appropriate;**

Need to strengthen controls on partnering with entities with critical risk levels

(c) **Reinforce its procedures for the review of entities assessed as having critical risk levels in compliance with the regulations of the updated programme and project management manual and the revised partnership policy and procedures, and rigorously form the partnership in accordance with the results of due diligence and risk assessment to reduce the likelihood of reputational risk posed to UNEP;**

Insufficient implementation of the evaluation of subprogrammes

(d) **Give priority to subprogramme evaluations and take active measures to reach the coverage targets set out in ST/AI/2021/3;**

Imbalanced Global Environment Facility project allocation among task managers

(e) **Assess the workload of incumbent task managers of GEF projects and formulate a response plan to mitigate the potential imbalance of project allocations;**

Deficiencies in information and communications technology governance and management

(f) **Strengthen its ICT governance and management by approving and issuing a digital governance framework and establishing a new committee on ICT;**

Modality of pre-selection procurement bypasses monitoring

(g) **Develop a plan to monitor the pre-selected vendor modality.**

Follow-up of previous recommendations

As at 31 December 2022, of the 52 outstanding recommendations up to the financial year ended 31 December 2021, 22 (42 per cent) had been implemented, 27 (52 per cent) were under implementation, 1 (2 per cent) had not been implemented and 2 (4 per cent) had been overtaken by events.

Key facts	
$3,145.27 million	Total assets
$486.54 million	Total liabilities
$2,658.73 million	Net assets
$954.16 million	Revenue
$651.32 million	Expenses
$302.84 million	Surplus
$124.93 million	Original Environment Fund and regular budget
$121.93 million	Final Environment Fund and regular budget
1,330	Staff members

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the Fund of the United Nations Environment Programme (UNEP) and reviewed its operations for the financial period ended 31 December 2022 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 as well as the International Standards on Auditing and the International Standards of Supreme Audit Institutions for the financial audit of public sector entities. 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 UNEP as at 31 December 2022 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 of the United Nations. 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. 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

5. 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.

6. 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.

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

Global Environment Facility

8. 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.

9. 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 2022, the trust funds collected total revenue of $199.25 million and incurred total expenses of $117.36 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

10. 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. At the request of the Conference of the Parties to the multilateral environmental agreements, UNEP provides secretariat functions to 15 agreements and discloses in its financial statements the transactions of the trust funds that 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

11. There were 52 outstanding recommendations up to the financial year ended 31 December 2021, of which 22 (42 per cent) had been implemented, 27 (52 per cent) were under implementation, 1 (2 per cent) had not been implemented and 2 (4 per cent) had been overtaken by events. Details are provided in the annex to chapter II of the present report.

12. The Board carried out an analysis regarding the 28 recommendations that were under implementation or not implemented and noted that 9 (32 per cent) were related to programme and project management; 8 (28 per cent) referred to secretariat management; 8 (28 per cent) related to grants management; 2 (8 per cent) fell under ICT; and 1 (4 per cent) was related to procurement management.

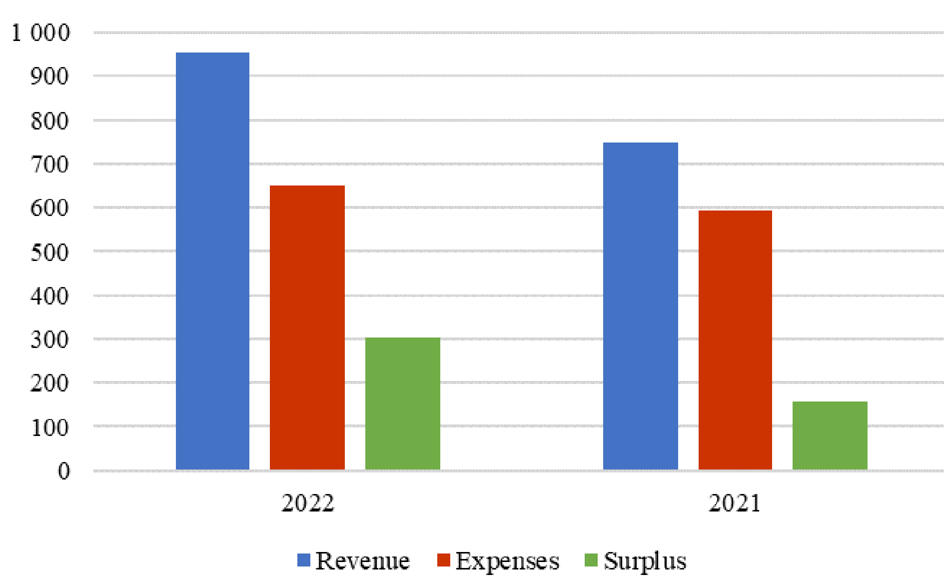
13. With regard to the age of the recommendations, it was observed that 16 (57 per cent) had been made one year ago; 5 (18 per cent) were two years old; 5 (18 per cent) had remained open for three years; and 2 (7 per cent) had been pending for more than three years.

2. Financial overview

14. In 2022, UNEP reported total revenue of $954.16 million (2021: $750.11 million) and total expenses of $651.32 million (2021: $592.37 million), resulting in a surplus of $302.84 million (2021: $157.74 million). Total assets as at 31 December 2022 amounted to $3,145.27 million (2021: $2,833.78 million), comprising current assets of $1,940.7 million (2021: $1,936.96 million) and non-current assets of $1,204.57 million (2021: $896.82 million). Total liabilities amounted to $486.54 million (2021: $555.39 million), resulting in net assets of $2,658.73 million (2021: $2,278.39 million).

15. A comparison of revenue and expenses for the financial years 2022 and 2021 is illustrated in figure II.I.

Figure II.I
Financial performance pattern, 2022 and 2021
(Millions of United States dollars)



Source: UNEP financial statements for 2022 and 2021.

Revenue analysis

16. During 2022, UNEP received total contributions of $699.51 million (2021: $569.70 million), of which $463.93 million (2021: $330.74 million), equivalent to 66 per cent, represents voluntary contributions from various donors. In 2022, voluntary contributions increased by $133.19 million (41 per cent). The remaining $235.58 million (2021: $238.96 million), equivalent to 34 per cent, represents assessed contributions from the Member States.

Expense analysis

17. Grants and other transfers for the period amounted to $291.25 million (2021: $279.84 million), which accounted for 45 per cent of the total expenses of $651.32 million (2021: $592.37 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

18. The table below contains key financial ratios for UNEP.

Ratio analysis

Description of ratio	*31 December 2022*	*31 December 2021*
Cash ratio[a]		
Cash plus investments: current liabilities	4.42	4.66
Quick ratio[b]		
Cash plus investments plus accounts receivable: current liabilities	5.99	5.99
Current ratio[c]		
Current assets: current liabilities	7.03	6.88
Solvency ratio[d]		
Total assets: total liabilities	6.46	5.10

Source: UNEP 2022 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.

19. The ratios above indicate a healthy financial position for UNEP as at 31 December 2022. 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, revenue increased by $204.05 million, or 27 per cent, while expenses recorded an increase of $58.95 million, or 10 per cent, resulting in a surplus of $302.84 million. Total assets increased by $311.49 million and total liabilities decreased by $68.85 million. A combination of all those fluctuations improved the levels of liquidity and the solvency ratios for UNEP in 2022.

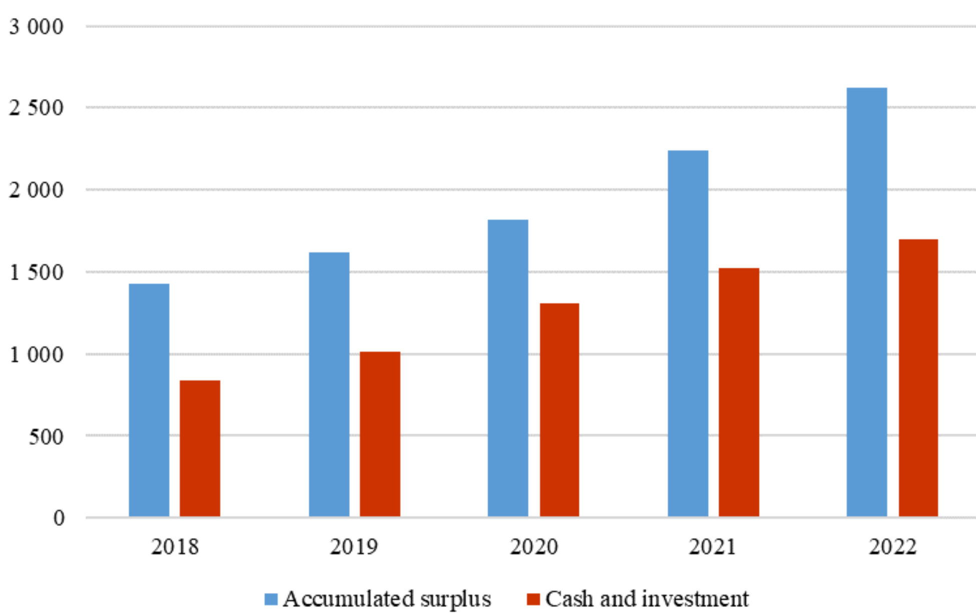
Growth trend in accumulated surplus and amount held in cash and investments

20. The total revenue of UNEP from 2018 to 2022 was $4,089.30 million, while the expense in the same period was $2,936.85 million. The accumulated surplus increased from $1,424.04 million as at 31 December 2018 to $2,620.50 million as at 31 December 2022.

21. In addition, the amount held in cash and investments increased from $835.58 million as at 31 December 2018 to $1,694.24 million as at 31 December 2022, which included the amount held in the Environment Fund. The amount held in the Environment Fund almost doubled from $33.43 million as at 31 December 2018 to $60.32 million as at 31 December 2022, which is close to the average annual expense ($70.30 million) for the Environment Fund for the past five years. The amount from earmarked contributions (other support) increased from $438.57 million as at 31 December 2018 to $738.89 million as at 31 December 2022 – more than twice the average annual expense ($315.25 million) for earmarked contributions (other support) in the past five years.

22. A comparison of the accumulated surplus and amount held in cash and investments for the period from the end of 2018 to the end of 2022 is illustrated in figure II.II.

Figure II.II
Accumulated surplus and amount held in cash and investments, 2018 to 2022
(Millions of United States dollars)



Source: UNEP financial statements from 2018 to 2022.

3. Financial and budget management

Results-based budgeting was not fully adopted in multilateral environmental agreements

23. The Secretary-General, in his report entitled "Shifting the management paradigm in the United Nations (A/72/492), emphasized the need for transparency and accountability, and that organizations were required to visibly and meaningfully demonstrate a clearer link between resources and results. The proposed linkages were

akin to the results-based management and results-based budgeting approaches adopted by UNEP.

24. UNEP hosted the secretariats of 15 multilateral environmental agreements in 2022. The Board noted that the budget proposals for 12 of the 15 multilateral environmental agreements had not been fully formulated using a results-based budgeting approach, and the budgetary resources and planned outputs were not clearly linked to a total consumable budget of $110.81 million or to the consumed budget of $88.24 million in 2022.

25. The Board is of the view that the resources of the multilateral environmental agreements need to be clearly linked with the planned outputs to demonstrate how they contributed to delivering their programmes of work and the programmatic decisions of the Conference of the Parties to the multilateral environmental agreements, as well as the value for money spent on multilateral environmental agreement programmes and activities.

26. **The Board recommends that UNEP liaise with each of the multilateral environmental agreements' secretariats to conduct an individual analysis on the applicability of adopting a results-based approach in budget formulation for their respective budgets.**

27. UNEP accepted the recommendation.

Lack of information on earmarked contributions in the proposed budget of the Ozone Secretariat

28. Decision XXXII/12 of the thirty-second Meeting of the Parties to the Montreal Protocol on Substances that Deplete the Ozone Layer in 2020 requested the Executive Secretary of the Ozone Secretariat to continue to provide regular information on earmarked contributions and include that information, where relevant, in the budget proposals of the trust fund to enhance transparency with regard to the actual income and expenses of the trust fund.

29. The Ozone Secretariat has two types of earmarked contributions: "QOL" (support of the activities of the Ozone Secretariat) and "SOL" (general trust fund for financing activities on research and observations on the Vienna Convention). The total amount for QOL contributions received from 1 January to 31 October 2022 was $42,626.29, while the total pledges for SOL contributions between 1 January to 31 October 2022 was $42,298. The Board noted that information on the two types of earmarked contributions was not included in the 2022 proposed budget, and there were no costs or planned activities.

30. The Board is of the view that the lack of estimated information for earmarked contributions in the proposed budget is not conducive to monitoring the implementation of the activities and to the transparency of information.

31. **The Board recommends that UNEP, in coordination with the Ozone Secretariat, include information on estimated earmarked contributions in the fact sheets, in addition to the received contributions in the proposed budget, to enhance the transparency of the trust funds.**

32. UNEP accepted the recommendation.

Inadequate utilization of the cash balance of the trust fund for the Montreal Protocol on Substances that Deplete the Ozone Layer

33. In paragraph 14 of its decision XXXI/17, at its thirty-first Meeting in 2019, the States parties to the Montreal Protocol stressed the need to continue to ensure that the budget proposals were realistic and represented the agreed priorities of all parties to

help ensure a sustainable and stable fund and cash balance, including contributions. In its decisions XXXII/12 in 2020, XXXIII/14 in 2021 and XXXIV/24 in 2022, the States parties also stressed that issue.

34. The Board noted that the budget implementation rates of the trust fund for the Montreal Protocol in 2020 and 2021 were 52 per cent and 44 per cent respectively, and the revised budget implementation rates in 2020 and 2021 were 94 per cent and 79 per cent respectively. As at 30 September 2022, the cash balance of the trust fund was $11.37 million, while the cash balance was $6.06 million at the end of 2019. The proposed budget for 2022 was $5.85 million, making the trust fund cash balance nearly twice the annual budget.

35. UNEP explained that the cash balance had doubled during the past two years owing to the low rates of expenditures as a result of the coronavirus disease (COVID-19) pandemic. In 2020 and 2021, meetings were held online, so there were no travel and venue costs, both of which were major components of the budget and its expenditure.

36. The Board is concerned that because the Ozone Secretariat, as a multilateral environmental agreement, has a large cash balance, it may have a negative influence on the fund's utilization.

37. **The Board recommends that the Ozone Secretariat consult the parties and UNEP to agree on the appropriate level of cash balance in order to make full use of the fund.**

38. UNEP accepted the recommendation.

Deficiencies of asset management at the Regional Office for Europe

39. There were 570 items with a total acquisition value of $666,779.04 at the Regional Office for Europe as at 30 September 2022. Among these assets, the Board noted that the status of 328 items, amounting to $418,879.77, was marked "not ROE/Europe Office", and accounted for 58 per cent of the total quantity and 63 per cent of the total acquisition value.

40. The Board further noted that the status of 94 items, amounting to $95,398.82, was "not in good condition", accounting for 16 per cent of the total quantity and 14 per cent of the total acquisition value.

41. UNEP stated that items marked "not ROE/Europe office" were computers acquired in Geneva between 2007 and 2011, and had been initially recorded under the cost centre of the Regional Office for Europe, but did not actually belong to the Regional Office. The items marked "not in good condition" were equipment that had been damaged, or was defective or not in use.

42. The Board is concerned that the inconsistency between accounts and physical items is not conducive to grasping the full picture of the assets, and management costs may increase if the damaged/old assets are not disposed of.

43. **The Board recommends that UNEP, in coordination with the Regional Office for Europe, analyse the assets wrongly recorded and adjust them to reflect the appropriate cost centre.**

44. **The Board also recommends that UNEP check the list of assets regularly, and dispose of the assets that have been damaged and cannot be used in a timely manner.**

45. UNEP accepted the recommendations.

4. Strategy management

Incomplete implementation of the United Nations Environment Programme Strategy for South-South and Triangular Cooperation

46. In response to the note by the Secretary-General in 2016 entitled "Framework of operational guidelines on United Nations support to South-South and triangular cooperation" (SSC/19/3), UNEP issued the UNEP Strategy for South-South and Triangular Cooperation in February 2020. The Board noted several deficiencies in the implementation of the Strategy:

(a) Insufficient allocation of resources to South-South and triangular cooperation

47. In his note, the Secretary-General stated that, for South-South and triangular cooperation to have its intended impact, it was necessary to take actions including ensuring adequate funding from agency budgets. The UNEP Strategy for South-South and Triangular Cooperation specifically states that 0.5 per cent of core funding would be allocated to South-South cooperation. However, UNEP has no mechanism in place to prioritize budget allocation for such cooperation.

48. The UNEP South-South cooperation exchange mechanism was used as an example of the mainstreaming of South-South and triangular cooperation in the Secretary-General's note in 2016, which introduced the former practice of UNEP, which included setting up South-South cooperation units and online communities of practice on South-South cooperation and establishing a working group/mechanism within the inter-agency structure. However, the Board was informed that, following organizational restructuring in 2020, the South-South Unit had been integrated into the Policy Coordination Unit of the Policy and Programme Division. Since then, no divisional or regional South-South cooperation focal points had been appointed to facilitate knowledge-sharing on South-South and triangular cooperation or to raise awareness of such cooperation, as set out in the Strategy.

49. UNEP explained that it had conducted a streamlined approach to the investment of human resources and organizational resources in the guidance and oversight of South-South and triangular cooperation at the programme level. UNEP also emphasized that most of its communities of practice and exchange networks facilitated and enabled the exchange of knowledge among global South members, and that, instead of UNEP creating new sector and/or topic-centred platforms and mechanisms, such exchanges should be integrated into existing ones.

50. The Board is of the view that South-South and triangular cooperation is a United Nations system-wide priority and represents an efficient and cost-effective way to step up efforts to meet the Sustainable Development Goals, to fulfil climate-related commitments and to safeguard biodiversity. Therefore, the lack of a core budget guarantee for South-South and triangular cooperation, along with streamlined but inadequate human and organizational resources, may affect the quality of the implementation of the UNEP Strategy for South-South and Triangular Cooperation.

(b) Inadequate tools to enable systematic monitoring and reporting

51. In the UNEP Strategy for South-South and Triangular Cooperation, it is stated that UNEP would enhance focus on South-South and triangular cooperation with the analytical monitoring and reporting of such activities at all levels. Key actions included featuring South-South and triangular cooperation in project performance reviews and systematically including South-South and triangular cooperation activities in quarterly reports, programme performance reviews and other UNEP report material. In addition, the Policy Coordination Unit is responsible for overall corporate reporting on such cooperation and on the progress of the implementation of

the Strategy to Member States (including programme performance reviews, quarterly reports and annual reports) and reports of the Secretary-General.

52. The Board reviewed a sample of these reports and noted that none of the frameworks of the programme performance reports, quarterly business reviews and the quarterly reports to the Committee of Permanent Representatives included a section or part on South-South and triangular cooperation. In addition, the sampled reports did not include any mention of such cooperation. The Board found only two sentences related to South-South and triangular cooperation in two quarterly reports out of all seven reports from 2020 to 2022.

53. In addition, one of the key actions in the Strategy is the review and adjustment of fields in the Programme Information Management System. However, the Board noted that there was little information related to South-South and triangular cooperation and no dedicated check-box or tag for such cooperation in the Programme Information Management System, thus there were few ways to access information on such cooperation in the System.

54. UNEP explained that in the quarterly report to the Committee of Permanent Representatives a section entitled "Cross-cutting issues" would feature South-South and triangular cooperation activities if any had been completed during the reporting period. Ongoing activities would not be reported every period.

55. UNEP also explained that there was no dedicated place for information on South-South and triangular cooperation. The information was manually extracted through word searches, or by the partly automated filtering of a Power BI tool to bring up projects that included South-South and triangular cooperation-related language, which was then reviewed individually to verify South-South and triangular cooperation activities. As an improvement, the Policy and Programme Division was currently working with the United Nations Secretariat team that was developing the integrated planning, management and reporting solution to facilitate the capture, monitoring and reporting of South-South cooperation.

56. The Board is of the view that UNEP needs to improve its South-South and triangular cooperation-related work both operationally and technically, as most of its mandates and businesses are implemented through projects and UNEP has made a pledge to strengthen South-South and triangular cooperation in its medium-term strategy for 2022–2025. More significantly, "screen[ing] agency programmes and projects for inclusion of South-South and triangular cooperation", as stated in the Secretary-General's note (SSC/19/3), is one of the catalytic actions for mainstreaming South-South and triangular cooperation in the United Nations Sustainable Development Cooperation Framework process.

57. **The Board recommends that UNEP develop a plan to implement its Strategy for South-South and Triangular Cooperation with adequate funding and human resources, and reinforce project implementation reporting when appropriate.**

58. UNEP accepted the recommendation.

Unclear resource mobilization responsibilities of the regional offices

59. Section 5, entitled "Enabling factors for success", of the UNEP resource mobilization strategy 2021 stated that to increase the ability of UNEP to tap into various potential funding sources not only globally, but also regionally and nationally, the regional offices would play a central role in resource mobilization for all sources of funding, with stronger support from UNEP headquarters, which would require investment in building stronger structures and building increased capacity.

60. The Board noted that the resource mobilization responsibilities of the regional offices were not set out clearly in the resource mobilization strategy. In addition, a coordination mechanism required for funding streams, funding plans and a funding pipeline from Member States had not yet been established.

61. The Board also reviewed the workplans for 2022 of the Regional Office for Europe and the Regional Office for West Asia, and noted that there were no resource mobilization objectives and deliverables.

62. UNEP explained that the individual staff members, including key liaison staff in field and regional offices, were assigned resource mobilization responsibilities that were included in their workplans. Resource mobilization in the regional offices was guided by the corporate resource mobilization strategy. Objectives in terms of reaching out to Member States were agreed and reviewed on a quarterly basis with the Partnerships and Resource Mobilization Branch at UNEP headquarters. In that context, senior management of the regional offices supported corporate-wide efforts, for example through bilateral dialogues with Member States.

63. The Board is of the view that effective resource mobilization is essential to implementing the activities of UNEP and to the realization of the programme of work and the medium-term strategy for 2022–2025.

64. **The Board recommends that UNEP clearly define the responsibilities of the regional offices in implementing the corporate resource mobilization strategy to enhance resource mobilization from different types of funding sources.**

65. UNEP accepted the recommendation.

Insufficient financing of the general trust fund for financing activities on research and observations on the Vienna Convention

66. In decision XII(II)/2 of the twelfth meeting of the Conference of the Parties to the Vienna Convention for the Protection of the Ozone Layer, issued in November 2021, the Conference of the Parties noted with great concern that the resources available in the trust fund were not sufficient to enable substantial and sustainable improvements to be made to the global ozone observing system, and requested the Ozone Secretariat to continue to invite parties and relevant international organizations to make financial and/or in-kind contributions to the trust fund.

67. The Conference of the Parties, which is held every three years, had requested the same thing at its tenth and eleventh meetings.

68. Since the establishment of the trust fund in 2003, 16 parties had funded 19 activities with a total funding of $503,522 as at 30 November 2021. An additional $486,546 was required for the activities of the nine proposals considered and adopted by the Advisory Committee of the trust fund during that period. As at 30 September 2022, the total income of the trust fund, including interest and exchange gains and losses, was $704,112.16, leaving a funding gap of $285,955.84.

