



Note on the 13 per cent Programme Support Costs (PSC)

1. At its sixth meeting, held in Montreal on 1 November 2009, the Bureau of COP-9 discussed the issue of UNEP's 13 per cent Programme Support Costs (PSC). Paragraph 12 of the report states that:

“A detailed discussion ensued with a focus on the 13% Programme Support Costs levied by UNEP on the voluntary trust fund to enhance participation of developing countries. The representative of UNEP pointed out that this rule applies not just to UNEP but to the entire United Nations. The obligatory nature of this charge emanating from a decision of the United Nations General Assembly was clarified. The recent observations of the United Nations auditors regarding the administrative arrangements with UNEP were highlighted. The Executive Secretary pointed out that the revised administrative arrangements will need to address issues relating to use of the administrative fee with view of supporting the objectives of the establishment of a trust fund intended to maximize developing country participation. Other precedents were mentioned for adjusted administrative fee e.g., GEF, UNOPS, UNDP. The case of CITES was also mentioned as well as UNCCD and UNFCCC which had found effective solutions through which administrative cost is provided to the entity bearing the cost. It was stressed that a one time solution needed to be taken as soon as possible to address the issue of administrative cost effectively.”

2. In further discussion of this item, the Secretariat would like to provide additional information to the Bureau on the issue:

3. In its decision 80/44 of 27 June 1980, the UNDP Governing Council approved a PSC rate of “13 per cent of annual project expenditures”.

4. By its resolution 35/217 of 17 December 1980, the United Nations General Assembly approved UNDP formula for use by the United Nations Secretariat. As a programme of the United Nations, resolution 35/217 thus applies to UNEP.

5. The purpose of the 13 per cent PSC charge is to recover incremental costs, namely the additional costs incurred supporting activities financed from extra budgetary contributions. This charge is intended to ensure that the cost of supporting activities financed from extra budgetary contributions is not borne by the regular budget and/or other core resources that are central to the budget review and approval process of the United Nations Organizations. For UNEP, the term “extra budgetary resource” refers to trust funds as distinct from budgetary resources, namely the environmental fund.

6. The United Nations has not consistently applied the 13 per cent rate to all extra budgetary activities. Exceptions have been granted for various reasons. Lower rate have been agreed for activities implemented in partnership with other United Nations organizations. The Financial and Administrative Framework Agreement of 29 April 2003 between the United Nations and the European Commission determined a rate not exceeding 7 per cent. Exceptions to the 13 per cent PSC have also been granted by

the Executive Director of UNEP in several instances, including exemptions for joint activities with the United Nations, the Multilateral Fund activities and projects supported by the European Union.

7. In the year 2000, the Executive Director of UNEP, in response to the request from the Standing Committee of CITES, decided to exempt the activities financed through extra budgetary resources from the 13 per cent charge. The report of the Standing Committee of CITES UNEP (SC45 Doc. 7.3) states :

“The report of the Finance Subcommittee was *adopted* as follows:

The Finance Subcommittee took note of part B of the Report of UNEP. In response to specific questions, the representatives of UNEP provided a detailed explanation of the use of the 13 per cent programme support charges (PSC) on CITES Trust Fund activities and on the decision of the UNEP Governing Council to levy a 13 per cent PSC on voluntary or counterpart contributions in support of activities financed by UNEP-administered trust funds. In the case of voluntary contributions to the CITES Trust Fund, UNEP will start collecting 13 per cent PSC from 2001. The Subcommittee was informed that according to the relevant administrative instruction of the United Nations Secretariat, PSC may be used for substantive backstopping of projects in technical cooperation programmes. In this context and since overall PSC charged to the CITES Trust Fund seem to be sufficient to cover all costs related to administrative support of CITES substantive programme of work, the Executive Director of UNEP will be prepared to allocate the funds received as PSC levied on voluntary contributions in support of the CITES Trust Fund for funding of substantive backstopping of CITES projects of the CITES Secretariat. These allocations will be issued by the Executive Director based on the proposals of the Secretary-General of CITES. With this understanding the Subcommittee agreed that the Standing Committee should not raise further objections to the introduction of the PSC charges with respect to voluntary contributions.