69. The Ozone Secretariat explained that the Advisory Committee raised funds through the networks of the Vienna Convention and UNEP, but that the results were not obvious. The Advisory Committee reported the difficulties it had in fundraising to the Conference of the Parties, and the Conference of the Parties took note of the report but had not yet acted. The Ozone Secretariat intended to raise funds through a general invitation, and would continue to raise funds for specific high-quality projects selected by the Advisory Committee.

70. The Board is of the view that the remaining funds are still far from enough to support the nine proposals. In addition, the effectiveness of the high-quality project-

based financing method being implemented by the Ozone Secretariat is open to question.

71. **The Board recommends that UNEP, in coordination with the Ozone Secretariat, undertake an internal assessment before the next Conference of the Parties on how fundraising may be further improved.**

72. UNEP accepted the recommendation.

5. Programme and project management

(a) Engaging partners and partnership management

Need to strengthen controls on partnering with entities with critical risk levels

73. According to the 2016 version of the UNEP programme and project management manual, the process of due diligence screening involves a list of screening questions divided into three categories. A colour code is assigned: red (exclusionary rules), yellow (caution) and green (positive screening). The red (exclusionary rules) category contains a list of questions that reflects the minimum criteria that all United Nations agencies are expected to apply to for-profit organizations, based on the Guidelines on a Principle-based Approach to the Cooperation between the United Nations and the Business Sector. An answer of "yes" to one (or more) "red" questions indicates that UNEP should not form any kind of partnership with the proposed partner.

74. As indicated in the UNEP Partners Portal, from 1 January 2021 to 30 September 2022, 15 private entities were assessed as having moderate or critical risk levels; of those 15 entities, 8 were assessed as having critical risk levels. The Board found that these approved partners represented high reputational risks owing to their alleged engagement in or financing of the military and/or the weapons industry, and allegations of fraud, corruption, bribery and money-laundering, especially with regard to acts that damaged the environment to various degrees, such as global and local pollution, the burning of forests, greenhouse gas emissions, mining and so on. Four of the eight private entities assessed as having critical risk levels were members of the United Nations Global Compact and were in breach of from three to seven of its principles in 2021 and 2022, respectively.

75. Taking one of the eight entities above as an example, an entity had been a member of the UNEP Finance Initiative project and had contributed a total of $163,624 since 2015. As required in the Initiative's project documentation, a partner should not pose any reputational risk to UNEP. However, according to the rating of an independent agency hired by UNEP to evaluate environmental, social and governance risks, the entity had breached seven principles of the Global Compact related to climate change, global and local pollution and greenhouse gas emissions in the past two years. In addition, the entity was reportedly involved in controversies that included processing transactions with drug cartels and parties involved in illegal gold mining, resulting in a medium environmental, social and governance risk exposure rating by the agency.

76. UNEP explained that based on its analysis of the partner, it had taken the decision to raise the level of caution and assign a high reputational risk to the entity, triggering the development of stronger mitigation measures, thus grounding actions on a factual assessment of the partners, bearing in mind the best interests of the organization.

77. The Board further noted that in the entity's report on its environmental, social and governance ratings, which could be publicly accessed on the homepage of its official website, the name and logo of UNEP were frequently used to indicate the

entity's engagement in the UNEP Finance Initiative and its compliance with the Principles for Responsible Banking.

78. UNEP responded that in principle, and in accordance with the programme and project management manual and the partnership policy and procedures, the existence of exclusionary criteria under the red category might lead to the exclusion of the entity if the existence of such exclusionary criteria was indeed substantiated. However, in practice, a "yes" to one or more of the listed questions did not automatically imply that the proposed partner was not suitable. A partnership could still be developed after due review of the facts, conducted by the Partnership Committee, to ascertain the substance of the allegations in the light of certain conditions and risk mitigation measures. UNEP further highlighted that its mandate included bringing about profound transformational change, including by engaging with "high risk" partners to foster such transformational change in key environmental or polluting sectors. A potential partner could not be excluded solely on the basis of allegations. Such allegations needed to be substantiated. If UNEP refused to engage with "high risk" partners, it would not be able to deliver on its mandate: UNEP would miss opportunities to have a positive impact on major organizations which were currently causing adverse environmental effects. In line with UNEP risk management guidelines, risks were identified, assessed and monitored accordingly. By adopting a risk monitoring plan, UNEP reduced the residual risk associated with partnering with the entity, and accepted the risk in order to have a potential positive impact on the entity's environmental, social and governance ratings.

79. The Board is of the view that partnering with entities assessed as having critical risk levels, especially those that breach the Global Compact principles, was inconsistent with the programme and project management manual and may pose a reputational risk to UNEP.

80. **The Board recommends that UNEP reinforce its procedures for the review of critical risk level entities in compliance with the regulations of the updated programme and project management manual and the revised partnership policy and procedures, and rigorously form the partnership in accordance with the results of due diligence and risk assessments to reduce the likelihood of reputational risk posed to UNEP.**

81. UNEP accepted the recommendation.

Lack of standards for partner review by the Partnership Committee

82. According to the 2016 version of the programme and project management manual, a full dossier needs to be submitted to the Partnership Committee if a decision of the Partnership Committee is required. The Partnership Committee will hold a meeting to review the dossier, and such a meeting will be held no later than 10 working days after the submission of the dossier. The Committee will communicate its decision or conclusion to the requesting officer within five working days of its meeting.

83. The Board noted that 16 partners had been reviewed by the Partnership Committee from 1 January to 30 September 2022 and found the following areas for further improvement:

(a) Incomplete partners' dossiers were submitted to the Partnership Committee. All 16 partners' dossiers lacked approved project documents, and four lacked information on the proposed partner, such as its status, mission statement and key corporate social responsibility policies;

(b) Review comments were too simple. Review comments containing decisions and/or conclusions provided by Partnership Committee members were too simple to be substituted for the minutes of the review meeting. Ten comments contained simple responses such as “No objection” or “Approval”, or consisted of just a single sentence from the majority of the four Committee members;

(c) Conclusion were overdue. Nine decisions and/or conclusions were overdue; the longest delay was roughly four months.

84. The Board further noted that there was no standard template setting out explicit criteria that Committee members could apply in a uniform manner.

85. UNEP explained that the mandatory records were those outlined in the due diligence section in the partnership policy and procedures of 2011. Furthermore, the guidance in section 5 of the partnership policy and procedures of 2011 did not list the relevant project documents and information on the proposed partner as mandatory requirements, but rather as examples of documents which might be relevant to the Partnership Committee’s review.

86. UNEP further explained that partner reviews by the Partnership Committee had been conducted online through the Partners Portal since the Portal had been put into service in 2018, rather than by holding Committee meetings. At present, and only in rare cases, meeting minutes would be prepared to record the review and discussion process. Generally, there were no written documents to record the review process other than the Partnership Committee members’ comments on the Partners Portal.

87. The Board is of the view that it is essential that members of the Partnership Committee conduct an adequate review on a proposed partner’s qualifications and fit for the project’s purpose.

88. The Board is concerned that the delayed decisions and/or conclusions given by Partnership Committee members upon review may lead to the delay in the progress of a project.

89. **The Board recommends that UNEP establish a standard template for partner review by the Partnership Committee that includes explicit criteria for review comments.**

90. UNEP accepted the recommendation.

(b) Project information management

Insufficient tracking data in the integrated planning, management and reporting solution for OzonAction projects in the chemicals and pollution action subprogramme

91. According to the 2016 version of the programme and project manual, the project portfolio is planned through a process in which UNEP identifies the types of projects needed to achieve the results in the medium-term strategies and programmes of work. Projects are time-bound interventions with specific funding envelopes that address a defined set of results within an identified implementation context or geographic area. For each subprogramme, the project portfolio outlines the concepts of projects which are to be implemented over the four-year period of the medium-term strategies.

92. As at 31 December 2022, according to the integrated planning, management and reporting solution, there were a total of 344 projects relating to the subprogramme on chemicals and pollution action, of which 224 were OzonAction projects.

93. The Board noted that there were 157 projects in the chemicals and pollution action subprogramme that had no tracking data (i.e. there were no project indicators in the integrated planning, management and reporting solution or in the Programme Information Management System); 121 were OzonAction projects and accounted for 77 per cent of the 157 projects. The Board further noted that the proportion of projects

with delayed start dates during 2020, 2021 and 2022 were 44 per cent, 51 per cent and 49 per cent, respectively.

94. UNEP responded that the OzonAction projects were not captured in the Programme Information Management System since the projects were considered more of a multilateral environmental agreement than a programme of work. UNEP also indicated that OzonAction projects represented 34 per cent of the value of the subprogramme portfolio and that all projects implemented by the OzonAction Branch from May 2021 were recorded in both the new integrated planning, management and reporting solution and the Programme Information Management System.

95. The Board is of the view that the OzonAction projects account for the majority of activities of the chemicals and pollution action subprogramme, and that insufficient tracking data on these projects would influence the achievement of the targets of the subprogramme.

96. **The Board recommends that UNEP complete the tracking data of projects (i.e. project indicators in the integrated planning, management and reporting solution), to enhance the monitoring of OzonAction projects in the chemicals and pollution action subprogramme.**

97. UNEP accepted the recommendation.

(c) Project assessment

Insufficient implementation of evaluations on subprogrammes

98. It is stated in the UNEP evaluation policy that the Evaluation Office will aim to achieve evaluation coverage across all seven subprogrammes over a six-year period (1.2 subprogramme evaluations per year) as required by the United Nations Secretariat's administrative instruction on evaluation in the United Nations Secretariat (ST/AI/2021/3).

99. It was indicated in the proposed programme budget for UNEP for 2022 (A/76/6 (Sect. 14)) that the approach to evaluate the programme of work within the medium-term strategy for 2022–2025 would involve systematic evaluations of the subprogrammes and their project portfolios, and the evaluation of the climate action subprogramme was proposed for completion in 2022.

100. The Board noted that the evaluation of the climate action subprogramme had not been completed by the end of 2022.

101. The Board then reviewed the public disclosure website for evaluation reports (www.unep.org/evaluation-office), and found that there were only three subprogramme evaluation reports in the past six years, including evaluations on the subprogrammes entitled "Resource efficiency", "Environment under review" and "Environmental governance".

102. The Board conducted an analysis and comparison of programme delivery reports in January 2023 for the unevaluated subprogramme on climate action and the evaluated subprogramme on environmental governance, and noted that the environmental governance subprogramme performed much better than the climate action subprogramme in many aspects, including the ratio of "red" projects, the ratio of expired projects, the number of activities completed and the amount of the budget spent.

103. The Board is of the view that an evaluation assesses the overall performance of the relevant subprogrammes and plays a critical oversight role in evaluating the extent to which UNEP has achieved its planned results for the programme of work and medium-term strategy.

104. UNEP explained that the implementation of the subprogramme evaluation had been delayed owing to reduced staff capacity, which was being addressed by new recruiting efforts.

105. **The Board recommends that UNEP give priority to subprogramme evaluations and take active measures to reach the coverage targets set out in ST/AI/2021/3.**

106. UNEP accepted the recommendation.

Insufficient terminal and mid-term assessments of projects in the Programme Information Management System

107. In accordance with the regulations and guidelines on the UNEP intranet, UNEP conducted two types of project assessments: evaluation and review. The former were conducted by the Evaluation Office or consultants contracted by the Office and the latter were conducted by project teams under the responsibility of a project manager. All projects were subject to terminal assessments (evaluation/ review), while projects that had been under implementation for four or more years were subject to mid-term assessments (evaluation/review).

108. The Board reviewed a sample of 70 projects in the Programme Information Management System and noted that:

(a) Of the 23 sampled "completed" projects, only 11 terminal evaluation reports or terminal review reports were received;

(b) Of the 47 sampled projects with a duration of four or more years, none of the mid-term review reports were provided.

109. UNEP explained that there should be a performance assessment (a review, an evaluation or an operational completion report) for completed projects. Meanwhile, the Evaluation Office only undertook mid-term evaluations in exceptional circumstances and the evaluation policy required the Office to select projects for evaluation on a strategic and representative basis. Sometimes, when projects with more than three years of implementation were extended by a year, they were deemed to be too close to their end date for a mid-term review.

110. The Board is of the view that project assessment is critical to the results-based management approach and essential to adaptive management. Ignoring the assessment of projects in the Programme Information Management System will result in insufficient information on the overall progress and outcome of these projects and will go against the achievement of the programme of work and the medium-term strategy.

111. **The Board recommends that UNEP perform terminal assessments on the sampled completed projects in the Programme Information Management System, and that the respective managing divisions provide or perform mid-term assessments on the 47 sampled projects in the System with a duration of four years or more as required.**

112. UNEP accepted the recommendation.

(d) Global funds

Imbalanced Global Environment Facility project allocation among task managers

113. According to UNEP, a task manager's duties include: (a) GEF and other project identification and development; (b) supervision of project implementation; and (c) knowledge management and data management.

114. The Board noted that the overall GEF portfolio comprised nearly 90 personnel, of whom 32 performed their duties as task managers and the rest provided substantive administrative and financial management support. As at 30 September 2022, 283 UNEP-GEF projects, with an approved budget of $1 billion, were under implementation. These projects were overseen by the 32 task managers, for an average of 8.8 projects and $31.31 million in project funds for each task manager. However, the top five task managers monitored a total of 106 projects (including standard enabling activities) with a budget of $304.76 million. Each of those managers monitored 15 projects or more at the same time, and the task manager with the highest number of projects managed 32 projects with a combined budget of $98.31 million.

115. As at 30 September 2022, 28 projects, constituting 10 per cent of the overall ongoing GEF projects, had exceeded their planned completion dates. Among the 55 projects that had been extended for more than three years, 49 (89 per cent) were monitored by task managers who had more projects than average.

116. UNEP attributed the slow implementation of projects mainly to the COVID-19 pandemic, the slow responsiveness of governments and the changing of operational focal points. UNEP further explained that several factors influenced the allocation of projects, most notably the specific competencies of staff members (e.g. languages, area of expertise and previous experience). In addition, projects ranged in modality, scope, geographical coverage and complexity, and some more senior task managers were supported by assistants and consultants who helped them manage a larger number of projects.

117. The Board is concerned that the apparent higher workloads of some task managers may affect their prescribed duties.

118. **The Board recommends that UNEP assess the workload of incumbent task managers of GEF projects and formulate a response plan to mitigate the potential imbalance of project allocations.**

119. UNEP accepted the recommendation.

Constant no-cost extensions of Global Environment Facility projects

120. According to the 2016 version of the programme and project management manual, extensions justify a project revision; however, extensions should be exceptional as they increase the transaction costs for both UNEP and its partners and can result in poor performance ratings. A project manager should aim at delivering their results in line with the workplan and she or he is responsible for monitoring the delivery of a project and anticipating and mitigating problems as they arise to minimize the need for project extensions.

121. The Board noted that as at 30 September 2022, of the 283 GEF projects under implementation, 124 projects (44 per cent) had planned completion dates that were at least 12 months later than the original planned completion dates as stipulated in the agreements, meaning they were granted at least one no-cost extension. The original planned completion dates of 47 projects (17 per cent) were before 2020, which meant that they had already been delayed and extended before the COVID-19 pandemic.

122. The Board also noted that of the 11 projects that were closed between 1 January and 30 September 2022, 10 projects (91 per cent) experienced delays in the operational phase ranging from 10 to 40 months, and the projects were granted from one to three no-cost extensions.

123. UNEP explained that the delay of the projects was primarily due to the COVID-19 pandemic and for reasons such as natural disasters and political

challenges. In addition, financial closure after operational completion was influenced by the ability of UNEP to receive closure documentation from the executing agencies.

124. UNEP also explained that a request for a no-cost extension may arise when there was a justifiable programmatic requirement and the remaining project funds were sufficient to support the extension. UNEP stated that it followed the standard operating procedure for project extension, and noted that there were no specific regulations on the process, such as capping the number and length of extensions, or upgrading approval authorities for more than one extension. If UNEP were not to grant any extension, the alternatives would be either to transfer the project to another implementing agency or to cancel or suspend it, which would require government approval.

125. The Board is concerned that the granting of no-cost extensions by UNEP on an ordinary rather than an exceptional basis will not only increase transaction costs for both UNEP and the executing agency, but also affect the realization of the outcomes and outputs of the programme of work.

126. **The Board recommends that UNEP formulate more specific guidelines on no-cost extension and encourage project/task managers to minimize the need for project extensions.**

127. UNEP accepted the recommendation.

6. Information and communications technology

Deficiencies in information and communications technology governance and management

128. In its report on the financial reports and audited financial statements and reports of the Board of Auditors for the period ended 31 December 2021 (A/77/574), the Advisory Committee on Administrative and Budgetary Questions expressed concerns about the deficiencies in ICT governance, for instance the deficiencies in the governance framework, including the lack of clarity on the roles and duties of the Chief Information Technology Officer and the absence of governance bodies responsible for cross-cutting issues, such as ICT asset management, global sourcing and cybersecurity.

129. Following the concerns raised by the Advisory Committee, the Board reviewed the adequacy and effectiveness of the ICT governance and management of UNEP and identified the deficiencies set out below.

(a) Delayed issuance of a digital governance framework

130. A report on the progress of digital transformation in 2021 recommended that the 2014 UNEP ICT governance framework be revised and transformed into a new UNEP digital governance framework to direct the implementation of the strategic and operational plans for digital resources and to ensure that the plans aligned with the organization's direction.

131. The Board noted that the digital governance framework was still in draft format as of April 2023. However, the subprogramme on digital transformation, which should be governed by the digital governance framework, had officially begun its implementation in 2022.

132. The Board was informed that the finalization of the digital governance framework was waiting for review by the UNEP Chief Digital Officer before its submission to the UNEP senior management team for endorsement. The submission had been scheduled for October 2023, as that was the closest available timeslot for the senior management team.

133. The Board is of the view that the digital governance framework, which is aimed at providing UNEP a means to govern the strategic and operational outcomes of initiatives that fall under the digital transformation subprogramme in its medium-term strategy for 2022–2025, should be approved and issued promptly to ensure that the projects align with UNEP priorities and mandates.

(b) Inadequate performance of the Information and Communications Technology Committee

134. In its report on UNEP in 2019 (A/75/5/Add.7, para. 365), the Board noted that the ICT Committee meeting had not been held since 2017.

135. As part of the present audit, the Board inquired about the performance of the ICT Committee and requested its meeting minutes from 2021 and 2022. The Board was informed that the Committee had been discontinued and a new ICT Committee would be part of the digital governance framework.

136. The Board is of the view that a well-functioning ICT Committee is essential in establishing effective ICT governance that aligns with the overall objectives of UNEP.

137. **The Board recommends that UNEP strengthen its ICT governance and management by approving and issuing a digital governance framework and establishing a new ICT Committee.**

138. UNEP accepted the recommendation.

Incomplete transition to the integrated planning, management and reporting solution

139. The integrated planning, management and reporting solution, as part of Umoja Extension 2, offers a solution which attempts to manage United Nations programmes and projects from beginning to end and across funding sources. Staff and managers use the system to plan, manage, monitor and track projects, using a results-based management methodology.

140. The Executive Director of UNEP had signed a senior manager compact with the Secretary-General in which it said that UNEP would adopt Umoja Extension 2, use Umoja's functionality and take a leading role in the design and launch of the integrated planning, management and reporting solution.

141. The Board noted that as of October 2022, 18 projects implemented by the Regional Office for Europe were recorded in the solution, of which 10 were approved, 7 were under "draft" status and 1 was under "submitted" status. Of the 10 approved projects, 1 project included budget information and relevant supporting documents.

142. The Board further noted that UNEP still used the Programme Information Management System to manage and monitor projects. There were six ongoing projects managed by the Regional Office for Europe in the System, and project information was inconsistent between the integrated planning, management and reporting solution and the Programme Information Management System. In addition, these projects did not have sufficient information in the integrated planning, management and reporting solution while the transition was ongoing. Specifically, four projects did not have budget information and two did not have related supporting documentation, such as project documents and reports from the project review committee.

143. UNEP explained that several systems were used in parallel during the transition period because the dashboard, which functions as a monitoring tool, was only released in November 2022. UNEP was currently working with the United Nations Secretariat to fully transition to the integrated planning, management and reporting solution, including adding project information for ongoing projects beyond 2022.

144. **The Board recommends that UNEP complete the data enrichment of the ongoing projects in the integrated planning, management and reporting module according to the transition plan.**

145. UNEP accepted the recommendation.

Inadequacy of website security management

146. The United Nations ICT procedures on minimum security requirements for public websites of the United Nations state that public websites (directly accessible from the Internet) are inherently vulnerable to various types of attacks and therefore require, at a minimum, some basic security measures, and that all websites must have an assigned and accountable owner and be registered with the Office of Information and Communications Technology.

147. The Board noted that 27 websites (digital platforms) of UNEP, including three UNEP-owned or -hosted websites, had been developed as outputs of the digital transformation subprogramme in 2022. Two websites owned or hosted by UNEP were not registered with the Office of Information and Communications Technology. The first was the UNEP Law and Environmental Assistance Platform (LEAP) (https://leap.unep.org), which was widely used by the public and had 1 million users, while the second was UNEP Strata (https://unepstrata.org), a custom analytics platform on climate security.

148. UNEP explained that it had drafted a digital governance framework to ensure that UNEP websites and applications complied with the minimum security requirements as defined by the Office of Information and Communications Technology. The process of registering LEAP with Unite Apps was still slotted for implementation and was expected to happen in the course of 2023. Beyond that, other types of websites were not under UNEP governance and did not require registration under Unite Apps.

149. The Board is of the view that inadequate security management on the websites may increase the susceptibility of UNEP to cyberattacks and other security breaches.

150. **The Board recommends that UNEP enhance its website security management by registering the two hosted websites with the Office of Information and Communications Technology.**

151. UNEP accepted the recommendation.

Lack of several types of information on the Open Data portal

152. The Governing Council of UNEP (later the United Nations Environment Assembly) decided to enhance the transparency and openness of the work of UNEP in its decision 27/2 in 2013 (see UNEP/GC.27/17). At the same time, UNEP revised its policy on access to information, in which it was stated that it was critically important to disseminate and make accessible information concerning the work of UNEP or information generated though its programme, in particular with respect to environmental information, as widely as possible.

153. The UNEP Open Data portal (https://open.unep.org) is a primary website for information disclosure, especially information on projects. It was planned to be a publicly accessible project database and to include project information at the global, regional and country levels when initiated. The Board noted the deficiencies in the UNEP Open Data portal set out below.

(a) Insufficient and inaccurate project information in the Open Data portal

154. As at 20 April 2023, 1,425 projects had been established by UNEP but only 720 of them were included in the Open Data portal.

155. Of the 83 Green Climate Fund projects listed in the Open Data portal, the budgets of 12 projects were not precise. The status of 11 projects shown in the portal did not match the actual status. The end dates of 32 projects were more than 300 days earlier than the actual end dates. In addition, the OzonAction projects, which were funded by the Multilateral Fund under the Montreal Protocol on Substances that Deplete the Ozone Layer and managed by the OzonAction Branch of the Law Division, were not included on the portal.

156. UNEP explained that only ongoing projects in the Programme Information Management System were posted to the Open Data portal. The OzonAction projects were not captured in the Programme Information Management System since the programme was considered more of a multilateral environmental agreement than a programme of work. The budgets of the 12 Green Climate Fund projects in the Open Data portal were the approved budgets excluding the delivery partner fee, while the budgets of the other 71 Green Climate Fund projects included the fee.

157. The Board is of the view that information on all active projects in the Programme Information Management System and the OzonAction projects needs to be disclosed.

158. UNEP further explained that this was not a requirement and/or objective of the organization, but that it would strive to include information on 75 per cent of all active projects, including OzonAction projects.

(b) Lack of safeguard information

159. The UNEP implementation guidelines on safeguards for environmental and social sustainability and the UNEP Environmental and Social Sustainability Framework policy both state that safeguard information and safeguard-related documents should be disclosed to the public through the UNEP Open Data portal. Examples of the information and documents include a safeguard risk identification form, an assessment report and management plans. For projects with moderate risk or high risk, there are dedicated waiting periods prior to approval and dedicated types of documents used for disclosure.

160. The Board noted that neither information nor documentation on safeguard-related issues for projects were provided on the Open Data portal. For the projects in the Programme Information Management System, there was not even a specific webpage dedicated to project documentation on the portal.

161. UNEP explained that, owing to an issue with the Programme Information Management System, the Open Data portal was unable to display the safeguard documentation, including the safeguard risk identification form, while some projects funded by GEF or the Green Climate Fund might have relevant information on the portal. UNEP also explained that most Programme Information Management System projects had a low safeguard risk, while nearly half of the GEF/Green Climate Fund projects were in the moderate risk category, which made it more important to disclose their safeguard information to the public and to local stakeholders.

162. The Board is of the view that safeguard information is crucial to the integration of economic and social dimensions with environmental issues.

(c) Lack of information on the Sustainable Development Goals

163. The Data Strategy of the Secretary-General for Action by Everyone, Everywhere, states that the United Nations must accelerate a shift in its data and analytics abilities to drive the decade of action for the Sustainable Development Goals. The Strategy also indicates how to get more relevant, disaggregated and timely data to track, predict and accelerate progress on the Goals.

164. The Board noted that there was no specific part or page on the UNEP Open Data portal for an overview of the Sustainable Development Goals, especially the Goals related to environmental issues. Meanwhile, there was no public information available on the Goals for any project.

165. UNEP explained that the Programme Information Management System did not have a field dedicated to the Sustainable Development Goals, but the integrated planning, management and reporting solution did have fields that indicated the alignment of projects to the Goals.

166. The Board is of the view that all projects (including the GEF/Green Climate Fund projects) should be linked to specific Sustainable Development Goal(s) at the beginning of project life cycle and that all UNEP activities should be framed in the context of the 2030 Agenda for Sustainable Development and the decade of action to deliver the Sustainable Development Goals and beyond. Thus, the Goals for all projects need to be disclosed to the public, especially the 25 Goals and targets for which UNEP acts as the custodian.

167. **The Board recommends that UNEP consider publishing 75 per cent of active projects' information and conducting a quarterly review on the updating of Open Data portal content to help ensure the integrity, accuracy and consistency of the voluntary information disclosures.**

168. **The Board recommends that UNEP disclose the safeguard information and information on Sustainable Development Goals when the safeguards and gender online system and the integrated planning, management, and reporting solution, respectively, are ready.**

169. UNEP accepted the recommendations.

7. Human resources management

High vacancy rates in the Regional Office for West Asia

170. In paragraph IV.113 of the first report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2023 (A/77/7), the Advisory Committee noted the number of vacant posts in UNEP, including at the Director levels, and trusted that the Secretary-General would redouble his efforts to fill all vacant posts expeditiously.

171. The Board reviewed the staffing list of the Regional Office for West Asia and noted that as at 30 September 2022, 16 of 33 positions (48 per cent) were vacant, including 8 professional positions. Furthermore, four of the eight professional positions were for regional subprogramme coordinators who were responsible for the coordination of a specific subprogramme in the region.

172. The Board was informed that the delays in filling vacancies were due to two major factors, namely procedures and the non-availability of qualified applicants. The staff recruitment process was lengthy and multilayered across UNEP and at the United Nations Office at Nairobi. On several occasions, there were difficulties in finding qualified applicants that fully met the requirements of the posts, and some job applicants did not pass the assessments. In addition, the Regional Office for West Asia

announced its relocation from Bahrain to Lebanon in July 2021, which resulted in the departure of some staff and the need to hire a large number of staff to replace them.

173. The Board is of the view that a high vacancy rate, especially for vacancies of professional positions such as the regional subprogramme coordinators, may delay or slow down the delivery of the programme of work.

174. **The Board recommends that the Regional Office for West Asia, together with the UNEP Human Resources Section in cooperation with the United Nations Office at Nairobi, establish a plan to fill long-standing vacant positions.**

175. UNEP accepted the recommendation, and the plan was established accordingly as of May 2022, with a recruitment completion date prior to December 2023.

8. Procurement management

Modality of pre-selection procurement bypasses monitoring

176. Section 1.4 of the United Nations Procurement Manual requires that the general principles of fairness, integrity and transparency be given due consideration. Section 6.8.2 of the United Nations Office for Project Services (UNOPS) Procurement Manual states that pre-selection takes place when a funding source has, in compliance with its own applicable rules, regulations and procedures, selected a service provider/ contractor and requested UNOPS to engage or employ the service provider/contractor.

177. The Board noted that the UNEP Vienna Programme Office submitted two requests to UNOPS to engage a pre-selected entity for the provision of information technology equipment for a total amount of $60,371.44. In the official letter of pre-selection, UNEP recognized and agreed that UNOPS would not be accountable, or otherwise carry liability, for the performance of the pre-selected entity.

178. The Board also noted that the UNEP Copenhagen Climate Centre, through the UNOPS pre-selection modality, purchased technical writing services in the amount of $48,973.75. Neither UNEP nor UNOPS can provide relevant evidence to prove that these purchases had met the requirements of the procurement process. Furthermore, all the above pre-selection modalities bypassed the approval of the UNEP supply chain management team.

179. During the interim audit for the financial year 2022, the Board had noted the three pre-selection orders, and had recommended that UNEP issue operational guidance on the pre-selection modality for service providers. UNEP fulfilled the recommendation of the interim audit and issued the guidance in March 2023.

180. The Board further noted that the pre-selection procedures were not explicitly recorded in Umoja, which did not facilitate their monitoring.

181. UNEP explained that the supply chain management team would include this element in its quarterly reports to its director. In addition, the team had already proposed to canvass the organization in the fourth quarter of 2023 to gather data on any pre-selected procurement services requests that might be executed by service providers outside the guidance provided. The supply chain management team would report its findings to senior management in the fourth quarter of 2023.

182. The Board is concerned that the lack of traceability of pre-selected transactions in Umoja may lead to deviations from the operational guidance issued, and the subsequent risk of circumvention of normal solicitation may have a negative impact on the principles of fairness, integrity and transparency in procurement.

183. **The Board recommends that UNEP develop a plan to monitor the pre-selected vendor modality.**

184. UNEP accepted the recommendation.

Lack of a consolidated long-term strategic plan on sustainable vehicle asset management in line with United Nations Environment Programme emission reduction initiatives

185. The UNEP Global Electric Mobility Programme supports more than 50 low- and middle-income countries with the shift from fossil fuel to electric vehicles. Reports on the UNEP website for the Programme point out that in the past 20 years, electric vehicles had experienced significant technological developments that had not only lowered their costs but also reduced their environmental footprint and increased their utility, and that the introduction of electric vehicles in fleets was often the first step to overcoming challenges and barriers to electric mobility and was critical to its wider adoption around the world. In addition, reports on the UNEP website also revealed that ageing cars were bogging down the battle against climate change, and identified the negative impact of old vehicles on the environment, including the emitting of dangerous fumes, exposing people to high levels of air pollution.

186. The Board noted that 7 new cars purchased by UNEP from 2018 to 2022 were petrol/diesel-powered vehicles, while UNEP had 27 vehicles in use, almost all of which were petrol/diesel-powered vehicles.

187. The Board was informed that the majority of these cars were located in countries and rural regions where no electric vehicles were being sold or where companies that were selling them could not provide after-sales services (i.e. maintenance) for the vehicles, which was one of the requirements of the United Nations for procuring cars.

188. The Board conducted an analysis of UNEP vehicle assets and noted that of the 27 cars, 19 of had exceeded their useful life according to IPSAS, accounting for more than 70 per cent of the existing vehicle assets. In addition, 11 vehicles had been used for more than 10 years. For instance, one vehicle's service life was over 18 years, which was two times longer than the IPSAS estimated useful life.

189. The Board was informed that the applicable useful life of a vehicle according to United Nations standards was six years but, based on the usage of the vehicles, the operational useful life could vary. UNEP reiterated the importance of taking into consideration the conscientious budget management of donor funds when replacing vehicles, and that the vehicle that had been in operation for more than 18 years, pending budget approval, would be replaced with a hybrid or fully electric vehicle in 2023.

190. UNEP explained that it had demonstrated numerous efforts to encourage the purchase of clean energy vehicles and the replacement of old cars. However, the organization was limited by various factors such as the rural context of the operations, budget constraints and donor expectations, the availability of electric vehicles in the market and United Nations requirements for after-sales services.

191. UNEP was actively exploring feasible solutions to these constraints. Its leadership actions on the matter had resulted in the establishment of an appropriate electric infrastructures and after-sales services in Nairobi in early 2023, allowing United Nations agencies in the country to procure fully electric cars. In addition, UNEP had drafted a policy proposal for the United Nations Secretariat to begin switching to electric vehicles where possible.

192. The Board is of the view that UNEP, despite its various initiatives, lacks a consolidated long-term strategic plan on sustainable vehicle asset management in line with its own emission reduction initiatives, and believes that a strategic plan could strengthen the ongoing initiatives, which could enhance the role of UNEP as a pioneer and as an authoritative organization on environmental protection.

193. **The Board recommends that UNEP establish a long-term strategic clean fleet management plan, including a replacement plan for its old vehicles and a procurement plan for accelerating the transformation to zero-emission vehicles.**

194. UNEP accepted the recommendation.

Lack of systematic vendor performance evaluations

195. Section 13.1.1 of the Procurement Manual states that contract management refers to all actions undertaken after the award of a contract and covers activities such as vendor performance monitoring, payments, contract closure, record retention and maintenance of the contract file, and that the primary goal of contract management is to ensure that quality goods and services, in the right quantity, are delivered on time and in accordance with the agreed-upon contract terms. Section 7.3 of the Procurement Practitioner's Handbook states that effective communication is facilitated by a written reporting system that highlights progress and problems and measures them against expected performance and results, and that once the contract has been awarded, the responsible procurement officer, or the requisitioner, monitors performance, collects information and measures actual contract achievement, which is essential for effective control.

196. The Board noted that UNEP did not manage vendor performance evaluation in a systematic manner, and that there was no centralized register and reporting system for the performance of these vendors.

197. UNEP explained that contract administration or contract management functions were under development as part of the new supply chain management strategy. Furthermore, requisitioners were enrolled in a requisitioner training programme in which contract administration, including vendor performance evaluation, would be covered and be fully applied moving forward. In the meantime, the UNEP supply chain management team had expressed the commitment of UNEP to participating in the vendor performance rating tool currently being developed for the United Nations Global Marketplace.

198. The Board is concerned that the lack of a register and reporting system for vendor performance will hinder management in contract administration.

199. **The Board recommends that UNEP annually summarize and check the implementation of vendor performance evaluation, and track and record performance of the contracts with vendors according to the requirements of contract management in the Procurement Manual.**

200. UNEP accepted the recommendation.

C. Transmissions of information by management

1. Write-off of cash, receivables and property

201. In accordance with financial rule 106.7, UNEP reported that there were write-offs of accounts receivable and advances amounting to $88,380 in 2022, and no write-offs in cash assets.

2. Ex gratia payments

202. UNEP reported no ex gratia payments in 2022.

3. Cases of fraud and presumptive fraud

203. 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.

204. 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.

205. The Board also enquired whether management had knowledge of any actual, suspected or alleged fraud. In 2022, UNEP reported three cases of fraud and presumptive fraud that were under investigation.

D. Acknowledgement

206. 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*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors
(Lead Auditor)