Accordingly the Standing Committee took note of the report of UNEP (Doc. 7.3), in particular regarding the implementation decision GC 20/35 with respect to voluntary contributions in support of the CITES Trust Fund with effect from 2001.

8. As a result, in 2008, based on the statement of income and expenditure for “Support of the CITES Activities”, UNEP reimbursed the amount of US\$ 145,136 to the CITES Secretariat, representing the PSC.

9. Preliminary figures for 2009 show that expenditure from the core budget activities (for the Convention and its Protocol) amounted to US\$ 10,523,405, generating an income of US\$ 1,368,043 for UNEP.

10. In 2009, preliminary figures for extra-budgetary activities of the Secretariat (for the Convention and its Protocol) amounted to approximately US\$ 4,445,708 generating an income of US\$ 577,942 for UNEP. In 2009, preliminary figures for travel for the participation of developing countries (for the Convention and its Protocol) amounted to US\$ 1,552,528, generating an income of US\$201,829 for UNEP.

11. In 2009, the total amount generated by activities undertaken by the Convention on Biological Diversity amounts to an income of US\$ 2,147,794 to UNEP. Out of this amount, the Secretariat has received approximately US\$ 1,392,000, in terms of support of 5 professional and 11 general services staff.

12. In 2010, core activities from both the Convention and its Protocol on Biosafety are expected to generate an income of US\$ 1,752,800 to UNEP. Expected voluntary income for 2010 is approximately US\$6,500,000. The 13 per cent PSC to UNEP would amount to US\$ 750,000. For participant costs, the expected voluntary income is US\$ 1,900,000, giving UNEP a 13 per cent PSC of US\$ 220,000.

13. For the biennium 2009-2010, with the 13 per cent PSC for all the activities undertaken by the Convention on Biological Diversity, there would be an expected amount to UNEP, of US\$ 4,870,594, including US\$ 138,869.22 generated by the seven seconded staff to Secretariat by governments. Out of this amount, the Secretariat is expected to receive US\$ 2,784,000, corresponding to the direct financial support for 5 professional and 11 general services staff. In addition, UNON is providing indirect support such as payroll, human resources services, treasury, and finance services.

14. With regards to the two other Rio conventions directly administrated by the United Nations Headquarters, it is noted that during the interim secretariat of UNCCD, the United Nations Office in Geneva (UNOG) was deducting 13 per cent automatically for PSC. During the early stage of the permanent secretariat, a cost-sharing arrangement was agreed between the Secretariat and UNOG. As a result, 8 per cent of the PSC was reimbursed to the secretariat of UNCCD and UNOG retained 5 per cent for its support on administrative and financial issues.

15. However, at UNCCD COP-4, held in 2000, the Executive Secretary of UNCCD was mandated to secure more resources from the overheads to fund the Convention's activities. In 2003, UNOG delegated full financial and administrative functions to UNCCD, except treasury and payroll functions. As a result, the full 13 per cent is given to UNCCD and UNOG is reimbursed for actual services provided.

16. In 2009, UNOG was reimbursed US\$ 187,000 for its treasury function and other miscellaneous services. On the Trust Fund for developing country participation, UNCCD retains 13 per cent and performs all the necessary services e.g., disbursement of DSA, travel and other logistic arrangements that may be necessary.

17. With regard to UNFCCC, it is noted that the basis for the management of the overheads is the original agreement between the Conference of the Parties and the United Nations Secretary General in which the latter agreed to provide administrative services in exchange for the 13 per cent PSC. Initially, the amount was automatically deducted upon incurring expenditures under each trust fund established by the Conference of the Parties and is retained by the United Nations. The United Nations would then provide services, partly through its Geneva office and partly by funding posts in UNFCCC's administration. Following this principle, no administrative post was established by the Conference of the Parties in the core budget or any of the trust funds. However, after the establishment of the permanent secretariat in Bonn in 1996, it was agreed with the United Nations Controller that UNFCCC would take over more administrative responsibilities from UNOG in a gradual and phased manner.