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

(*Signed*) Pierre **Moscovici**
First President of the French Cour des comptes

26 July 2023

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2021

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
1.	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.	This recommendation is handled by the Department of Management Strategy, Policy and Compliance at United Nations Headquarters, as the Administration expected a multi-agency approach towards the useful lives would provide greater transparency among organizations and provide needed results. The determination of new useful lives was expected to be completed in March 2022, with updates to United Nations corporate guidance and policies afterward. Headquarters has communicated to the Board that the process of updating the useful lives in Umoja would be done centrally and take effect on 1 January 2023.	Given the updated information, this recommendation is considered as having been overtaken by events.				X
2.	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.	The Executive Director's recent official announcement of the delivery model on 7 October 2022 has enabled harmonization among the respective modules that make up the programme and project management manual. Hence, progress is on track for the manual's delivery before 31 December 2022.	Given that the revised programme and project management manual regulates supervisors' roles and responsibilities, 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
3.	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.	The relevant division/unit heads have cleared 5 of the 11 chapters of the programme and project management manual. Those chapters will be uploaded to the "weCollaborate" website (https://weCollaborate.unep.org) and the UNEP website. The rest of the chapters will be uploaded by the end of December. Two chapters (on legal agreements and on financial management) are pending clearance by department heads. Three chapters are also pending as the new delivery model becomes fully operational. One chapter is pending the finalization of the UNEP guidelines on publications.	Given that the revised programme and project management manual regulates supervisors' roles and responsibilities, this recommendation is considered implemented.	X			
4.	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 is now fully rolled out and the wider GEF portfolio has been actively entering all new projects. Considerable effort was made to enrich information on old/converted projects to the extent possible. Access to the entire database of the integrated planning, management and reporting solution was requested by the Office of the United Nations Controller.	The Board noted that, as the GEF portfolio enhancement in the integrated planning, management and reporting solution is still under way, 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
5.	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 is now fully rolled out and the wider GEF portfolio has been actively entering all new projects. Considerable effort was made to enrich information on old/converted projects to the extent possible. Access to the entire database of the integrated planning, management and reporting solution was requested by the Office of the United Nations Controller.	The Board noted that, as the GEF portfolio enhancement in the integrated planning, management and reporting solution is still under way, this recommendation is considered to be under implementation.		X		
6.	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.	This recommendation will be implemented through the revised partnership and procedures policy planned to be endorsed by March 2023, the renewed delivery model, the 2023 budget allocation process, a process on strengthening project management and the quarterly business review reporting process.	The Board noted that the partnership and procedures policy was not endorsed by March 2023 as planned. Therefore, this recommendation is considered to be under implementation.		X		
7.	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.	This functionality in the integrated planning, management and reporting solution has been implemented in UNEP to segregate project information by country. Each log frame element (objective outcome, outputs) could have country information.	The Board noted that UNEP made efforts to perform the analysis of the execution of project activities and monitoring by country. However, the information on budgeting and resource allocation by country still could not be collected. With regard to the sampled offices (Regional Office for Latin America and the Caribbean and Regional Office for Africa) shown in the 2019 audit report, there is no supporting documentation on whether the		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
					two offices have a control mechanism for systematically monitoring the activities implemented in multiple countries. Therefore, this recommendation is considered to be under implementation.				
8.	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.	After the Conference of the Parties in December 2022, the secretariat of the Convention on Biological Diversity and the Corporate Services Division will start this review.	The Board noted that the liaison between UNEP headquarters and the Executive Secretary of the Convention on Biological Diversity and its Protocols is still under review. Therefore, this recommendation is considered to be under implementation.		X		
9.	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 Corporate Services Division and the secretariat of the Convention on Biological Diversity are to establish a new service-level agreement/ memorandum of understanding. This work will commence in January 2023 after the completion of the fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity.	The Board noted that a new service-level agreement/ memorandum of understanding was planned. 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
10.	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, presenting those activities in accordance with its budget and its execution.	The document has been cleared and uploaded to the secretariat of the Convention on Biological Diversity's website. As such, UNEP requests that this recommendation be closed upon agreement by the parties to the fifteenth meeting of the Conference of the Parties to the Convention on Biological Diversity.	The Board noted the progress towards results-based budgeting; therefore, this recommendation is considered implemented.	X			
11.	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 on Biological Diversity results-based budgeting framework has been prepared with a view to standardizing the secretariat's reporting processes and is envisaged to replace the biennial report. Therefore, UNEP requests that this recommendation be closed.	The Board noted the progress towards results-based budgeting; therefore, this recommendation is considered implemented.	X			
12.	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.	All grants are closed and the budget for 2023–2024 is also posted on the website of the secretariat of the Convention on Biological Diversity.	The Board noted that the grants 32BHL and 32BXL have been closed. Therefore, this recommendation is considered implemented.	X			
13.	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.	At the request of the States parties, the "long-term strategic framework for capacity-building beyond 2020" was changed to "long-term strategic framework for capacity-building and development to support the implementation of the post-2020 global biodiversity framework". The secretariat prepared a document containing draft elements of the long-term strategic framework for capacity-building beyond 2020. The long-term strategic framework for	The Board noted that the framework had been finalized and published. 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
				capacity-building and development to support implementation of the post-2020 global biodiversity framework is expected to be adopted during the second part of fifteenth meeting of the Conference of the Parties in the third quarter of 2022. Once the document is finalized and published on the website of the secretariat of the Convention on Biological Diversity, the link will be provided.					
14.	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 biennial report of the secretariat for the Convention on Biological Diversity on the administration of the Convention has been changed to comply with the recommendation. The secretariat prepared an information document on the alignment needed between resources and the programme of work. As the updated programme of work and budget format was submitted to the Conference to the Parties, UNEP considers this recommendation to have been implemented and requests its closure by the Board.	The Board noted the progress towards results-based budgeting; therefore, this recommendation is considered implemented.	X			
15.	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 of the Convention on Biological Diversity programme budget for 2023–2024 has been uploaded to the website. UNEP therefore considers this recommendation closed.	The Board noted the progress towards results-based budgeting; 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
16.	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.	This recommendation is considered not implementable.	The Board noted that the resource mobilization mechanism had not begun implementation. Therefore, this recommendation is considered not implemented.			X	
17.	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 of the Convention on Biological Diversity has created a manual solution to ensure that the contracts contain all the information necessary to identify that it is the secretariat of the Convention that signs the contract for the consultants and individual contractors hired, in line with the sample contract provided in the supporting documents file.	Given that the secretariat of the Convention on Biological Diversity has created a manual solution and provided the contracts in 2022, this recommendation is considered implemented.	X			
18.	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.	There is a delay with the United Nations International Computing Centre's digital enterprise architecture project; however UNEP was still attempting to finalize the digital governance framework by the end of 2022.	Given that a new related recommendation is proposed in the Board's report for 2022, this recommendation is considered as having been overtaken by events.				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
19.	2020	A/76/5/Add.7, chap. II, para. 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.	This recommendation has been implemented as follows: (a) all 83 grants mentioned in the audit report were resolved and final donor reports were issued as appropriate; (b) UNEP confirms that a procedure is in place to review grants for closure on a quarterly basis using a phased approach; (c) the United Nations Office at Nairobi routinely issues donor statements on closed grants; and (d) a standard operating procedure on write-offs, write-downs and notional claims was issued in September 2021. The eight indicated closed grants were closed with zero cash balances.	The Board noted that eight closed grants still had cash balances, and 35 final donor reports were issued. For the remaining 48 grants, there were no donor reports. Therefore, this recommendation is considered to be under implementation.		X		
20.	2020	A/76/5/Add.7, chap. II, para. 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.	The secretariat of the Conventions is updating the standard operating procedure on the preparation and updating of secretariat workplans to revise the frequency of updating and posting on the "Synergies among the Basel, Stockholm and Rotterdam Conventions" website as well as the type of information provided. Furthermore, the secretariat is reviewing all information currently disseminated on its "synergies" website to ensure that the needs of the parties to the Conventions are being met.	Given that the standard operating procedure is in the process of being updated and the secretariat is reviewing all information currently disseminated on its "synergies" website, 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
21.	2020	A/76/5/Add.7, chap. II, para. 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.	19 projects in the Programme Information Management System were marked as completed, 3 were changed to ongoing, 1 was financially closed and 7 projects currently marked as "ageing" are in the final stages of project revision. This recommendation has been overtaken by events, as UNEP transitioned from the Programme Information Management System to the integrated planning, management and reporting solution as at 1 June 2023.	Given that the final audit was completed in early May 2023, before the transition from the Programme Information Management System to the integrated planning, management and reporting solution was completed, the Board will verify this updated progress in the following audit. Therefore, this recommendation is considered to be under implementation.		X		
22.	2020	A/76/5/Add.7, chap. II, para. 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.	The Evaluation Office regards the recommendation as being intended to ensure that all projects are equally subject to accountability requirements. At the meeting of the senior management team on 10 October 2022, the UNEP Executive Director formally approved the new evaluation policy and the evaluation operational strategy. The new evaluation policy/ operational strategy and the new UNEP programme and project management manual require all projects to undergo a comprehensive management-led review if they are not selected for independent evaluation.	The Board noted that UNEP had issued a new evaluation policy, regulating the percentage and criteria of projects from all funding sources selected for independent evaluation. Funding for four posts in the Evaluation Office was also secured so that it could perform validations on all other projects that had undergone a management-led review. These measures achieved 100 per cent coverage of performance assessments for completed projects that had expenditures over the financial threshold of $1,000,000. Therefore, this recommendation is considered implemented.	X			
23.	2020	A/76/5/Add.7, chap. II, para. 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.	The secretariat of the Basel, Rotterdam and Stockholm Conventions prepared text to be included in the relevant documents of the Conference of the Parties in time for inclusion in the official documents of the Conference of the Parties that	Given that the financial rules have been updated and presented to the Conference of Parties, 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
				took place in May 2023, as well as the revised text of the two financial rules for the consideration of the States parties. Furthermore, the Conference of the Parties, during its meeting in Geneva from 1 to 12 May 2023, adopted the proposed amendments to the financial rules of the three Conventions.					
24.	2020	A/76/5/Add.7, chap. II, para. 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.	UNEP has been fully utilizing the Umoja grantor module. All extensions to agreements (and to projects) are entered, processed and captured in this module. In addition, UNEP had made enhancements to its annual project implementation reports with the addition of specific questions on the history of project revisions and of minor amendments to the implementation schedule. This information is collected annually within the project implementation reporting cycle and when extensions are triggered in Umoja.	The Board noted that UNEP has utilized the grantor module to monitor the timeliness of GEF project implementation and the extension of projects. Therefore, this recommendation is considered implemented.	X			
25.	2020	A/76/5/Add.7, chap. II, para. 204	The Board recommends that UNEP complete the delayed closure procedures for operationally completed Global Environment Facility projects as soon as possible.	A concerted effort was made by the GEF Coordination Unit, in collaboration with the divisions, to accelerate the closure of projects. During the period 2018–2021, a total of 173 projects were closed and reported to GEF. Projects fully closed in 2022 have been provided to the auditors. In addition, the GEF Coordination Unit is currently reviewing 33 files that have been	The Board noted that UNEP has accomplished much with regard to accelerating closure procedures, but the issue still stands. 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
				submitted for closure. Once the review is complete the projects will be closed. An additional 99 files are at various stages of signature within the divisions. This includes projects on children, umbrella projects and stand-alone projects.					
26.	2020	A/76/5/Add.7, chap. II, para. 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.	UNEP has reviewed and updated its programme and project management manual in relation to GEF and to the replacement of the advanced database information system with integrated planning, management and reporting, as well as to ensure that the content of the manual is consistent with current circumstances. UNEP requests that this recommendation be closed.	The Board noted that the new manual was still in draft format. Therefore, this recommendation is considered to be under implementation.		X		
27.	2020	A/76/5/Add.7, chap. II, para. 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.	The strategic workforce plan at UNEP has the objective of facilitating the proactive and efficient hiring of and planning and learning for a multi-skilled talent pool, balancing the labour supply against the demand in order to deliver the organization's strategic objectives. The main goals of the plan are currently to foster a workplace where the UNEP workforce reflects the diversity of the people it serves, to reduce the vacancy rates and improve the forecasting of and planning for positions scheduled to become vacant as a result of mandatory retirements, and to invest in the upskilling of the workforce to enhance mandate implementation.	The Board noted that the strategic workforce plan was presented to the Executive Director and the senior management team and adopted in February 2023. 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
28.	2021	A/77/5/Add.7, chap. II, para. 28	The Board recommends that UNEP develop corporate guidance in its monitoring policy on when and how to collect relevant data to establish baselines for programme of work indicators.	UNEP recruited a consultant to prepare a draft monitoring and reporting policy. Based on a literature review, key informant interviews and focused groups discussions, the consultant prepared an initial draft on which comments have been provided.	The Board noted that UNEP had begun work on a monitoring and reporting policy and framework and on developing corporate guidance on when and how to collect relevant data to establish baselines for programme of work indicators. Therefore, this recommendation is considered to be under implementation.		X		
29.	2021	A/77/5/Add.7, chap. II, para. 35	The Board recommends that UNEP strengthen the monitoring of the development of workplans and formulate a guideline on the development of workplans with specific requirements regarding the format, content and timelines, among others.	Through the Executive Director, the organization has been instructed to closely align individual workplans with the broader strategic objectives and key performance indicators that are pursued through the medium-term strategy for 2022–2023, the programme of work and delivery models. The Executive Director's compact for UNEP remains the primary reference point for senior managers to ensure that organizational priorities and expected outcomes are reflected in unit/team workplans. UNEP is now in the process of enhancing further guidance on the governance, monitoring and submission processes of the workplans.	The Board noted that UNEP is in the process of enhancing further guidance on the governance, monitoring and submission processes of the workplans. Therefore, this recommendation is considered to be under implementation.		X		
30.	2021	A/77/5/Add.7, chap. II, para. 44	The Board recommends that the secretariat of the Convention on Biological Diversity accelerate the finalization of the development of the decision-tracking tool and the manual for users of the tool and establish a mechanism to make good use of the information and keep it up to date.	The second and current phase of the decision-tracking tool was transferred to production on 20 March 2023. The secretariat will provide updates on the decision-tracking tool to the Informal Advisory Committee.	According to CBD/COP/15/INF/14, the secretariat is developing standard operating procedures to provide guidance to staff who are playing direct or indirect roles. The manual and a mechanism to keep it up to date have still not been completed. 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
31.	2021	A/77/5/Add.7, chap. II, para. 50	The Board recommends that UNEP create a plan to enhance the monitoring of non-subprogramme indicators and to improve its target achievement rate at the end of the biennium.	UNEP has provided a detailed plan to strengthen monitoring and improve performance. This includes highlighting changes in the indicators from previous programmes of work, setting or confirming baselines and identifying or confirming indicator focal points and preparing a monitoring tracker for the 2022–2023 programme of work.	Given that the detailed plan to further strengthen monitoring and improve performance was not completed by 31 March 2023, this recommendation is considered to be under implementation.		X		
32.	2021	A/77/5/Add.7, chap. II, para. 59	The Board recommends that the secretariat of the Convention on Biological Diversity make efforts to mobilize voluntary contributions to improve the level of adequate, predictable, effective and efficient programme support cost funding for its administrative activities.	The Conference of the Parties, at its fifteenth meeting, approved a post of Associate Finance Officer (P-2) that will be funded from the core budget and therefore will increase the resources of the administration and reduce the deficit in the trust account. The programme budget for 2023–2024 of the secretariat of the Convention on Biological Diversity has been uploaded to the website.	The Board noted that the secretariat of the Convention on Biological Diversity's programme support cost expenses were higher than the budget in 2022 and more efforts were required to mobilize voluntary contributions. Therefore, this recommendation is considered to be under implementation.		X		
33.	2021	A/77/5/Add.7, chap. II, para. 65	The Board recommends that UNEP review ageing and not expensed advance transfers to implementing partners on a case-by-case basis and clear those pending advances in coordination with the United Nations Office at Nairobi.	UNEP has reviewed all 110 outstanding advances. As at 14 October 2022, 76 items were cleared and the remaining items were expected to be cleared before closure in 2023.	Given that the remaining items will be cleared before the closure of the 2023 financial accounts, this recommendation is considered to be under implementation.		X		
34.	2021	A/77/5/Add.7, chap. II, para. 71	The Board recommends that UNEP, in coordination with the United Nations Office at Nairobi, investigate the 147 payment exception items and resolve blocked payments in a timely manner.	UNEP, in collaboration with the United Nations Office at Nairobi, reviewed and cleared all 147 cases. UNEP requests the Board to review the provided evidence again by using the vendor payment t-code and checking the cleared items on "line item selection" during its search. UNEP considers this recommendation closed.	Given the updated progress, 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
35.	2021	A/77/5/Add.7, chap. II, para. 78	The Board recommends that the secretariat of the Convention on Biological Diversity actively communicate with donors in a timely manner and expedite the process of clearing up the outstanding balances of closed grants.	The secretariat has actively communicated and will continue to communicate with donors with a view to clearing up the outstanding balances of closed grants, and will complete this process by 31 December 2022.	The Board noted that the clearing up of outstanding balances of closed grants was still in progress. Therefore, this recommendation is considered to be under implementation.		X		
36.	2021	A/77/5/Add.7, chap. II, para. 86	The Board recommends that UNEP review 143 agreements with 57 implementing partners on a case-by-case basis, in compliance with the $200,000 threshold.	The 143 agreements with 57 implementing partners, as sampled by the auditors, have all been reviewed in detail. The individual offices have provided the reasons for the creation of the "duplicate" agreements. UNEP is continuously engaging with United Nations Headquarters on improvements to the reporting function of the implementing partner module for use in monitoring agreements on the issues mentioned in this audit recommendation. UNEP requests that this recommendation be marked as implemented.	UNEP provided the required analysis, information and supporting documentation, and all reasons were fully analysed and explained. Therefore, this recommendation is considered implemented.	X			
37.	2021	A/77/5/Add.7, chap. II, para. 94	The Board recommends that UNEP ensure that the prescribed comparative analysis be properly conducted in conformity with UNEP policy.	The United Nations Secretariat is initiating a Umoja implementing partnership portal for the purpose of regulating the selection and approval process of implementing partners. The grantor module was launched two years ago, but the function that allowed the comparison of partners at the application level has not been fully activated. UNEP will continue to perform due diligence on partners and will include comparative reviews of at least two additional partners in the grantor module once all functionalities are active.	The Board noted there were still cases of insufficient comparative analysis with regard to the selection and approval of implementing partners, and the partners-related function on the new Umoja implementing partnership portal initiated by the United Nations Secretariat had not been fully activated. Therefore, this recommendation is considered to be under implementation.		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*UNEP response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
38.	2021	A/77/5/Add.7, chap. II, para. 101	The Board recommends that UNEP review the information gap between the Programme Information Management System and Umoja and develop a plan for integrated planning, monitoring and reporting.	UNEP identified nine critical gaps in integrated planning, management and reporting after the consultation. A plan on how to address these gaps was agreed on 20 June 2022. This guidance was tested in August, and no issues were found. Therefore, the guidance would have been shared in UNEP between October and November and been implemented in December 2022 when project managers reported on their projects in the integrated planning, management and reporting solution. This recommendation was overtaken by events as UNEP had already transitioned from the Programme Information Management System to the integrated planning, management and reporting solution on 1 June 2023.	Given that the final audit was completed in early May 2023, before the transition from the Programme Information Management System to the integrated planning, management and reporting solution was completed, the Board will verify this updated progress in the following audit. Therefore, this recommendation is considered to be under implementation.		X		
39.	2021	A/77/5/Add.7, chap. II, para. 108	The Board recommends that UNEP modify the programme and project management manual to provide corporate guidance on how to determine the project status in line with the new categories in the integrated planning, management and reporting module and to clarify accountability in terms of the various steps in the project cycle.	In line with the auditor's assessment in the management letter of March 2023, UNEP has published the programme and project manual on the website. The file has also been copied in the supporting document folder. The chapter on project cycle management and on programme and project management systems, specifically, has been adjusted.	Given that the revised programme and project management manual has been published, this recommendation is considered implemented.	X			
40.	2021	A/77/5/Add.7, chap. II, para. 113	The Board recommends that UNEP create a plan to monitor financial information as a means of alerting project managers when potential financial risks may occur.	The system has been rolled out. A report providing an overview on the finances and the log frame status, among other key data points, goes out on the tenth day of each month.	The Board noted that UNEP delivered monthly project reports to monitor the financial status of projects. 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
41.	2021	A/77/5/Add.7, chap. II, para. 120	The Board recommends that UNEP update active projects with supporting implementation files in the integrated planning, management and reporting module, and review and standardize project cycle management tools as a complement to the module.	A training session for GEF focal points was ongoing to ensure a consistent approach across teams and full understanding of the functionalities/requirements of the new system. The guidance note has been finalized and is currently being circulated for review and training sessions have been conducted.	The Board noted that a training session for GEF focal points was ongoing and a guidance note was scheduled to follow the training session. Therefore, this recommendation is considered to be under implementation.		X		
42.	2021	A/77/5/Add.7, chap. II, para. 127	The Board recommends that UNEP establish an internal mechanism to flag, review and report on the slow implementation of GEF projects.	The GEF project implementation reporting cycle was concluded recently and provided more information on the status of implementation. A registry of delayed projects is being established as relevant teams continue to explore corrective measures. UNEP is in the process of completing the documentation on business requirements for submission to United Nations Headquarters.	The Board noted that the GEF project implementation reporting cycle had concluded, but the registry of delayed projects had not been finished. Therefore, this recommendation is considered to be under implementation.		X		
43.	2021	A/77/5/Add.7, chap. II, para. 133	The Board recommends that UNEP take effective action to accelerate the pre-inception activities of UNEP-Green Climate Fund projects and promote the approved projects' implementation.	UNEP has taken steps to test ideas that may accelerate the pre-inception activities (e.g. authorization to start the recruitment of project teams upon notification by the Green Climate Fund Board of project approval; the adoption of a six-month time frame, instead of a three-month time frame, to facilitate the completion of pre-inception activities, etc.).	The Board noted that guidance had not been issued, and the issue still stood. 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
44.	2021	A/77/5/Add.7, chap. II, para. 139	The Board recommends that UNEP use project monitoring tools to flag underperforming UNEP-Green Climate Fund projects and provide guidance to bring them back on track.	UNEP has developed a prototype BI dashboard for financial monitoring to monitor underperforming projects. The dashboard is currently accessible but is undergoing a review to be more effective, including by providing analysis on performance and gaps. In addition, through its annual progress reporting to the Green Climate Fund, UNEP continues to review project progress, including financial status, and will utilize those analytics to elevate risk levels to the attention of portfolio managers and for consideration by the senior management team when necessary.	The Board noted that UNEP planned to use the BI dashboard to monitor underperforming projects. Therefore, this recommendation is considered to be under implementation.		X		
45.	2021	A/77/5/Add.7, chap. II, para. 148	The Board recommends that UNEP follow the information system’s monitoring technical procedure and perform periodic testing and reviews of the system’s monitoring operations and capabilities.	UNEP undertook an exercise to classify the information system as a digital asset and corporate service in which 45 servers were identified as being of critical/ medium importance and would require consistent monitoring. Automated monitoring, insights and alerts are being configured and are to be monitored by the Global Service Centre in Valencia.	The Board noted that the guidance document is being finalized. This recommendation is considered to be under implementation.		X		
46.	2021	A/77/5/Add.7, chap. II, para. 156	The Board recommends that UNEP formulate the application decommissioning plan, accelerate the process of system integration and update the system information in Unite apps as changes occur.	This recommendation was overtaken by events as UNEP had already transitioned from the Programme Information Management System to the integrated planning, management and reporting solution on 1 June 2023.	Given that the final audit was completed in early May 2023, before the transition from the Programme Information Management System to the integrated planning, management and reporting solution was completed, the Board will verify this updated progress in the following audit. Therefore, this recommendation is considered to be under implementation.		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*UNEP response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
47.	2021	A/77/5/Add.7, chap. II, para. 163	The Board recommends that UNEP strengthen the monitoring of approved and funded vacant posts and advise hiring managers of the need to fill posts, where applicable, taking into account the availability of funding and hiring freezes.	UNEP has undertaken various measures to reduce vacancy rates through forecasting and succession planning. The Human Resources Section of the Corporate Services Division regularly reviews vacant positions and information on their status is shared with the relevant heads of office and human resources focal points, requesting them to take recruitment action on vacant positions.	The Board noted that UNEP had undertaken various measures to reduce the vacancy rates through forecasting and succession planning, including a recruitment dashboard report, to strengthen the monitoring of approved and funded vacant posts. Therefore, this recommendation is considered implemented.	X			
48.	2021	A/77/5/Add.7, chap. II, para. 169	The Board recommends that UNEP take measures to improve recruitment efficiency, in line with the benchmark of 120 days for filling a post, from the time of issuance of the job opening to selection.	According to data from the management dashboard, the key performance indicator for the recruitment process has continued to improve for the past three years. The average recruitment time in 2020 was 221 days, compared with 207 days in 2021 and 199 days in 2022. This trend is expected to continue in 2023 as further measures are put in place to support hiring managers in reducing the timelines during the assessment stage.	The Board noted that UNEP had undertaken measures to improve recruitment efficiency. Therefore, this recommendation is considered implemented.	X			
49.	2021	A/77/5/Add.7, chap. II, para. 178	The Board recommends that UNEP strengthen the management and supervision of consultants and individual contractors by reinforcing the use of the verification process.	The verification process for consultants and individual contractors has been reinforced as follows: (a) the use of an internal note to capture previous history has been put in place; (b) process guides on calculating the maximum employment durations for consultants and individual contractors have been reinforced with regard to the recruitment process using the	The Board noted that the verification process relating to consultants and individual contractors has been reinforced. 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
				backward counting approach; (c) regular reminders are issued on process enhancements, especially on duration thresholds, contract overlap, adherence to the terms of reference template and differentiating between consultants and individual contractors; (d) regular training sessions are held for hiring managers and human resources focal points, who are encouraged to attend; and (e) human resources focal points and hiring managers participate in focus groups to improve processes (i.e. the meeting on Inspira improvement processes held in September 2022).					
50.	2021	A/77/5/Add.7, chap. II, para. 184	The Board recommends that UNEP monitor the low-value acquisition procurement process to ensure adherence to relevant regulations and rules.	The low-value procurement dashboard has been released. An updated guidance note and outreach programme for financial management officers and requisitioners has been established. Outreach to financial management officers will be aimed at ensuring the staff members who approve low-value acquisition purchase orders are well advised on the process requirements and know what to check. Requisitioner outreach began in March 2023 and financial management officer outreach was scheduled for April 2023.	The Board noted that the effectiveness of the procurement management dashboard for low-value acquisitions can be judged through a period of audit observation. At the same time, the Board also suggests that UNEP seek more measures and methods to improve the internal control of low-value acquisitions and supervise it effectively. 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
51.	2021	A/77/5/Add.7, chap. II, para. 191	The Board recommends that UNEP clarify the responsibilities of the parties involved, formulate the acquisition plan in a timely manner and actively explore the opportunities under supply chain reform of the United Nations to improve its procurement management.	As part of the ongoing outreach and training for requisitioners and senior administrative officers, the UNEP Corporate Services Division has clarified the responsibilities of the parties involved. In addition, the acquisition plan has been formulated and the 2023 planning cycle has been launched. The Corporate Services Division explored the opportunities with the United Nations Secretariat and agreed that the scope of the supply chain planning tool was not in line with the operational modality of UNEP. Hence, UNEP is proceeding to execute planning based on Excel submissions that are received and analysed by the supply chain management team.	The Board noted that UNEP had prepared a procurement acquisition plan for 2022 and the 2023 supply chain planning cycle had been launched. Therefore, this recommendation is considered implemented.	X			
52.	2021	A/77/5/Add.7, chap. II, para. 197	The Board recommends that UNEP ensure the correct and complete input of essential factors when creating purchase orders.	Further analysis of this element showed that the purchase orders reviewed had been created with the option "required" set as "from" and a correct date inputted. When this setting is chosen, no input is allowed in the field "required to". UNEP has concluded that when this happens the system automatically defaults to the date 31/12/9999. UNEP provided advice to Umoja users encouraging them to opt for the choice "between", which allows input to the field "required to". Nevertheless, this recommendation should be closed or withdrawn as it is a software feature rather than an input oversight.	The Board noted that all purchase orders had correct and complete input of essential factors. UNEP has taken the audit observation into consideration in its outreach and training programme to make users more aware of the various options, and that they should use the option "between" depending on the circumstances of the purchase. Therefore, this recommendation is considered implemented.	X			
Total number of recommendations					**52**	**22**	**27**	**1**	**2**
Percentage of the total number of recommendations					**100**	**42**	**52**	**2**	**4**

Chapter III
Certification of the financial statements

Letter dated 31 March 2023 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 2022 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 2022 are correct in all material respects.

(*Signed*) Vanda **Andromeda**
Chief Finance Officer
United Nations Office at Nairobi

Chapter IV
Administration's financial overview for the year ended 31 December 2022

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 2022. 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 2023.

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 used 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.

B. Operational aspects

Mission and vision

4. UNEP is the leading global environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system and serves as an authoritative advocate for the global environment.

5. The mission of UNEP is to provide leadership and encourage partnership in caring for the environment by inspiring, informing and enabling nations and peoples to improve their quality of life without compromising that of future generations.

6. UNEP supports Member States in ensuring that environmental sustainability is reflected in development and investment planning and provides countries with the necessary tools and technologies to protect and restore the environment.

Governance

7. UNEP works closely with the 193 Member States and with representatives from civil society, businesses and other major groups and stakeholders to address environmental challenges through the United Nations Environment Assembly of the United Nations Environment Programme, the world's highest-level decision-making body on the environment. It addresses the critical environmental challenges facing the world today. Understanding these challenges and preserving and rehabilitating the environment are at the heart of the 2030 Agenda for Sustainable Development.

8. The United Nations Environment Assembly meets biennially to set priorities for global environmental policies and develop international environmental law. Through its resolutions and calls to action, the Assembly provides leadership and catalyses intergovernmental action on the environment. Decision-making requires broad

participation, and the Assembly provides an opportunity for all peoples to help design solutions for maintaining the health of the planet.

9. Headquartered in Nairobi, UNEP is led by a senior management team chaired by the Executive Director. The organization hosts the secretariats of many critical multilateral environmental agreements and research bodies.

10. UNEP categorizes its work into seven broad thematic areas: climate change; resilience to disasters and conflicts; healthy and productive ecosystems; environmental governance; chemicals, waste and air quality; resource efficiency; and environment under review.

11. Programme management and support are implemented through services provided by the Corporate Services and Policy and Programme Divisions of UNEP. The objective is to ensure the efficient and effective development and delivery of the programmatic priorities of the medium-term strategy, underpinned by sound management and leadership practices with a reinforced accountability framework that clarifies roles and responsibilities. Programme management and support serve to provide guidance on programme and project design, delivery and closure; the governance of resources; corporate policy development and oversight; programme monitoring and reporting; the building of staff knowledge and capacity; and the development of programme and resource management tools that support decision-making.

12. UNEP continues to strengthen planning and delivery processes through the progressive use of results-based management and strategic partnerships.

Objective and strategy

13. In its decision 4/1, the United Nations Environment Assembly requested the Executive Director of UNEP to submit, for the consideration and approval of the Assembly at its fifth session, in consultation with the Permanent Representatives Committee and building on lessons learned from previous bienniums, a results-oriented and streamlined medium-term strategy and programme of work in line with General Assembly resolution 72/266.

14. The medium-term strategy of UNEP for the period 2022–2025 and the programme and work and budget for the biennium 2022–2023 are focused on responding to three planetary crises: climate change, biodiversity and nature loss, and pollution and waste.

15. The medium-term strategy is the vision of UNEP for reversing that trajectory. In the strategy, UNEP articulates its role in delivering on the promises of the 2030 Agenda as well as of the United Nations Conference on Sustainable Development and its outcome document, “The future we want”. UNEP also outlines the way in which it will strengthen the environmental dimension of the 2030 Agenda during the period 2022–2025, supporting countries in delivering on their environmental commitments under international agreements.

16. The four-year strategy provides a plan of action for the first half of the decade of action and delivery for sustainable development that will enable UNEP to strengthen the collective United Nations response to the crises of climate change, biodiversity loss and pollution. The United Nations development system reform presents a tremendous opportunity for empowering the United Nations to address global environmental and socioeconomic crises. UNEP will leverage this opportunity to enhance its guiding role, raise ambition and accelerate and scale up progress towards the Sustainable Development Goals, in the spirit of the Secretary-General’s decade of action and delivery.

Funding arrangements

17. There are three main sources of funding for UNEP:

- **United Nations regular budget**. The only regular source of funding, it supports the functions of the UNEP secretariat, including the governing bodies; coordination in the United Nations system; and cooperation with global scientific communities. This source constitutes about 5 per cent of the Programme's annual funding requirement.
- **Environment Fund**. This is the core UNEP fund that supports the essential capacity needed for the balanced and efficient delivery of the programme of work of UNEP, which is approved by the Member States. This constitutes about 15 per cent of the annual funding requirement.
- **Earmarked contributions**. These are funds earmarked for specific projects, themes or countries that enable the expansion and replication of the programme of work of UNEP and its results in more countries and with more partners. This constitutes about 80 per cent of the annual funding requirement and consists of earmarked funds and global funds.

18. As UNEP relies on voluntary contributions for approximately 95 per cent of its funding (from the Environment Fund and earmarked contributions), its work is made possible by partners that fund and champion its mission.

19. The Environment Fund is the core source of flexible funds for UNEP, providing the bedrock for its work worldwide.

20. The main providers of earmarked funds include the Global Environment Facility, the Green Climate Fund, the Multilateral Fund for the Implementation of the Montreal Protocol and the European Commission.

21. Around the world, UNEP works in partnership with governments, the scientific community, the private sector, civil society and other United Nations entities and international organizations. It brings together partners to agree on solutions to common environmental challenges, for example through the United Nations Environment Assembly. By means of its campaigns, in particular World Environment Day, UNEP raises awareness and advocates effective environmental action.

C. International Public Sector Accounting Standards sustainability plan

22. This is the ninth 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.

D. Overview of the financial statements of the year ended 31 December 2022

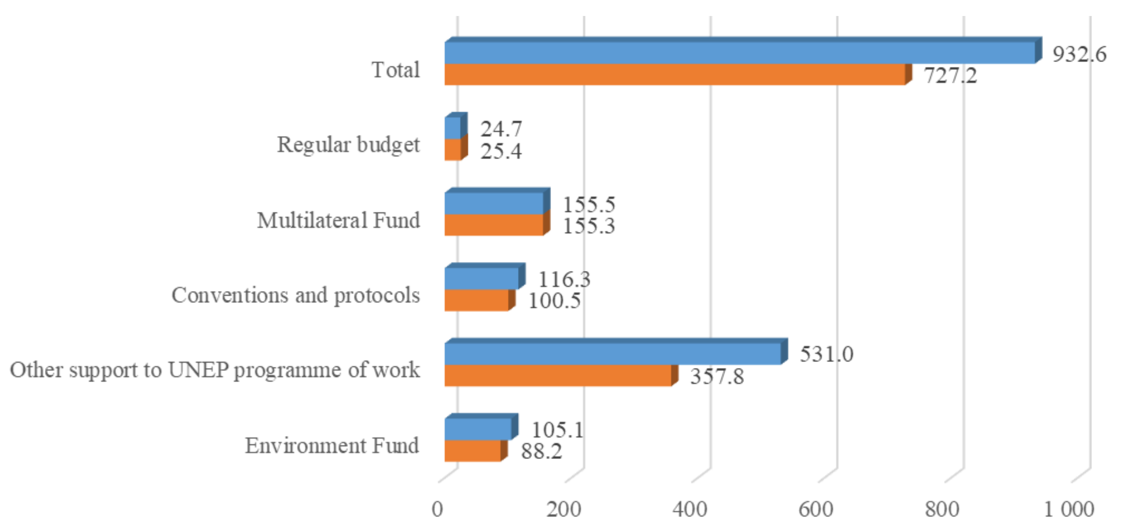
All funds

23. 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 2022. Statement V reports on the Environment Fund and the regular budget.

24. Comparison between the year ended 31 December 2021 and the current reporting date is provided.

25. The revenue of UNEP for the year ended 31 December 2022, by source of funding, is shown in figures IV.I and IV.II.

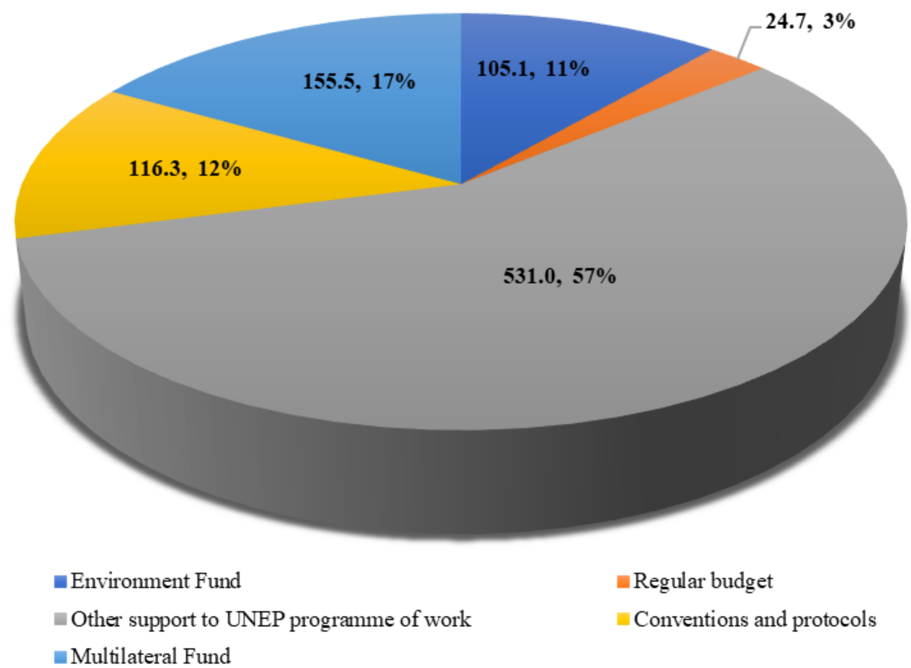
Figure IV.I
2022 contributions, by source of funding
(Millions of United States dollars)



	Environment Fund	Other support to UNEP programme of work	Conventions and protocols	Multilateral Fund	Regular budget	Total
2022	105.1	531.0	116.3	155.5	24.7	932.6
2021	88.2	357.8	100.5	155.3	25.4	727.2

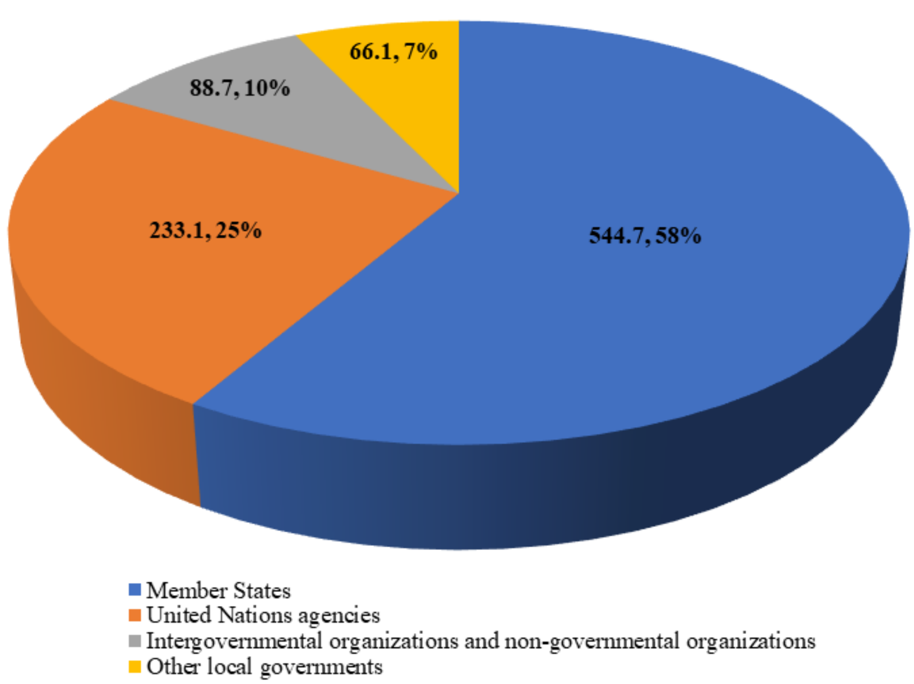
Note: In prior years, Multilateral Fund revenue has been presented less elimination for UNEP internal implementation. To ensure consistency with intersegment elimination, Multilateral Fund revenue is presented with no elimination adjustment, while Other support to UNEP programme of work revenue is presented less elimination adjustments for: (a) UNEP internal implementation of $22.9 million (2021: $16.97 million); and (b) carbon offsets cost recovery of $0.12 million (2021: $0.09 million). To this end, figures for 2021 have been restated to conform with the current-year presentation.

Figure IV.II
2022 contributions, by source of funding (proportions)
(Millions of United States dollars)



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

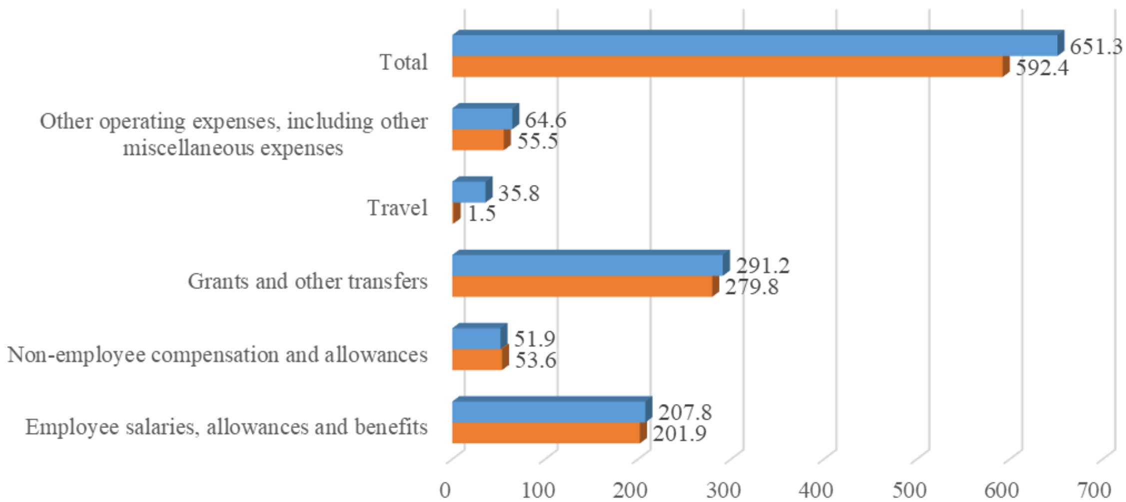
Figure IV.III
Distribution of contributions, by type of entity
(Millions of United States dollars)



27. 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.

28. Expenditure in 2022 relative to 2021, by type of expense, is shown in figure IV.IV.

Figure IV.IV
Expenditure in 2022 relative to 2021, by type of expense
(Millions of United States dollars)



	Employee salaries, allowances and benefits	Non-employee compensation and allowances	Grants and other transfers	Travel	Other operating expenses, including other miscellaneous expenses	Total
2022	207.8	51.9	291.2	35.8	64.6	651.3
2021	201.9	53.6	279.8	1.5	55.5	592.4

29. Total expenditure for 2022 is $651.3 million. Other operating expenses, including other miscellaneous expenses, are as shown in note 25.

Key indicators from statement I

30. Total assets increased by $311.5 million (11.0 per cent) to $3,145.3 million as at 31 December 2022, from $2,833.8 million as at 31 December 2021.

31. Total liabilities decreased by $68.9 million (12.4 per cent) to $486.5 million as at 31 December 2022, from $555.4 million as at 31 December 2021.

32. Net assets increased by $380.3 million (16.7 per cent) to $2,658.7 million as at 31 December 2022, from $2,278.4 million as at 31 December 2021.

33. Table IV.1 contains a summary of other key indicators for the year ended 31 December 2022 compared with the year ended 31 December 2021.

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

	2022	*2021*	*Increase/ decrease*	*Change (percentage)*
Assessed contributions revenue	235.6	239.0	(3.4)	(1.4)
Voluntary contributions revenue	463.9	330.7	133.2	40.3
Other transfers and allocations	233.1	157.5	75.6	48.0
Total contributions revenue	**932.6**	**727.2**	**205.4**	**28.2**
Cash and cash equivalents	243.6	167.4	76.2	45.5
Short-term investments	977.3	1 143.9	(166.6)	(14.6)
Long-term investments	473.3	213.8	259.5	121.4
Total cash and investments	**1 694.2**	**1 525.1**	**169.1**	**11.1**
Assessed contributions receivable	36.5	41.9	(5.4)	(12.9)
Voluntary contributions receivable	1 057.6	936.2	121.4	13.0
Total receivables	**1 094.1**	**978.1**	**116.0**	**11.9**
Advance transfers	337.5	309.0	28.5	9.2
Other assets	16.4	18.3	(1.9)	(10.4)
Accounts payable and accrued payables	24.2	29.3	(5.1)	(17.4)
Employee benefits liabilities	222.6	285.2	(62.6)	(21.9)
Liabilities for conditional arrangements/other liabilities	135.8	163.4	(27.6)	(16.9)

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

35. A liquidity analysis at the segment level is presented in table IV.2 below. The cash balances of the trust funds are earmarked for specific activities of each fund and are not available to other fund groups. The balances include payments received in advance for the implementation of activities in future years. A liquidity analysis of the regular budget and related funds has not been provided, as UNEP does not control those funds.

Table IV.2
Liquidity analysis at the segment level
(Thousands of United States dollars)

	31 December 2022					*31 December 2021*	
	Cash assets[a]	*Total current assets*	*Total current liabilities[b]*	*Cash assets to current liabilities[b]*	*Current ratio*	*Cash assets to current liabilities*	*Current ratio*
Segment	*A*	*B*	*C*	*A/C*	*B/C*		
Environment Fund	43 472	73 220	5 246	8.3	14.0	18.4	24.2
Other support to UNEP programme of work	532 488	1 079 327	155 119	3.4	7.0	3.4	6.0
Conventions and protocols	137 039	198 402	38 249	3.6	5.2	3.4	4.8
Multilateral Fund	414 499	495 079	71 168	5.8	7.0	8.7	10.7
Programme support	22 768	23 965	488	46.7	49.1	26.9	28.7

	31 December 2022					31 December 2021	
	Cash assets[a]	Total current assets	Total current liabilities[b]	Cash assets to current liabilities[b]	Current ratio	Cash assets to current liabilities	Current ratio
Segment	*A*	*B*	*C*	*A/C*	*B/C*		
End-of-service and post-retirement benefits	70 711	70 711	5 961	11.9	11.9	10.7	10.7
Segment total	**1 220 977**	**1 940 704**	**276 231**	**4.42**	**7.03**	**4.66**	**6.88**

[a] Cash assets consist of cash, cash equivalents and short-term investments.
[b] Consolidated figures are net of the intersegment eliminations.

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

36. 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. UNEP, in collaboration with the United Nations Office at Nairobi and United Nations Headquarters in New York, began discussions on the long-term financing strategies of the liability in 2022 and as a result of these discussions, the monthly accrual rate of has been increased by 3 percentage points from 6 per cent to 9 per cent effective 1 October 2022.

37. The 31 December 2022 accrued balances have been adjusted to reflect the estimated liabilities as at 31 December 2022 as reflected in the 2022 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 2022, an amount of $118.1 million of cumulative unfunded expenditure is shown in note 4, “Segment report”, under the end-of-service and post-retirement benefits segment.

F. Impact of the coronavirus disease pandemic

38. The year 2022 demonstrated that, even as the battle against the coronavirus disease (COVID-19) pandemic continues, environmental crises will remain an integral part of the journey in the years ahead and tackling them is more important than ever. In dealing 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.

39. During 2022, the COVID-19 pandemic continued to have an impact on the planned deliverables and activities of UNEP, as the organization continued with 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 meetings of conferences of the parties were affected.

40. Projects under implementation were affected both financially and in terms of the expected completion date by physical access restrictions, in particular where the respective countries implemented a shutdown or restriction on 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.

41. At the same time, however, some planned deliverables and activities were adjusted during 2022, within the overall scope of the objectives of the subprogrammes, in order to support Member States on issues related to the COVID-19 pandemic. As a result of travel restrictions and an increasing need for capacity-building workshops and hands-on training and guidance, UNEP continued with the change in 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 continued to implement the COVID-19 response building-block strategy and involved stakeholders in the development of a road map for recovery.

Chapter V

Financial statements and related explanatory notes for the year ended 31 December 2022

United Nations Environment Programme

I. Statement of financial position as at 31 December 2022

(Thousands of United States dollars)

	Notes	*31 December 2022*	*31 December 2021*
Assets			
Current assets			
Cash and cash equivalents	6	243 628	167 354
Investments	7	977 349	1 143 918
Assessed contributions receivable	8	36 495	41 860
Voluntary contributions receivable	9	397 314	332 105
Other receivables	10	986	1 497
Advance transfers	11	268 564	231 889
Other assets	12	16 368	18 335
Total current assets		**1 940 704**	**1 936 958**
Non-current assets			
Investments	7	473 271	213 832
Assessed contributions receivable	8	–	–
Voluntary contributions receivable	9	660 304	604 065
Advance transfers	11	68 899	77 154
Property, plant and equipment	14	2 042	1 730
Intangible assets	15	53	41
Total non-current assets		**1 204 569**	**896 822**
Total assets		**3 145 273**	**2 833 780**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	16	24 180	29 301
Funds received in advance and deferred revenue	17	104 001	77 454
Employee benefits liabilities	18, 19	12 251	11 391
Provisions	20	–	–
Liabilities for conditional arrangements	21	135 799	163 408
Other liabilities	21	–	–
Total current liabilities		**276 231**	**281 554**
Non-current liabilities			
Employee benefits liabilities	18, 19	210 308	273 839
Total non-current liabilities		**210 308**	**273 839**
Total liabilities		**486 539**	**555 393**
Total net of total assets and total liabilities		**2 658 734**	**2 278 387**

I. Statement of financial position as at 31 December 2022 (continued)

(Thousands of United States dollars)

	Notes	*31 December 2022*	*31 December 2021*
Net assets			
Accumulated surpluses/(deficits) – unrestricted	22	2 620 507	2 241 530
Reserves	22	38 227	36 857
Total net assets		**2 658 734**	**2 278 387**

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 2022

(Thousands of United States dollars)

	Notes	*31 December 2022*	*31 December 2021*
Revenue			
Assessed contributions	23	235 579	238 960
Voluntary contributions	23	463 929	330 735
Other transfers and allocations	23	233 064	157 472
Investment revenue	26	8 260	2 313
Other revenue	24	13 327	20 630
Total revenue		**954 159**	**750 110**
Expense			
Employee salaries, allowances and benefits	25	207 823	201 926
Non-employee compensation and allowances	25	51 859	53 635
Grants and other transfers	25, 31	291 248	279 838
Supplies and consumables	25	534	231
Depreciation	14	321	168
Amortization	15	27	59
Travel	25	35 814	1 519
Other operating expenses	25	64 357	54 985
Exchange (gains)/losses from the fixed exchange rate mechanism of the Multilateral Fund	25	(820)	–
Other expenses	25	156	12
Total expenses		**651 319**	**592 373**
Surplus/(deficit) for the year		**302 840**	**157 737**

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 2022[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	**2 292 928**	**(51 398)**	**2 241 530**	**36 857**	**2 278 387**
UNEP internal implementation elimination	–	240	240	–	240
Changes in net assets	(51)	–	(51)	–	(51)
Transfers to reserves	(1 370)	–	(1 370)	1 370	–
Actuarial gains/(losses)	77 318	–	77 318	–	77 318
Total items recognized directly in net assets	**75 897**	**240**	**76 137**	**1 370**	**77 507**
Surplus/(deficit) for period	302 840	–	302 840	–	302 840
Net movement in net assets	**378 737**	**240**	**378 977**	**1 370**	**380 347**
Net assets, end of period	**2 671 665**	**(51 158)**	**2 620 507**	**38 227**	**2 658 734**

[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 2022

(Thousands of United States dollars)

	Notes	*31 December 2022*	*31 December 2021*
Cash flow from operating activities			
Surplus/(deficit) for the year		**302 840**	**157 737**
Non-cash movements			
Depreciation and amortization	14, 15	348	676
Actuarial gain/loss on employee benefits liabilities	19	77 318	6 800
Transfers and donated property, plant and equipment and intangibles	14, 15	–	–
Loss on disposal of property, plant and equipment and intangibles	14, 15	264	–
Changes in assets			
(Increase)/decrease in assessed contributions receivable	8	5 365	(19 115)
(Increase)/decrease in voluntary contributions receivable	9	(121 448)	38 093
(Increase)/decrease in other receivables	10	511	(24)
(Increase)/decrease in advance transfers	11	(28 420)	43 186
(Increase)/decrease in other assets	12	1 967	(1 991)
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	16	(5 121)	8 334
Increase/(decrease) in funds received in advance and deferred revenue	17	26 547	5 849
Increase/(decrease) in employee benefits payable	18	(62 671)	6 331
Increase/(decrease) in provisions	20	–	–
Increase/(decrease) in liabilities for conditional arrangements	21	(27 609)	(17 065)
Increase/(decrease) in other liabilities	21	–	–
Investment revenue presented as investing activities[a]	26	(8 260)	(2 313)
Net cash flows from/(used in) operating activities		**161 631**	**226 498**
Cash flow from investing activities			
Pro rata share of net increases in the cash pool	26	(92 870)	(189 805)
Investment revenue presented as investing activities[a]	26	8 260	2 313
Acquisitions of property, plant and equipment	14	(892)	(817)
Acquisitions of intangible assets	15	(44)	–
Net cash flows from/(used in) investing activities		**(85 546)**	**(188 309)**
Cash flow from financing activities			
Adjustments to net assets	22	189	(14 096)
Net cash flows from/(used in) financing activities		**189**	**(14 096)**
Net increase/(decrease) in cash and cash equivalents	5	**76 274**	**24 093**
Cash and cash equivalents – beginning of year		167 354	143 261
Cash and cash equivalents – end of year	6	**243 628**	**167 354**

[a] Investment revenue from 2021 presented as investing activities under cash flows from operating activities and cash flows from investing activities have been restated to conform with the current-year 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 2022[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	12 000	6 000	5 995	5 902	(2)
Programme of work, comprising:					
Climate change	24 000	12 000	12 466	9 127	(27)
Resilience to disasters and conflicts	14 000	7 000	7 506	5 449	(27)
Healthy and productive ecosystems	24 000	12 000	13 550	10 582	(22)
Environmental governance	26 000	13 000	11 410	10 552	(8)
Chemicals, waste and air quality	24 000	12 000	11 458	8 606	(25)
Resource efficiency	26 000	13 000	12 305	8 446	(31)
Environment under review	26 000	13 000	10 875	10 015	(8)
Total programme of work	**176 000**	**88 000**	**85 565**	**68 679**	**(20)**
Fund programme reserve	10 000	5 000	4 431	1 760	(60)
Programme support	14 000	7 000	7 004	4 373	(38)
Total Environment Fund	**200 000**	**100 000**	**97 000**	**74 812**	**–**
United Nations regular budget allocation[c]	–	24 925	24 925	22 350	(10)
Total Environment Fund and United Nations regular budget allocation	**200 000**	**124 925**	**121 925**	**97 162**	**(20)**

[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 2022 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 2021–2022. 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.

Going concern

6. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for 2023 in its resolution 77/264 A–C, the positive historical trend of 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

7. These financial statements are certified by the Chief Finance 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 2022 are to be transmitted to the Board of Auditors by 31 March 2023. 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

8. 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

9. 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.

10. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction. The United Nations operational rates of exchange approximate 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 United Nations operational rates of exchange. Non-monetary foreign currency-denominated items that are measured at fair value are translated at the

United Nations operational rate of exchange 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.

11. 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

12. 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.

13. 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.

14. 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. 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

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

(a) Heritage assets: the objective of the project is to develop accounting requirements for heritage assets;

(b) Infrastructure assets: the objective of the project is to research and identify issues preparers have when applying IPSAS 17: Property, plant and equipment, to infrastructure assets. Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets. The IPSAS Board plans to issue a new standard on property, plant and equipment replacing IPSAS 17, adding public sector guidance on heritage and infrastructure assets and aligning with the new measurement principles. The standard is expected to be issued in the first half of 2023 together with the measurement-related guidance;

(c) Public sector measurement: the objectives of the project include (i) issuing amended IPSAS standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure; (ii) providing 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 (iii) addressing transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs. The IPSAS Board expects to approve and issue the standard on measurement in the first half of 2023. The related section of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (chapter 7, on the measurement of assets and liabilities), will also be updated in line with the new standard;

(d) 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. The new standard would result in a change in accounting policy for the recognition of expenses whereby the transfer provider will recognize an expense when the transfer recipient satisfies an obligation by transferring goods or services to a third-party beneficiary. The draft standard is in the final review phase by the IPSAS Board and is expected to be issued in the first half of 2023. In order to prepare for the adoption of this new standard, data-collection efforts and the revision of the agreement template are under way;

(e) 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). The IPSAS Board finished discussing principle-related issues and plans to issue the standard in the first half of 2023 with an option of early adoption;

(f) "Accounting and reporting by retirement benefit plans" is a new project of the IPSAS Board and an adaptation of International Accounting Standard 26. The objective of developing the exposure draft is to prescribe the accounting and reporting requirements for public sector retirement benefit plans, which primarily provide benefits to retired public sector employees. A retirement benefit plan that prepares and presents financial statements under the accrual basis of accounting shall apply this guidance;

(g) "Other lease-type arrangements" is another new project of the Board, with the aim of developing additional guidance for identifying and addressing lease-related accounting issues associated with lease-type arrangements. The exposure draft was published for comment in January 2023 and proposes amendments to IPSAS 43, Leases, on accounting for concessionary leases, as well as new guidance on right-of-use assets in kind and consequential amendments to IPSAS 23, Revenue from non-exchange transactions.

Recent and future requirements of the International Public Sector Accounting Standards

16. The IPSAS Board issued the following standards:

(a) IPSAS 41: Financial instruments, issued in August 2018 and effective 1 January 2023;

(b) IPSAS 42: Social benefits, issued in January 2019 and effective 1 January 2023;

(c) IPSAS 43: Leases, issued in January 2022 and effective 1 January 2025;

(d) IPSAS 44: Non-current assets held for sale and discontinued operations, issued in May 2022 and effective 1 January 2025.

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: Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. Compliance with the IPSAS 41: Financial instruments, will be determined for UNEP for the financial year ending 31 December 2023.
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 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. Currently, there are no such social benefits applicable to the organization, therefore the standard will have no impact on UNEP financial reporting.
IPSAS 43	IPSAS 43: Leases, replaced IPSAS 13: Leases, aligning guidance with International Financial Reporting Standard 16. The newly issued standard introduces new contract and leases definitions and prescribes a right-of-use recognition and measurement model for all leases, apart from those meeting short-term and low-value exemption categories. IPSAS 43 also provides additional guidance on the application of the risks and rewards model for lessor accounting. Adoption of the standard is mandatory for the UNEP financial year ending 31 December 2025. The impact of IPSAS 43 will be assessed over the 2023 and 2024 calendar years prior to the 1 January 2025 effective date. The broadened leases definition is estimated to result in the recognition of more binding arrangements as leases, with a corresponding increase in lease liabilities and right-of-use assets.
IPSAS 44	IPSAS 44: Non-current assets held for sale and discontinued operations, promulgates accounting for assets held for sale and the presentation and disclosure requirements of discontinued operations, in alignment with International Financial Reporting Standard 5. Adoption of the standard is mandatory for the UNEP financial year ending 31 December 2025. The impact of IPSAS 44 will be assessed to prepare the organization for its implementation prior to the 1 January 2025 effective date. Given the definitions and scope of non-current assets held for sale, the recognition and measurement impacts are preliminarily estimated as not significant for the organization, as the presentation and disclosure changes will depend on the identification of discontinued operations, if any, in the future, starting on 1 January 2025.

Note 3
Significant accounting policies

Financial assets classification

17. 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

18. 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.

19. 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 United Nations operational rates of exchange prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

20. 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.

21. 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.

22. 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.

23. 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. 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

24. 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.

25. The organization's investment in the cash pools is 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

26. 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

27. 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.

28. 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.

29. 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.

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

31. 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

32. 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

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

Other assets

34. 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

35. 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

36. 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

37. 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

38. 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 14 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.

39. 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.

40. 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.

41. 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

42. 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

43. 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 20 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.

44. 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
	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

45. 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.

46. 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.

47. 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.

48. 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.

49. 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

50. 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.

51. 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.

52. 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.

53. 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

54. 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

55. 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

56. 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.

57. 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

58. 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.

59. 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

60. 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

61. 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.

62. 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.

63. 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.

64. 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

65. 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

66. 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

67. 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

68. 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.

69. 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.

70. **After-service health insurance**. This provides worldwide coverage for necessary medical expenses of eligible former staff members and their dependants. Upon end of service, staff members and their dependants 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.

71. **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.

72. **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

73. 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 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.

74. The plan 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 plan. 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 plan during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

75. 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

76. 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.

77. **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

78. 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

79. 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.

80. 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.

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

Contingent assets

82. 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

83. 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

84. 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

85. 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.

86. 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.

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

88. 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.

89. 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

90. 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

91. 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

92. 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.

93. 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.

94. 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.

95. 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.

96. 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

97. 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

98. 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.

99. 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 the 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 contribution trust funds for multilateral environment agreements and protocols that are administered by UNEP;

(e) **Multilateral Fund**. 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.

100. 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 2022, 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 2022*	*31 December 2021*
Assets										
Current assets										
Cash and cash equivalents	8 684	–	106 243	27 367	82 701	4 525	14 108	–	243 628	167 354
Investments	34 788	–	426 245	109 672	331 798	18 243	56 603	–	977 349	1 143 918
Assessed contributions receivable	–	–	–	13 537	22 958	–	–	–	36 495	41 860
Voluntary contributions receivable	22 704	–	350 715	23 895	–	–	–	–	397 314	332 105
Other receivables	20	–	1 717	681	75	18	–	(1 525)	986	1 497
Advance transfers	457	–	188 646	21 690	78 238	319	–	(20 786)	268 564	231 889
Other assets	6 567	–	7 286	1 560	95	860	–	–	16 368	18 335
Total current assets	**73 220**	**–**	**1 080 852**	**198 402**	**515 865**	**23 965**	**70 711**	**(22 311)**	**1 940 704**	**1 936 958**
Non-current assets										
Investments	16 846	–	206 404	53 108	160 669	8 834	27 410	–	473 271	213 832
Assessed contributions receivable	–	–	–	–	–	–	–	–	–	–
Voluntary contributions receivable	26 327	–	629 920	4 057	–	–	–	–	660 304	604 065
Advance transfers	–	–	–	–	99 271	–	–	(30 372)	68 899	77 154
Property, plant and equipment	946	–	160	862	30	44	–	–	2 042	1 730
Intangible assets	–	–	53	–	–	–	–	–	53	41
Total non-current assets	**44 119**	**–**	**836 537**	**58 027**	**259 970**	**8 878**	**27 410**	**(30 372)**	**1 204 569**	**896 822**
Total assets	**117 339**	**–**	**1 917 389**	**256 429**	**775 835**	**32 843**	**98 121**	**(52 683)**	**3 145 273**	**2 833 780**
Liabilities										
Current liabilities										
Accounts payable and accrued liabilities	3 808	–	16 093	3 783	288	208	–	–	24 180	29 301
Funds received in advance and deferred revenue	–	–	27 154	6 339	70 508	–	–	–	104 001	77 454
Employee benefits liabilities	1 438	–	2 438	1 762	372	280	5 961	–	12 251	11 391
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 2022*	*31 December 2021*
Liabilities for conditional arrangements	–	–	109 434	26 365	–	–	–	–	135 799	163 408
Other liabilities	–	–	1 525	–	–	–	–	(1 525)	–	–
Total current liabilities	**5 246**	**–**	**156 644**	**38 249**	**71 168**	**488**	**5 961**	**(1 525)**	**276 231**	**281 554**
Non-current liabilities										
Employee benefits liabilities	–	–	–	–	–	–	210 308	–	210 308	273 839
Total non-current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**210 308**	**–**	**210 308**	**273 839**
Total liabilities	**5 246**	**–**	**156 644**	**38 249**	**71 168**	**488**	**216 269**	**(1 525)**	**486 539**	**555 393**
Total net of total assets and total liabilities	**112 093**	**–**	**1 760 745**	**218 180**	**704 667**	**32 355**	**(118 148)**	**(51 158)**	**2 658 734**	**2 278 387**
Net assets										
Accumulated surpluses/(deficits): unrestricted	92 093	–	1 760 745	205 953	704 667	26 355	(118 148)	(51 158)	2 620 507	2 241 530
Reserves	20 000	–	–	12 227	–	6 000	–	–	38 227	36 857
Total net assets	**112 093**	**–**	**1 760 745**	**218 180**	**704 667**	**32 355**	**(118 148)**	**(51 158)**	**2 658 734**	**2 278 387**

All funds: statement of financial performance for the period ended 31 December 2022, 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 2022*	*31 December 2021*
Segment revenue										
Assessed contributions	–	24 687	–	56 437	154 455	–	–	–	235 579	238 960
Voluntary contributions	105 083	–	298 202	59 602	1 015	27	–	–	463 929	330 735
Other transfers and allocations	–	–	255 776	303	–	–	–	(23 015)	233 064	157 472
Investment revenue	89	–	2 563	573	4 747	50	238	–	8 260	2 313
Other revenue	806	–	10 265	2 124	19	37 661	13 836	(51 384)	13 327	20 630
Total revenue	**105 978**	**24 687**	**566 806**	**119 039**	**160 236**	**37 738**	**14 074**	**(74 399)**	**954 159**	**750 110**
Segment expense										
Employee salaries, allowances and benefits	59 652	22 359	60 355	45 886	4 257	15 484	13 666	(13 836)	207 823	201 926
Non-employee compensation and allowances	3 801	690	41 338	4 902	164	1 888	–	(924)	51 859	53 635
Grants and other transfers	2 341	668	198 829	23 231	88 885	194	–	(22 900)	291 248	279 838
Supplies and consumables	55	12	348	113	3	3	–	–	534	231
Depreciation	104	1	115	98	(1)	4	–	–	321	168
Amortization	–	–	27	–	–	–	–	–	27	59
Travel	1 994	222	14 471	18 323	549	370	–	(115)	35 814	1 519
Other operating expenses	7 941	735	35 066	38 510	7 282	11 383	64	(36 624)	64 357	54 985
Exchange losses from the fixed exchange rate mechanism	–	–	–	–	(820)	–	–	–	(820)	–
Other expenses	2	–	153	1	–	–	–	–	156	12
Total segment expenses	**75 890**	**24 687**	**350 702**	**131 064**	**100 319**	**29 326**	**13 730**	**(74 399)**	**651 319**	**592 373**
Surplus/(deficit) for the year	**30 088**	**–**	**216 104**	**(12 025)**	**59 917**	**8 412**	**344**	**–**	**302 840**	**157 737**

Note 5
Comparison to budget

101. UNEP prepares its budget on a modified cash basis, while expenses are presented on accrual basis in the financial statements. The statement of comparison of budget and actual amounts (statement V), presents the difference between budget amounts and actual expenditure on a comparable basis.

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

103. The original annual budget is the 2022 proportion of the 2022–2023 biennium budget approved by the United Nations Environment Assembly, while the final budget is the revised annual budget approved by the Executive Director. The original budget is based on the projected contributions, while the final budget is the revised budget based on the fund balances from prior years in addition to the expected collections for 2022.

104. 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, and are attributable to:

(a) The annual allocation being issued in tranches that focused on the delivery of programmatic priorities, in line with medium-term strategy for the period 2022–2025, as well as to enable UNEP to benefit from the adoption of the Umoja integrated planning, management and reporting solution;

(b) The cyclical nature of activities that occur in the second year of the biennium.

Savings and overruns are carried over to 2023, when the implementation of the activities of the organization is expected to increase.

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

105. 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 2022

(Thousands of United States dollars)

Reconciliation	*Operating*	*Investing*	*Financing*	*Total 2022*
Actual amounts on comparable basis (statement V)	(97 162)	–	–	(97 162)
Basis differences	(144 624)	(936)	–	(145 560)
Entity differences	(550 742)	–	–	(550 742)
Timing differences	–	–	–	–
Presentation differences	954 159	(84 610)	189	869 738
Actual amount in statement of cash flows (statement IV)	**161 631**	**(85 546)**	**189**	**76 274**

106. 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.

107. 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.

108. 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.

109. 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 2022	*31 December 2021*
Cash at bank and on hand	23	23
Cash pool cash and term deposits	243 605	167 331
Total cash and cash equivalents	**243 628**	**167 354**

110. 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 2022	*31 December 2021*
Current cash pool	977 349	1 143 918
Non-current cash pools	473 271	213 832
Total	**1 450 620**	**1 357 750**

111. 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 2022*	*31 December 2021*[a]
Assessed contributions – Member State	236 577	–	236 577	235 605
Assessed contributions – Non-member State	15	–	15	7
Total assessed contributions receivable before allowance	**236 592**	**–**	**236 592**	**235 612**
Allowance for doubtful receivables – Member State	(200 091)	–	(200 091)	(193 748)
Allowance for doubtful receivables – Non-member State	(6)	–	(6)	(4)
Total allowance for doubtful receivables	**(200 097)**	**–**	**(200 097)**	**(193 752)**
Total assessed contributions receivable	**36 495**	**–**	**36 495**	**41 860**

[a] The allowance for doubtful receivables for 2021 has been restated to conform with the current-year presentation.

Note: The governing bodies of the Multilateral Fund are aware of the outstanding receivables from several parties, including the United States of America and the Russian Federation. The agenda item regarding the reconsideration of the policy of the Executive Committee of the Fund on outstanding contributions was not included during the 91st meeting in December 2022 owing to the increased number of agenda items to be discussed. The treasurer, in collaboration with the Fund secretariat, will present the agenda item at the 93rd meeting of the Executive Committee, to be held from 11 to 15 December 2023.

Note 9
Receivables from non-exchange transactions: voluntary contributions

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2022*	*31 December 2021*
Member States	123 540	64 900	188 440	98 073
Other governmental organizations	29 354	9 727	39 081	27 418
United Nations organizations	137 091	537 555	674 646	646 449
Private donors	119 033	48 122	167 155	186 084
Total voluntary contributions receivable before allowance	**409 018**	**660 304**	**1 069 322**	**958 024**
Allowance for doubtful receivables current	(11 704)	–	(11 704)	(21 854)
Total voluntary contributions receivable	**397 314**	**660 304**	**1 057 618**	**936 170**

Note 10
Other receivables

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Current other receivables		
Value added tax recoverable	520	382
Other receivables from United Nations agencies, funds and programmes	1 086	1 461
Other exchange accounts receivable	486	259
Loans receivable	–	–
Subtotal	**2 092**	**2 102**
Allowance for doubtful receivables	(1 106)	(605)
Total other receivables (current)	**986**	**1 497**

Note 11
Advance transfers

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Advance transfers (current)	268 564	231 889
Advance transfers (non-current)	68 899	77 154
Total advance transfers	**337 463**	**309 043**

Note 12
Other assets

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Advances to UNDP and other United Nations agencies[a]	11 899	13 684
Advances to vendor	260	140
Advances to staff	878	709
Advances to other personnel	72	30
Deferred charges	3 215	3 755
Other assets; other	44	17
Total other assets	**16 368**	**18 335**

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

Note 13
Heritage assets

112. 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.

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

Note 14
Property, plant and equipment

114. 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.

115. 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	*Leasehold improvements*	*Furniture and fixtures*	*Communication and IT equipment*	*Vehicles*	*Machinery and equipment*	*Total*
Cost as at 1 January 2022	**842**	**–**	**460**	**1 452**	**1 722**	**203**	**4 679**
Additions	–	578	–	201	69	68	916
Disposals	–	–	(23)	(17)	(521)	(198)	(759)
Transfers	–	–	–	–	–	–	–
Cost as at 31 December 2022	**842**	**578**	**437**	**1 636**	**1 270**	**73**	**4 836**
Accumulated depreciation as at 1 January 2022	**(144)**	**–**	**(383)**	**(1 047)**	**(1 219)**	**(156)**	**(2 949)**
Depreciation	(21)	(10)	(16)	(139)	(125)	(36)	(347)[a]
Disposal	–	–	23	15	319	142	499
Transfers	–	–	–	–	–	–	–
Other changes	1	1	–	2	(1)	–	3
Accumulated depreciation as at 31 December 2022	**(164)**	**(9)**	**(376)**	**(1 169)**	**(1 026)**	**(50)**	**(2 794)**
Net carrying amount as at 31 December 2021	**698**	**–**	**77**	**405**	**503**	**47**	**1 730**
Net carrying amount as at 31 December 2022	**678**	**569**	**61**	**467**	**244**	**23**	**2 042**

[a] The total depreciation amount of $347 consists of the 2022 depreciation amount of $322 and the post-capitalization depreciation of $25.

Note 15
Intangible assets

116. 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 2022	**349**	**23**	**–**	**–**	**372**
Additions	44	–	–	–	44
Disposals	–	(23)	–	–	(23)
Cost as at 31 December 2022	**393**	**–**	**–**	**–**	**393**
Accumulated amortization as at 1 January 2022	**(314)**	**(17)**	**–**	**–**	**(331)**
Amortization	(24)	(3)	–	–	(27)
Disposals	–	18	–	–	18
Other changes	(2)	2	–	–	–
Accumulated amortization as at 31 December 2022	**(340)**	**–**	**–**	**–**	**(340)**
Net carrying amount 31 December 2021	**35**	**6**	**–**	**–**	**41**
Net carrying amount 31 December 2022	**53**	**–**	**–**	**–**	**53**

Note 16
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Vendor payables (accounts payable)	4 216	2 083
Transfers payable	18	2 790
Payables to Member States	171	1 523
Payables to other United Nations entities	6 689	5 928
Accruals for goods and services	3 006	6 968
Accounts payable – other	10 080	10 009
Total accounts payable and accrued liabilities	**24 180**	**29 301**

Note 17
Funds received in advance and deferred revenue

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Current advance receipts		
Funds received in advance and deferred revenue	104 001	77 454
Total funds received in advance and deferred revenue	**104 001**	**77 454**

Note 18
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*31 December 2022*	*31 December 2021*
After-service health insurance	2 065	175 908	177 973	234 028
Annual leave	1 727	14 807	16 534	20 130
Repatriation benefits	2 169	19 593	21 762	26 477
Subtotal defined-benefit liabilities	**5 961**	**210 308**	**216 269**	**280 635**
Accrued salaries and allowances	6 264	–	6 264	4 580
Pension contributions liabilities	26	–	26	15
Total employee benefits liabilities	**12 251**	**210 308**	**222 559**	**285 230**

117. 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 rollover actuarial valuation was conducted as at 31 December 2022.

Actuarial valuation: assumptions

118. 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 employee benefits. The principal actuarial assumptions used to determine the employee benefit obligations as at 31 December 2022 and 31 December 2021 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Discount rates as at 31 December 2022	4.09	5.06	5.10
Discount rates as at 31 December 2021	2.12	2.60	2.71
Inflation as at 31 December 2022	2.55-6.50	2.50	–
Inflation as at 31 December 2021	2.25–5.17	2.50	–

119. 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. The valuation of the other financial and demographic assumptions for 31 December 2022 is still being performed. The salary increase assumptions for the Professional staff category were 9.27 per cent for staff aged 19, grading down to 3.97 per cent for staff aged 65. The salaries of the General Service staff category were assumed to increase by 6.84 per cent for staff aged 19, grading down to 3.97 per cent for staff aged 65.

120. 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 2022 were updated to include escalation rates for future years. As at 31 December 2022, these escalation rates were at 5.20 per cent (2021: 3.75 per cent), 4.25 per cent (2021: 3.44 per cent) and 6.50 per cent (2021: 5.17 per cent) for eurozone, Swiss and all other medical plans respectively, except 6.50 per cent (2021: 5.03 per cent) for the United States Medicare plan and 6.50 per cent (2021: 4.53 per cent) for the United States dental plan, grading down to 4.15 per cent (2021: 3.75 per cent) and 2.55 per cent (2021: 2.25 per cent) over 6 years for Eurozone and Swiss health-care costs and to 3.85 per cent (2021: 3.95 per cent) over 9 years for United States health-care costs.

121. With regard to the valuation of repatriation benefits as at 31 December 2022, inflation in travel costs was assumed to be 2.40 per cent (2021: 2.50 per cent), on the basis of the projected United States inflation rate over the next 20 years.

122. Annual leave balances were assumed to increase at the following annual rates during the staff member’s projected years of service: 0–3 years, 9.1 per cent; 4−8 years, 1.0 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.

123. 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 2022*
Net benefit liability at 1 January 2022	**234 028**	**26 477**	**20 130**	**280 635**
Current service cost	10 460	1 736	1 624	13 820
Interest cost	4 934	650	516	6 100
Actual benefits paid	(1 816)	(2 894)	(2 258)	(6 968)
Total costs recognized in the statement of financial performance in 2022	**13 578**	**(508)**	**(118)**	**12 952**
Subtotal	**247 606**	**25 969**	**20 012**	**293 587**
Actuarial (gains)/loss[a]	(69 633)	(4 207)	(3 478)	(77 318)
Net defined liability as at 31 December 2022	**177 973**	**21 762**	**16 534**	**216 269**

[a] The cumulative amount of actuarial gains and losses recognized in the statement of changes in net assets is $77.3 million.

Discount rate sensitivity analysis

124. 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 2022	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 0.5 per cent	(18 115)	(758)	(639)
As percentage of end-of-year liability	(10%)	(3%)	(4%)
Decrease of discount rate by 0.5 per cent	20 270	788	667
As percentage of end-of-year liability	11%	4%	4%

Medical cost sensitivity analysis

125. 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)

2022	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	13.01%	23 158	(11.11%)	(19 789)
Effect on aggregate of the current service cost and interest cost	15.93%	2 453	(13.35%)	(2 055)

(Thousands of United States dollars)

2021	*Increase*		*Decrease*	
Effect on the defined-benefit obligation	13.52%	31 642	(11.57%)	(27 071)
Effect on aggregate of the current service cost and interest cost	18.05%	2 653	(15.07%)	(2 215)

Other defined-benefit plan information

126. Benefits paid for 2022 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 2022 defined benefit payments net of participants' contributions	2 110	2 224	1 774	6 108
Estimated 2021 defined benefit payments net of participants' contributions	1 816	2 894	2 258	6 968

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

(Thousands of United States dollars)

	2021	*2020*	*2019*	*2018*	*2017*	*2016*
Present value of the defined benefits obligations	280 635	273 060	246 922	190 864	203 218	140 633

Other Employee Benefit Liabilities

Accrued salaries and allowance

127. Accrued salaries and allowances comprise $3.5 million relating to home leave benefits and $0.9 million for accrued salaries payable. The remaining balance of $0.8 million relates to other benefits.

United Nations Joint Staff Pension Fund

128. 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 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.

129. 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. UNEP has therefore 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.

130. The Regulations of the Pension Fund 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.

131. The financial obligation of UNEP to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 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 Assembly has invoked the provision of article 26, following the 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.

132. The most recent actuarial valuation for the Fund was completed as at 31 December 2021, and a roll forward of the participation data as at 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements. The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent (107.1 per cent in the 2019 valuation). The funded ratio was 158.2 per cent (144.4 per cent in the 2019 valuation) when the current system of pension adjustments was not taken into account.

133. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2021, 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 of the valuation date. At the time of the present report, the General Assembly has not invoked the provision of article 26. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or because of 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 (2019, 2020 and 2021) amounted to $8,505.27 million, of which 1.4 per cent was contributed by UNEP.

134. During 2022, contributions paid to the Fund by UNEP amounted to $43.45 million (2021: $41.31 million). Expected contributions due in 2023 are approximately $45.01 million based on the contributions paid in January and February 2023.

135. 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.

136. 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, which are available at www.unjspf.org.

Note 20
Provisions

137. 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 2022	*31 December 2021*
Liabilities for conditional arrangements	135 799	163 408
Total other liabilities	**135 799**	**163 408**

Note 22
Net assets

Accumulated surpluses/deficits

138. 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.

139. 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 2022	*Surplus/ (deficit)*	*UNEP internal elimination*	*Inter-segment transfers*	*Other movements*	*31 December 2022*
Unrestricted fund balance						
Environment Fund	62 004	30 088	–	–	1	92 093
Other support to UNEP programme of work	1 493 295	216 104	240	–	(52)	1 709 587
Conventions and protocols	218 348	(12 025)	–	–	(370)	205 953
Multilateral Fund	644 750	59 917	–	–	–	704 667
Programme support	18 943	8 412	–	–	(1000)	26 355
End-of-service liabilities	(195 810)	344	–	–	77 318	(118 148)
Subtotal unrestricted fund balance	**2 241 530**	**302 840**	**240**	**–**	**75 897**	**2 620 507**
Reserves						
Environment Fund	20 000	–	–	–	–	20 000
Other support to UNEP programme of work	–	–	–	–	–	–
Conventions and protocols	11 857	–	–	–	370	12 227
Multilateral Fund	–	–	–	–	–	–
Programme support	5 000	–	–	–	1 000	6 000
Subtotal reserves	**36 857**	**–**	**–**	**–**	**1 370**	**38 227**
Total net assets						
Environment Fund	82 004	30 088	–	–	1	112 093
Other support to UNEP programme of work	1 493 295	216 104	240	–	(52)	1 709 587
Conventions and protocols	230 205	(12 025)	–	–	–	218 180

	1 January 2022	*Surplus/ (deficit)*	*UNEP internal elimination*	*Inter-segment transfers*	*Other movements*	*31 December 2022*
Multilateral Fund	644 750	59 917	–	–	–	704 667
Programme support	23 943	8 412	–	–	–	32 355
End-of-service liabilities	(195 810)	344	–	–	77 318	(118 148)
Total net assets	**2 278 387**	**302 840**	**240**	**–**	**77 267**	**2 658 734**

[a] Net assets movements including fund balances, are IPSAS-based. Detailed movements by fund are included in annexes I to VI.

Note 23
Revenue from non-exchange transactions

Assessed contributions

140. Assessed contributions of $235.6 million (2021: $238.9 million) have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the various conferences/meeting of parties and the policies of the United Nations, on the basis of the agreed budget scale of assessment. An amount of $24.6 million (2021: $25.4 million) of this is an allocation from the United Nations Secretariat.

141. Each year, 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)

	2022	*2021*
Assessed contributions		
Assessed contributions by Member State Governments	210 892	213 551
Bilateral transfers from the Multilateral Fund	–	–
Allocations from regular budget	24 687	25 409
Amount reported in statement II, “Assessed contributions”	**235 579**	**238 960**

Voluntary contributions

142. All voluntary contributions under binding agreements signed during 2022 are recognized as revenue in 2022, including the future portion of multi-year agreements.

Voluntary contributions

(Thousands of United States dollars)

	2022	*2021*
Voluntary contributions		
Voluntary contributions: in cash	480 105	339 425
Voluntary contributions: in kind	2 775	1 369
Total voluntary contributions received	**482 880**	**340 794**
Refunds	(18 951)	(10 059)
Net voluntary contributions received	**463 929**	**330 735**

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

(Thousands of United States dollars)

	Voluntary contributions
2022	341 807
2023	53 655
2024	39 813
2025	26 815
2026	1 705
Beyond 2026	134
Total voluntary contributions	**463 929**

Other transfers and allocations

144. 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.

	2022	*2021*
Other transfers and allocations		
Allocations received from United Nations internal funds	233 064	157 472
Total	**233 064**	**157 472**

Services in kind

145. 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)

	2022	*2021*
Technical assistance/expert services	356	1 905
Administrative support	39	20
Training participation	596	–
Total	**991**	**1 925**

Note 24
Other revenue

(Thousands of United States dollars)

	2022	*2021*
Other/miscellaneous revenue	20	824
Foreign exchange gains and revenue-producing activities	13 307	19 806
Total other exchange revenue	**13 327**	**20 630**

Note 25
Expenses

Employee salaries, allowances and benefits

146. 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)

	2022	*2021*
Salary and wages	157 985	151 996
Pension and insurance benefits	47 841	46 070
Other benefits	1 997	3 860
Total employee salaries, allowances and benefits	**207 823**	**201 926**

Non-employee compensation and allowances

147. 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)

	2022	*2021*
United Nations Volunteers	5 177	4 882
Consultants and contractors	46 619	48 716
United Nations police	1	–
Other	62	37
Total non-employee compensation and allowances	**51 859**	**53 635**

Grants and other transfers

148. 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)

	2022	*2021*
Grants to end beneficiaries	2 271	2 753
Transfers to implementing partners	288 977	277 085
Total grants and other transfers	**291 248**	**279 838**

Supplies and consumables

149. 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)

	2022	*2021*
Fuel and lubricants	15	15
Spare parts	66	65
Consumables	453	151
Total supplies and consumables	**534**	**231**

Travel

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

Travel expenses

(Thousands of United States dollars)

	2022	*2021*
Staff travel	23 237	1 221
Non-staff travel	12 577	298
Total travel	**35 814**	**1 519**

Other operating expenses

151. 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)

	2022	*2021*
Air transport	38	31
Ground transport	80	75
Communication and IT	10 127	7 579
Other contracted services	24 923	18 206
Acquisitions of goods	1 992	1 090
Acquisitions of intangible assets	542	458
Contributions in kind	2 665	1 292
Rent: offices and premises	9 588	9 175
Rental: equipment	361	42
Maintenance and repair	2 386	2 013
Bad debt expense	(3 215)	(5 030)
Net foreign exchange losses/gains	14 233	19 559
Other/miscellaneous operating expenses	637	495
Total other operating expenses	**64 357**	**54 985**

Exchange losses from the fixed-rate mechanism

152. 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 $0.82 million (2021: $0 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)

	2022	*2021*
Exchange (gain)/loss from the fixed exchange rate mechanism	(820)	–

Other expenses

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

(Thousands of United States dollars)

	2022	*2021*
Ex gratia and compensation claims	–	–
Other/miscellaneous expenses	156	12
Total other expenses	**156**	**12**

Note 26
Financial instruments and financial risk management

Financial instruments

(Thousands of United States dollars)

	2022	*2021*
Financial assets		
Fair value through the surplus or deficit		
Short-term investments: main pool	977 349	1 143 918
Total short-term investments	**977 349**	**1 143 918**
Long-term investments: main pool	473 271	213 832
Total long-term investments	**473 271**	**213 832**
Total fair value through surplus or deficit	**1 450 620**	**1 357 750**
Cash, loans and receivables		
Cash and cash equivalents: main pool	243 605	167 331
Cash and cash equivalents – other	23	23
Cash and cash equivalents	**243 628**	**167 354**
Assessed contributions receivable	36 495	41 860
Voluntary contributions receivable	1 057 618	936 170
Other receivables	986	1 497
Other assets (excluding advances)	–	–
Total cash, loans and receivables	**1 338 727**	**1 146 881**
Total carrying amount of financial assets	**2 789 347**	**2 504 631**
Of which relates to financial assets held in main pool	1 694 225	1 525 081
Other investment revenue	8 260	2 313

	2022	2021
Financial liabilities at amortized cost		
Accounts payable and accrued payables (excluding deferred payables)	24 180	29 301
Total carrying amount of financial liabilities	**24 180**	**29 301**
Summary of net income from financial assets		
Other investment revenue	3 320	1 924
Investment revenue	4 940	389
Foreign exchange gains/(losses)	–	–
Total net income from financial assets	**8 260**	**2 313**

Financial risk management: overview

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

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

155. 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

156. 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

157. 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

158. 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

159. 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

160. 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 2022	*31 December 2021*
Opening allowance for doubtful receivables	216 211	221 274
Doubtful receivables adjustment for current year	(3 304)	(5 063)
Closing allowance for doubtful receivables	**212 907**	**216 211**

161. 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	25 937	935
One to two years	14 494	4 951
Two to three years	4 875	2 925
More than three years[a]	191 286	191 286
Total	**236 592**	**200 097**

[a] Assessed contributions outstanding for more than three years include an amount of $176.5 million in unpaid contributions under the Multilateral Fund. The Fund's governing bodies are aware of the outstanding receivables from several parties, including the United States and the Russian Federation. The agenda item regarding the reconsideration of the policy of the Executive Committee of the Fund on outstanding contributions was not included during the 91st meeting in December 2022 owing to the increased number of agenda items to be discussed. The treasurer, in collaboration with the Fund secretariat, will present the agenda item at the 93rd meeting of the Executive Committee, to be held from 11 to 15 December 2023.

Ageing of voluntary contributions receivable

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Neither past due nor impaired	910 566	–
Less than one year	135 723	–
One to two years	12 419	3 106
Two to three years	5 042	3 026
More than three years	5 572	5 572
Total	**1 069 322**	**11 704**

Ageing of other receivables

(Thousands of United States dollars)

	Gross receivable	*Allowance*
Less than one year	844	45
One to two years	110	66
Two to three years	358	215
More than three years	780	780
Total	**2 092**	**1 106**

Cash and cash equivalents

162. The organization had cash and cash equivalents of $243.6 million as at 31 December 2022 (2021: $167.4 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

163. 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.

164. 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.

165. 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

166. 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 2022

(Thousands of United States dollars)

	<3 months	*3 to 12 months*	*>1 year*	*Total*
Maturities for financial liabilities: as at 31 December 2022, undiscounted accounts payable and accrued payables	24 180	–	–	24 180

Market risk

167. 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

168. 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

169. 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.

170. 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 2022

(Thousands of United States dollars)

	United States dollars	*Euros*	*Swiss francs*	*Others*	*Total*
Main cash pool	1 678 003	12 341	2 297	1 584	1 694 225

Sensitivity analysis

171. A strengthening/weakening of the euro and Swiss franc United Nations operational rates of exchange 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 2022		*As at 31 December 2021*	
	Effect on net asset surplus or deficit		*Effect on net asset surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	1 234	(1 234)	746	(746)
Swiss franc (10 per cent movement)	230	(230)	200	(200)

Other market price risk

172. 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

173. 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

174. 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).

175. 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)

Main pool

	31 December 2022			*31 December 2021*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporates	9 359	–	9 359	3 881	–	3 881
Bonds – non-United States agencies	283 435	–	283 435	206 416	–	206 416
Bonds – supranational	113 334	–	113 334	105 127	–	105 127
Bonds – United States treasuries	193 495	–	193 495	25 539	–	25 539
Bonds – non-United States sovereigns	13 881	–	13 881	11 665	–	11 665
Main pool – commercial papers	–	250 824	250 824	–	392 528	392 528
Main pool – certificate of deposit	–	381 036	381 036	–	365 475	365 475
Main pool – term deposits	–	205 256	205 256	–	247 119	247 119
Total	**613 504**	**837 116**	**1 450 620**	**352 628**	**1 005 122**	**1 357 750**
Euro pool						
Bonds – corporate	–	–	–	125	–	125
Bonds – non-United States sovereigns	–	–	–	59	–	59
Subtotal, euro pool	**–**	**–**	**–**	**184**	**–**	**184**
Total	**613 504**	**837 116**	**1 450 620**	**352 812**	**1 005 122**	**1 357 934**

176. 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.

177. 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

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

179. 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.

180. As at 31 December 2022, the cash pool held total assets of $11,873.8 million (2021: $11,799.7 million), of which $1,694.2 million was due to the organization (2021: $1,525.1 million), and its share of revenue from cash pools was $5.203 million (2021: $0.454 million).

Summary of assets and liabilities of the main pool as at 31 December 2022

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	6 789 427
Long-term investments	3 316 889
Total fair value through the surplus or deficit investments	**10 106 316**
Loans and receivables	
Cash and cash equivalents	1 707 288
Accrued investment revenue	60 265
Total loans and receivables	**1 767 553**
Total carrying amount of financial assets	**11 873 869**
Cash pool liabilities	
Payable to UNEP (14.27%)	1 694 225
Payable to other cash pool participants	10 179 644
Total liabilities	**11 873 869**
Net assets	**–**

Summary of revenue and expenses of the main pool for the year ended 31 December 2022

(Thousands of United States dollars)

	Main pool
Investment revenue	178 646
Unrealized gains/(losses)	(137 034)
Investment revenue from main pool	**41 612**
Foreign exchange gains/(losses)	(7 670)
Bank fees	(772)
Operating expenses from main pool	**(8 442)**
Revenue and expenses from main pool	**33 170**

Summary of assets and liabilities of the main pool as at 31 December 2021

(Thousands of United States dollars)

	Main pool
Fair value through the surplus or deficit	
Short-term investments	8 839 722
Long-term investments	1 654 439
Total fair value through the surplus or deficit investments	**10 494 161**
Loans and receivables	
Cash and cash equivalents	1 294 660
Accrued investment revenue	10 903
Total loans and receivables	**1 305 563**
Total carrying amount of financial assets	**11 799 724**
Cash pool liabilities	
Payable to UNEP (12.31%)	1 525 081
Payable to other cash pool participants	10 274 643
Total liabilities	**11 799 724**
Net assets	–

Summary of revenue and expenses of the main pool for the year ended 31 December 2021

(Thousands of United States dollars)

	Main pool
Investment revenue	46 322
Unrealized gains/(losses)	(37 495)
Investment revenue from main pool	**8 827**
Foreign exchange gains/(losses)	(1 626)
Bank fees	(1 805)
Operating expenses from main pool	**(3 431)**
Revenue and expenses from main pool	**5 396**

Financial risk management

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

182. 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.

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

Financial risk management: credit risk

184. 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.

185. 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.

186. 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, certificates of deposit 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 rating as at 31 December 2022

(Percentage)

Main pool	*Ratings as at 31 December 2022*					*Ratings as at 31 December 2021*			
Bonds (long-term ratings)					**Bonds (long-term ratings)**				
	AAA/AAAu	*AA+u/AA+/AA*		*NA*		*AAA/AAAu*	*AA+u/AA+/AA*	*A-1/A-1+*	*NA*
S&P	33.8%	65.9%		0.3%	S&P	47.8%	48.1%	0.4%	3.7%
	AAA	*AA+/AA/AA-*	*A+*	*NA/NR*		*AAA*	*AA+/AA/AA-*		*NA/NR*
Fitch	61.9%	22.5%	0.2%	15.4%	Fitch	61.3%	15.7%		23.0%
	Aaa	*Aa1/Aa2/Aa3*		*NA*		*Aaa*	*Aa1/Aa2/Aa3*	*A1*	*NA*
Moody's	66.7%	30.9%		2.4%	Moody's	61.1%	34.9%	0.4%	3.6%
Commercial papers/certificates of deposit (short-term ratings)					**Commercial papers/certificates of deposit (short-term ratings)**				
	A-1+/A-1					*A-1+/A-1*			
S&P	100.0%				S&P	100.0%			
	F1+/F1			*NR*		*F1+/F1*			*NR*
Fitch	97.7%			2.3%	Fitch	96.7%			3.3%
	P-1/P2					*P-1/P2*			
Moody's	100.0%				Moody's	100.0%			
Term deposits/demand deposit account (Fitch viability ratings)					**Term deposits/demand deposit account (Fitch viability ratings)**				
	aa/aa-	*a+/a/a-*				*aa/aa-*	*a+/a/a-*		
Fitch	35.9%	64.1%			Fitch	34.1%	65.9%		

Abbreviations: NA, not applicable; NR, not rated; WD, withdrawn; WR, withdrawn.

187. 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

188. 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

189. 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 five years (2021: three years). The average duration of the main pool on 31 December 2022 was 0.77 years (2021: 0.49 years), which is considered to be an indicator of low risk.

Cash pool interest rate risk sensitivity analysis

190. 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.

Main pool interest rate risk sensitivity analysis as at 31 December 2022

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):									
Main pool total	168.98	126.73	84.48	42.24	0	(42.23)	(84.46)	(126.69)	(168.91)

Main pool interest rate risk sensitivity analysis as at 31 December 2021

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):									
Main pool total	113.63	85.22	56.81	28.40	0	(28.40)	(56.80)	(85.19)	(113.58)

Other market price risk

191. 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

192. 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.

193. 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 (that is, derived from prices).

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

194. 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.

195. 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.

196. 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 2022: main pool

(Thousands of United States dollars)

	31 December 2022			*31 December 2021*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	65 200	–	65 200	29 997	–	29 997
Bonds – non-United States agencies	1 974 662	–	1 974 662	1 595 405	–	1 595 405
Bonds – supranational	789 587	–	789 587	812 539	–	812 539
Bonds – United States treasuries	1 348 056	–	1 348 056	197 390	–	197 390
Bonds – non-United States sovereigns	96 713	–	96 713	90 163	–	90 163
Main pool – commercial papers	–	1 747 461	1 747 461	–	3 033 880	3 033 880
Main pool – certificates of deposit	–	2 654 637	2 654 637	–	2 824 787	2 824 787
Main pool – term deposits	–	1 430 000	1 430 000	–	1 910 000	1 910 000
Total	**4 274 218**	**5 832 098**	**10 106 316**	**2 725 494**	**7 768 667**	**10 494 161**
Euro pool						
Bonds – corporate	–	–	–	963	–	963
Bonds – non-United States sovereigns	–	–	–	458	–	458
Subtotal, euro pool	**–**	**–**	**–**	**1 421**	**–**	**1 421**
Total	**4 274 218**	**5 832 098**	**10 106 316**	**2 726 915**	**7 768 667**	**10 495 582**

Note 28
Related parties

Key management personnel

197. 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.

198. 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.

199. The organization's key management personnel were paid $7.6 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)	29	–	29
Aggregate remuneration:			
Salary and post adjustment	6 369	–	6 369
Other compensation/entitlements	1 193	–	1 193
Total remuneration for the year ended 31 December 2022	**7 562**	–	**7 562**

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

201. 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

202. 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

203. 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

204. The organization enters into operating leases for the use of land, permanent and temporary buildings, machinery and equipment. While some of the agreements are under commercial terms, others are for space provided to UNEP by host Governments on a free-of-charge or nominal-fee basis. Rental value equivalent was estimated and

recognized as an expense and in-kind contributions were presented in the statement of financial performance as voluntary contributions revenue. Operating lease expenses for the year totalled $12.3 million (2021: $13.1 million). Future minimum lease payments under non-cancellable operating leases are as shown below.

Future minimum operating lease obligations
(Thousands of United States dollars)

	Minimum lease payment as at 31 December 2022	*Minimum lease payment as at 31 December 2021*
Due in less than 1 year	14 837	8 207
Due in 1 to 5 years	53 268	18 065
Due later than 5 years	17 686	12 528
Total minimum operating lease obligations	**85 791**	**38 800**

205. 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

206. 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 2022	*31 December 2021*
Goods and services	47 478	43 429
Implementing partners	939 370	769 618
Multilateral Fund external implementing partners	165 615	176 291
Total contractual commitments	**1 152 463**	**989 338**

Note 30
Contingent liabilities and contingent assets

Contingent liabilities

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

208. These claims are segregated into two main categories: commercial and administrative law claims. As at the reporting date, two staff members were contesting the organization’s decision concerning their reclassification request, which had been reviewed in 2010. The results of the reclassification request were formally communicated to them in September 2022. The matter is now pending before the United Nations Dispute Tribunal with the respondent answer having been filed on 19 December 2022.

Contingent assets

209. 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 2022, 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

210. 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)

	2022[a]	*2021*
Grants to end beneficiaries	**2 271**	**2 753**
Grants to implementing partners:		
Staff and other personnel costs	83 237	68 613
Supplies, commodities, materials	3 052	2 100
Equipment, vehicles and furniture	7 433	7 214
Contractual services	36 482	24 375
Travel	13 888	8 903
Transfers and grants to counterparts	62 384	73 607
General operating and other direct costs	14 916	24 656
Indirect support costs (implementing partner)	1 600	1 585
Subtotal grants to implementing partners	**225 263**	**211 053**
Multilateral Fund expenditure	88 885	83 002
Less: eliminated expenses	(22 900)	(16 970)
Net Multilateral Fund expenditure	**65 985**	**66 032**
Total grants and other transfers	**291 248**	**279 838**

[a] As at the time of the financial statements, 66 per cent of active implementing partners had confirmed their 2022 deliverables. Although there is a decline in the overall implementation rate from 75 per cent in 2021 to 66 per cent in 2022, the decline is attributed to the increase in the number of active implementing partners. UNEP recognized the 2022 expenses on the basis of the reports received from the implementing partners and confirmed their 2022 deliverables. The pending expenses from the implementing partners will be recorded against the commitments, and the balances of the contractual commitments to the implementing partners are reported in paragraph 206 of note 29.

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

(Thousands of United States dollars)

	Total 2022	*Total 2021*
United Nations Environment Fund	23 140	18 592
United Nations Industrial Development Organization	27 501	30 329
World Bank	9 976	5 245
United Nations Development Programme	28 268	28 836
Total	**88 885**	**83 002**

212. 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.

213. 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 2023, 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

214. The organization has an amount of $1,069.3 million worth of signed contributions from voluntary contributions for implementation in current and future years. This figure is shown in note 9 above, as the total voluntary contributions receivable before allowance.

Note 33
Events after the reporting date

215. 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 2022

Environment Fund

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Cash flow from operating activities		
Surplus/(deficit) for the year	30 088	14 784
Non-cash movements		
Depreciation and amortization	104	58
Actuarial gain/(loss) on employee benefits liabilities	–	–
Transfers and donated property, plant and equipment and intangibles	–	(25)
Net gain/(loss) on disposal of property, plant, and equipment	–	(20)
Changes in assets		
(Increase)/decrease in voluntary contributions receivable	(26 079)	(22 075)
(Increase)/decrease in other receivables	78	692
(Increase)/decrease in advance transfers	401	257
(Increase)/decrease in other assets	(1 883)	(1 519)
Changes in liabilities		
Increase/(decrease) in accounts payable and accrued liabilities	2 623	199
Increase/(decrease) in funds received in advance and deferred revenue	–	–
Increase/(decrease) in employee benefits payable	59	(6)
Increase/(decrease) in provisions	–	–
Investment revenue presented as investing activities	(89)	(1 178)
Net cash flows from/(used in) operating activities	**5 302**	**(8 833)**
Cash flow from investing activities		
Pro rata share of net increases in the cash pool	(2 680)	(1 819)
Investment revenue presented as investing activities	89	1 178
Acquisitions of property, plant, and equipment	(70)	(32)
Net cash flows from/(used in) investing activities	**(2 661)**	**(673)**
Cash flow from financing Activities		
Adjustments to net assets	–	9 774
Net cash flows from/(used in) financing activities	**–**	**9 774**
Net increase/(decrease) in cash and cash equivalents	2 641	268
Cash and cash equivalents – beginning of year	6 043	5 775
Cash and cash equivalents – end of year	**8 684**	**6 043**

Note 35
Statement of cash flows for the year ended 31 December 2022

Multilateral Fund

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Cash flow from operating activities		
Surplus/(deficit) for the year	59 917	71 406
Non-cash movements		
Depreciation and amortization	(1)	1
Transfers and donated property, plant and equipment and intangibles	–	–
Changes in assets		
(Increase)/decrease in assessed contributions receivable	6 058	(22 930)
(Increase)/decrease in voluntary contributions receivable	–	–
(Increase)/decrease in other receivables	693	(221)
(Increase)/decrease in advance transfers	14 758	21 295
(Increase)/decrease in other assets	(40)	(20)
Changes in liabilities		
Increase/(decrease) in accounts payable and accrued liabilities	(1 846)	91
Increase/(decrease) in advance receipts	26 423	10 929
Increase/(decrease) in employee benefits payable	280	(167)
Investment revenue presented as investing activities	(4 747)	(2 462)
Net cash flows from/(used in) operating activities	**101 495**	**77 922**
Cash flow from investing activities		
Pro rata share of net increases in the cash pool	(74 992)	(71 365)
Acquisitions of property, plant, and equipment	–	–
Investment revenue presented as investing activities	4 747	2 462
Net cash flows from/(used in) investing activities	**(70 245)**	**(68 903)**
Cash flow from financing activities		
Adjustments to net assets	–	3
Net cash flows from/(used in) financing activities	**–**	**3**
Net increase/(decrease) in cash and cash equivalents	31 250	9 022
Cash and cash equivalents – beginning of year	51 451	42 429
Cash and cash equivalents – end of year	**82 701**	**51 451**

Annex I

Environment Fund segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2022

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus – unrestricted*	*Net asset reserve – unrestricted*	*Net assets 1 January 2022*	*Revenue*	*Expense*	*Net assets 31 December 2022*
FEL	UNEP Environment support budget	53 187	20 000	73 187	37 407	14 005	96 589
FPL	Environment Fund programme activities	6 988	–	6 988	65 662	60 059	12 591
RAL	Environment Fund programme reserve activities	1 829	–	1 829	2 910	1 826	2 913
Net total		**62 004**	**20 000**	**82 004**	**105 979**	**75 890**	**112 093**

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 2022

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus – unrestricted*	*Net asset reserve – unrestricted*	*Net assets 1 January 2022*	*Revenue*	*Expense*	*Net assets 31 December 2022*
CBL	Trust fund for the capacity-building initiatives of the Global Environment Facility	15 950	–	15 950	(33)	4 630	11 287
CCL	Technical cooperation trust fund for the management of the United Nations Environment Programme (UNEP)/Global Environment Facility special climate change fund programme	7 027	–	7 027	1 235	2 982	5 280
FBL	Technical cooperation trust fund for the implementation of the Global Environment Facility fee-based system for funding project implementation	23 206	–	23 206	12 476	11 793	23 889
GFL	Technical cooperation trust fund for UNEP implementation of the activities funded by the Global Environment Facility	644 649	–	644 649	186 811	87 127	744 333
LDL	Technical cooperation for the management of the UNEP/Global Environment Facility national adaptation programme of action for least developed countries	93 925	–	93 925	(1 245)	10 636	82 044
NPL	Trust fund for the Nagoya Protocol implementation fund	2 416	–	2 416	10	195	2 231
	Global Environment Facility trust fund: totals	**787 173**	**–**	**787 173**	**199 254**	**117 363**	**869 064**
AEL	General trust fund for the purpose of post-conflict environmental assessment	1 358	–	1 358	1 593	1 739	1 212
AFB	Technical cooperation trust fund for UNEP activities as multilateral implementing entity of the Adaptation Fund Board	19 942	–	19 942	(31)	3 586	16 325
AML	General trust fund for the African Ministerial Conference on the Environment	3 263	–	3 263	746	744	3 265
BPL	Technical cooperation trust fund for the implementation of the agreement with Belgium	3 671	–	3 671	80	2 001	1 750
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	5 098	–	5 098	17	1 543	3 572

Fund ID code	Fund description	Net asset accumulated surplus – unrestricted	Net asset reserve – unrestricted	Net assets 1 January 2022	Revenue	Expense	Net assets 31 December 2022
CLL	Trust fund to support the activities of the Climate Technology Centre and Network	24 100	–	24 100	6 348	7 936	22 512
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	9 973	–	9 973	4 767	4 028	10 712
CNL	Technical cooperation trust fund for the UNEP climate-neutral fund	346	–	346	116	55	407
CPL	Counterpart contributions in support of Environment Fund activities	222 225	–	222 225	158 380	98 978	281 627
CSS	General trust fund for climate stability	–	–	–	15 539	279	15 260
DPL	Technical cooperation trust fund for the partnership agreement between the Government of the Netherlands and UNEP	20	–	20	–	–	20
EBL	General trust fund for implementing national biodiversity strategies and action plans	–	–	–	–	–	–
ECL	Technical cooperation trust fund to support achievement of contribution agreement No. 21 (0401/2011/608174/SUB/E2)	28	–	28	5 998	5 598	428
ESS	Technical cooperation trust fund for UNEP implementation of ecosystem-based adaptation	62 978	–	62 978	33 208	4 508	91 678
ETL	Trust fund for the environmental training network in Latin America and the Caribbean	328	–	328	84	105	307
EUL	Technical cooperation trust fund to support achievement of contribution agreement No. DCI-ENV/2010/258-800	208	–	208	807	1 007	8
FIL	General trust fund to support the activities of the UNEP financial services initiative on the environment	21 215	–	21 215	16 972	8 826	29 361
FRL	UNEP Environment Fund holding fund for cash transactions of UNEP Economy Division – Environment Fund support budget – counterpart contributions	52	–	52	–	–	52
FSL	Technical cooperation trust fund to support implementation of the Seed Capital Assistance Facility	17 601	–	17 601	59	501	17 159
FTL	Revolving fund activities	97	–	97	4	–	101
GCF	Green Climate Fund	150 689	–	150 689	(1 265)	10 155	139 269
GCL	Green Climate Fund research and follow-up	46 723	–	46 723	9 163	2 177	53 709
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	836	–	836	3	174	665

Fund ID code	Fund description	Net asset accumulated surplus – unrestricted	Net asset reserve – unrestricted	Net assets 1 January 2022	Revenue	Expense	Net assets 31 December 2022
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	354	–	354	(28)	319	7
GPS	Trust fund for activities of the Secretariat and organization of meetings and consultations for the Global Pact for the Environment	32	–	32	(7)	22	3
GRL	Technical cooperation trust fund for the implementation of the greening economies in the Eastern neighbourhood and Central Asia programme	30	–	30	–	–	30
IAL	Technical cooperation trust fund for Irish Aid multilateral environment fund for Africa	173	–	173	–	55	118
IEL	Technical cooperation trust fund to improve the environment in the Democratic People's Republic of Korea	562	–	562	2	–	564
IML	Technical cooperation trust fund for UNEP implementation of the Multilateral Fund activities	49 901	–	49 901	22 897	21 084	51 714
JCL	Technical cooperation trust fund for the establishment of the International Environmental Technology Centre in Japan	5 768	–	5 768	908	2 307	4 369
LHN	General trust fund for living in harmony with nature	–	–	–	14 424	277	14 147
MCL	General trust fund in support of the preparation of a global assessment of mercury and its compounds	5 760	–	5 760	(121)	4	5 635
MDL	Technical cooperation trust fund for UNEP implementation of the Millennium Development Goals achievement fund	123	–	123	1	–	124
MOL	General trust fund for the core activities of the Montevideo Programme V	–	–	–	1382	1	1 381
NFL	Technical cooperation trust fund for the implementation of the framework agreement between UNEP and Norway	20 561	–	20 561	1 671	16 288	5 944
PFP	General trust fund for a pollution-free planet	–	–	–	12 398	1 495	10 903
PGL	Technical cooperation trust fund for the implementation of the Partnership for Action on Green Economy	10 701	–	10 701	2 718	4 533	8 886
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	416	–	416	2	(29)	447
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	–	–	–	–	–	-
QGL	Support of the Global Environment Facility	2 869	–	2 869	10	510	2 369

Fund ID code	*Fund description*	*Net asset accumulated surplus – unrestricted*	*Net asset reserve – unrestricted*	*Net assets 1 January 2022*	*Revenue*	*Expense*	*Net assets 31 December 2022*
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	8 176	–	8 176	2 586	4 637	6 125
REL	Technical cooperation trust fund for the promotion of renewable energy in the Mediterranean region	9 914	–	9 914	315	1 924	8 305
RPL	General trust fund to support participation of developing countries in reporting on the state of the marine environment	4	–	4	–	–	4
SCP	Technical cooperation trust fund for the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns	3 852	–	3 852	1 310	1 587	3 575
SEL	Technical cooperation trust fund for the implementation of the agreement with Sweden	13 020	–	13 020	21 469	12 597	21 892
SFL	Technical cooperation trust fund for implementation of the framework agreement between Spain and UNEP	1 253	–	1 253	(547)	277	429
SLP	Trust fund to support the activities of the Climate and Clean Air Coalition to Reduce Short-lived Climate Pollutants	22 454	–	22 454	30 767	7 933	45 288
SML	General trust fund for the Strategic Approach to International Chemicals Management: quick start programme	2 680	–	2 680	12	(85)	2 777
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	50	–	50	–	–	50
WPL	General trust fund to provide support to the Global Environment Monitoring System/Water Programme office	88	–	88	–	26	62
FEC	Trust fund for core activities of the "Faith for Earth Coalition" of UNEP	26	–	26	9	30	5
	Other support to UNEP programme of work (non-Global Environment Facility trust fund non-Junior Professional Officer): total	**749 518**	**–**	**749 518**	**364 766**	**229 732**	**884 552**
TBL	Technical cooperation trust fund for provision of Junior Professional Officers (financed by the Government of Belgium)	119	–	119	131	133	117
CEL	Technical cooperation trust fund for financing of Professional Officers (financed by the Government of Finland)	430	–	430	179	124	485
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	14	–	14	(2)	8	4
TCL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Nordic Governments through the Government of Sweden)	295	–	295	1	–	296

Fund ID code	Fund description	Net asset accumulated surplus – unrestricted	Net asset reserve – unrestricted	Net assets 1 January 2022	Revenue	Expense	Net assets 31 December 2022
TDL	Special purpose trust fund for the Government of Denmark agreement with UNEP for the provision of Junior Professional Officers	5	–	5	–	–	5
TGL	Special purpose trust fund for the provision of Junior Professional Officers (financed by the Government of Germany)	1 221	–	1 221	540	755	1 006
THL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of the Netherlands)	581	–	581	168	468	281
TIL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Italy)	545	–	545	129	362	312
TJL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Japan)	1 100	–	1100	821	575	1 346
TKL	Technical cooperation trust fund for the provision of Professional Officers (financed by the Government of the Republic of Korea)	1 598	–	1 598	8	445	1 161
TNL	Special purpose trust fund for the Government of Norway agreement with UNEP for the provision of Junior Professional Officers	558	–	558	2	1	559
TPL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Spanish Agency for International Development Cooperation)	160	–	160	1	–	161
TRL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of France)	521	–	521	554	244	831
TSL	Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Sweden)	803	–	803	254	492	565
	Trust funds for Junior Professional Officers: total	**7 950**	**–**	**7 950**	**2 786**	**3 607**	**7 129**
	Other support to UNEP programme of work: total	**1 544 641**	**–**	**1 544 641**	**566 806**	**350 702**	**1 760 745**
	Fund IML financial statement elimination	**(51 158)**	**–**	**(51 158)**	**–**	**–**	**(51 158)**
	Net total	**1 493 483**	**–**	**1 493 483**	**566 806**	**350 702**	**1 709 587**

Annex III

Conventions and protocols segment

Schedule of net assets, revenue, and expense at fund level for the year ended 31 December 2022

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus – unrestricted*	*Net asset reserve – unrestricted*	*Net assets 1 January 2022*	*Revenue*	*Expense*	*Net assets 31 December 2022*
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	21 161	–	21 161	5 481	4 434	22 208
BCL	Trust fund for the Basel Convention	6 037	736	6 773	5 268	5 395	6 646
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	5 288	927	6 215	4 409	4 262	6 362
SCL	General trust fund for the Stockholm Convention on Persistent Organic Pollutants, its subsidiary bodies and the Convention	4 684	895	5 579	6 674	7 097	5 156
QRL	Support for the Basel Convention	–	–	–	–	–	–
RSL	Technical cooperation trust fund to support implementation of the Rotterdam and Stockholm Conventions in developing countries	–	–	–	–	–	–
RVL	General trust fund for the Rotterdam Convention	3 141	–	3 141	(80)	938	2 123
SVL	Special trust fund for the Stockholm Convention: its subsidiary bodies and the Convention	8 879	451	9 330	3 858	4 585	8 603
	Basel, Rotterdam and Stockholm Conventions: total	**49 190**	**3 009**	**52 199**	**25 610**	**26 711**	**51 098**
QCL	Support of the Action Plan for the Caribbean Environment Programme	603	–	603	32	106	529
CRL	Regional trust fund for implementation of the Action Plan for the Caribbean Environment Programme	2 129	190	2 319	1 266	1 019	2 566
	Caribbean Environment Programme: total	**2 732**	**190**	**2 922**	**1 298**	**1 125**	**3 095**
CAP	Trust fund for the core budget of the Framework Convention on the Protection and Sustainable Development of the Carpathians and related protocols	653	–	653	1 175	664	1 164
CAR	Trust fund for the core budget of the Carpathian Convention	1 255	–	1 255	253	194	1 314
	Carpathian Convention: total	**1 908**	**–**	**1 908**	**1 428**	**858**	**2 478**

Fund ID code	Fund description	Net asset accumulated surplus – unrestricted	Net asset reserve – unrestricted	Net assets 1 January 2022	Revenue	Expense	Net assets 31 December 2022
BEL	General trust fund for additional voluntary contributions in support of approved activities under the Convention on Biological Diversity	22 042	–	22 042	5 657	8 966	18 733
BIL	Special voluntary trust fund for facilitating the participation of developing country parties, in particular least developed countries and small island developing States, and parties with economies in transition	–	–	–	–	–	–
BHL	Special voluntary trust fund for additional voluntary contributions in support of approved activities	1 669	–	1 669	(1 666)	3	–
BBL	Trust fund for the core programme budget for the Nagoya Protocol	1 853	384	2 237	1 927	2 063	2 101
BGL	General trust fund for the core programme budget for the Biosafety Protocol	4 266	444	4 710	2 627	2 802	4 535
BYL	General trust fund for the Convention on Biological Diversity	13 153	2 129	15 282	12 966	16 145	12 103
BXL	Additional voluntary contributions in support of approved activities of the Nagoya Protocol	46	–	46	(46)	–	–
BZL	General trust fund for voluntary contributions to facilitate the participation of parties in the process of the Convention on Biological Diversity	2 414	–	2 414	3 965	5 044	1 335
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	556	–	556	206	312	450
	Convention on Biological Diversity: total	**45 999**	**2 957**	**48 956**	**25 636**	**35 335**	**39 257**
EAP	Multi-donor implementation: Africa	1 120	–	1 120	138	(379)	1 637
QTL	Support of activities related to the Convention on International Trade in Endangered Species of Wild Fauna and Flora	18 210	–	18 210	16 593	13 737	21 066
CTL	Trust fund for the Convention on International Trade in Endangered Species of Wild Fauna and Flora	6 320	952	7 272	6 410	6 624	7 058
	Convention on International Trade in Endangered Species of Wild Fauna and Flora: total	**25 650**	**952**	**26 602**	**23 141**	**19 982**	**29 761**
AVL	General trust fund for voluntary contributions in respect of the Agreement on the Conservation of African-Eurasian Migratory Waterbirds	1 590	–	1 590	360	523	1 427
MRL	Technical cooperation trust fund on the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South-East Asia	694	–	694	(17)	98	579
MVL	General trust fund for voluntary contributions in support of the Convention on the Conservation of Migratory Species of Wild Animals	16 263	–	16 263	1 109	3 950	13 422

Fund ID code	Fund description	Net asset accumulated surplus – unrestricted	Net asset reserve – unrestricted	Net assets 1 January 2022	Revenue	Expense	Net assets 31 December 2022
QFL	Support of the secretariat of the Agreement on the Conservation of Populations of European Bats	58	–	58	59	47	70
AWL	General trust fund for the African-Eurasian Waterbirds Agreement	523	194	717	1 297	1 519	495
BAL	General trust fund for the conservation of small cetaceans of the Baltic, North-East Atlantic, Irish and North Seas	249	41	290	270	262	298
BTL	General trust fund for the conservation of European bats	150	90	240	553	550	243
MSL	Trust fund for the Convention on the Conservation of Migratory Species of Wild Animals	3 666	502	4 168	3 426	3 494	4 100
QVL	Support of the secretariat of the Agreement on the Conservation of Small Cetaceans of the Baltic, North-East Atlantic, Irish and North Seas	189	–	189	70	52	207
QWL	Support of the Convention on the Conservation of Migratory Species of Wild Animals	266	–	266	1	–	267
SMU	Trust fund to support the activities of the secretariat of the memorandum of understanding on the conservation of migratory sharks	7	100	107	850	107	850
	Convention on the Conservation of Migratory Species of Wild Animals: total	**23 655**	**927**	**24 582**	**7 978**	**10 602**	**21 958**
CAL	Support of the Mediterranean Action Plan (financed by the Government of Greece)	992	–	992	806	312	1 486
QML	Support of the Mediterranean Action Plan	3 782	–	3 782	5 425	3 401	5 806
MEL	Trust fund for the protection of the Mediterranean Sea against pollution	6 615	1 256	7 871	6 493	6 516	7 848
	Mediterranean Action Plan: total	**11 389**	**1 256**	**12 645**	**12 724**	**10 229**	**15 140**
QNL	Support of the North-West Pacific Action Plan	4 324	–	4 324	423	920	3 827
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	1 699	75	1 774	575	441	1 908
	North-West Pacific Action Plan: total	**6 023**	**75**	**6 098**	**998**	**1 361**	**5 735**
QOL	Support of the activities of the Ozone Secretariat	77	–	77	176	170	83
MPL	Trust fund for the Montreal Protocol on Substances that Deplete the Ozone Layer	11 174	859	12 033	2 655	5 499	9 189
VCL	Trust fund for the Vienna Convention for the Protection of the Ozone Layer	2 477	135	2 612	790	789	2 613
SOL	General trust fund for financing activities on research and observations on the Vienna Convention	241	–	241	105	–	346
	Ozone: total	**13 969**	**994**	**14 963**	**3 726**	**6 458**	**12 231**

Fund ID code	Fund description	Net asset accumulated surplus – unrestricted	Net asset reserve – unrestricted	Net assets 1 January 2022	Revenue	Expense	Net assets 31 December 2022
QAC	Support for the Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the Atlantic Coast of the West, Central and Southern Africa Region	683	–	683	367	(38)	1 088
QAW	Support of the Action Plan for the Eastern African Region	9 593	–	9 593	37	2 019	7 611
QEL	Support of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of the East Asian Seas	169	–	169	353	197	325
EAL	Regional seas trust fund for the Eastern African region	1 947	57	2 004	355	511	1 848
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	810	49	859	331	268	922
WAL	Trust fund for the Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the Atlantic Coast of the West, Central and Southern African Region	1 310	62	1 372	701	746	1 327
	Regional seas: total	**14 512**	**168**	**14 680**	**2 144**	**3 703**	**13 121**
MCC	Trust fund for core activities under the Minamata Convention	2 374	678	3 052	3 355	3 392	3 015
MCP	Trust fund for activities relating to the Specific International Programme of the Minamata Convention on Mercury	5 215	–	5 215	547	718	5 044
MCV	Trust fund for voluntary activities relating to the Minamata Convention	2 069	–	2 069	1 055	1 236	1 888
	Minamata Convention: total	**9 658**	**678**	**10 336**	**4 957**	**5 346**	**9 947**
BML	Trust fund for the Bamako Convention core programme budget, United Nations Environment Programme	479	–	479	211	123	567
BRL	Trust fund for the revolving fund activities of the Bamako Convention	1 919	–	1 919	87	831	1 175
BWL	Special Trust Fund for Voluntary Contribution in support of the Bamako Convention	–	–	–	–	–	–
	Bamako Convention: total	**2 398**	**–**	**2 398**	**298**	**954**	**1 742**

Fund ID code	Fund description	Net asset accumulated surplus – unrestricted	Net asset reserve – unrestricted	Net assets 1 January 2022	Revenue	Expense	Net assets 31 December 2022
PES	Trust fund for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services	9 924	1 021	10 945	9 047	8 016	11 976
	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services: total	**9 924**	**1 021**	**10 945**	**9 047**	**8 016**	**11 976**
SRL	General trust fund for voluntary contributions in respect of the United Nations Scientific Committee on the Effects of Atomic Radiation	971	–	971	56	385	642
	United Nations Scientific Committee on the Effects of Atomic Radiation: total	**971**	**–**	**971**	**56**	**385**	**642**
	Conventions and protocols: total	**217 978**	**12 227**	**230 205**	**119 039**	**131 064**	**218 180**

Annex IV

Multilateral Fund segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2022

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus – unrestricted*	*Net asset reserve – unrestricted*	*Net assets 1 January 2022*	*Revenue*	*Expense*	*Net assets 31 December 2022*
MFL	Trust fund for the Multilateral Fund under the Montreal Protocol on Substances that Deplete the Ozone Layer	644 750	–	644 750	160 236	100 319	704 667
Net total		**644 750**	**–**	**644 750**	**160 236**	**100 319**	**704 667**

Annex V

Programme support segment

Schedule of net assets, revenue and expense at fund level for the year ended 31 December 2022

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus – unrestricted*	*Net asset reserve – unrestricted*	*Net assets 1 January 2022*	*Revenue*	*Expense*	*Net assets 31 December 2022*
ECR	Cost recovery	2 707	–	2 707	5 771	6 177	2 301
OTA	UNEP trust fund programme support cost	15 236	6 000	21 236	31 967	23 149	30 054
	Net totals	**17 943**	**6 000**	**23 943**	**37 738**	**29 326**	**32 355**

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 2022

(Thousands of United States dollars)

Fund ID code	*Fund description*	*Net asset accumulated surplus – unrestricted*	*Net asset reserve – unrestricted*	*Net assets 1 January 2022*	*Revenue*	*Expense*	*Net assets 31 December 2022*
AAL	After-service health insurance	(134 916)	–	(134 916)	9 394	13 600	(139 122)
ALL	Annual leave	(16 652)	–	(16 652)	–	(118)	(16 534)
RGL	Repatriation benefits	33 076	–	33 076	4 680	248	37 508
Net totals		**(118 492)**	**–**	**(118 492)**	**14 074**	**13 730**	**(118 148)**

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