18. As most of the work was done directly by the Secretariat of UNFCCC, the United Nations Controller agreed that UNFCCC would retain the entire 13 per cent and reimburse UNOG for the services it continues to provide. To this end, a Memorandum of Understanding between the Executive Secretary of UNFCCC and the Director General of UNOG, spelling out the services provided by UNOG and the methodology for reimbursing them was signed in 2004 and amended in 2009 to include cost-sharing procedure for reimbursement of medical services. UNOG continues to provide treasury, payroll and IMIS services to UNFCCC. For these services, UNFCCC reimburses UNOG based on an agreed method of calculation.

19. The costs of the core conference services requirements of the Rio conventions administrated by the United Nations Headquarters are covered by the budget of the United Nations General Assembly. The ninth meeting of the Conference of the Parties to UNCCD held in September 2009 in Buenos Aires adopted decision 9, whereby 1,988,000 Euros was earmarked for conference services by the United Nations General Assembly for the biennium 2010–2011, while UNFCCC, at the fifteenth meeting of its Conference of the Parties, held in December 2009 has earmarked 8,138,700 Euros for conference services for the biennium 2010-2011, also to be covered by the United Nations General Assembly. The regular budget of the United Nations General Assembly covers for the conference servicing of two annual events of two weeks duration each (the Subsidiary Bodies during the summer period and the COP in Autumn/Winter). This arrangement is not rated to the administration of the 13 per cent PSC. The services

cover standard areas of conference servicing, such as interpretation, translation, distribution of documents and managing the meeting rooms during the session.

20. Neither the core activity of UNEP covered by the regular budget of UNGA, nor the Environmental Fund make similar provisions for servicing meetings held under the Convention on Biological Diversity. The cost of conference services of the Convention on Biological Diversity is entirely born by the Budget of the Convention and the Protocol and is subjected to the 13 per cent charges.

21. In addition, UNCCD and UNFCCC do not pay for standard conference services provided by the United Nations, including interpretation, translation, documentation, security etc., where conferences are held in United Nations headquarters and at the headquarters of the Secretariat in Bonn. As the host organization of the Convention on Biological Diversity, UNEP does not provide such services.

22. It is noted that for servicing the meetings of SBSTTA-14 and WGRI-3 to be held in May 2010 in Nairobi, at UNEP's headquarters, the Secretariat of the Convention on Biological Diversity has received an estimated cost of US\$ 1,453,700. It must be noted that the conference facilities for CBD meetings held in 2007 and 2008 in Paris in July 2007, in Geneva in January 2008 and Rome in February 2008 were free of charge by the various host institutions. The Secretariat only paid the incremental costs which were which was SBSTTA 12 in Paris (US\$ 62,837.77); ABS 6 in Geneva (US\$ 50,209.88) and SBSTTA 13 in Rome (US\$ 61,527.97).

23. With regards to the interpretation services for the meetings of the Convention and its Protocol, until 2008, the services were provided by freelance interpreters. The Executive Secretary put an end to this unusual situation and signed, on 16 January 2008, a Memorandum of Understanding with UNON to cover interpretation services for the Conference of the Parties and its subsidiary bodies as well as MOP for the Biennium 2008–2010. For the 2008-2010 the cost of interpretation services provided by UNON amounted to US\$ 1,171,293. However as UNEP charged the 13%, the cost amounted to US\$ 1,323,563. UNON has not accepted to provide translation services to the Secretariat owing to high volume of transactions at the exception of the translation of the third edition of the Global Biodiversity Outlook in the 5 other United Nations languages undertaken at the cost of US\$ 41,000. Accordingly, the translation of documents from the Secretariat in the UN languages is carried out by the Secretariat directly with the services of freelance translators. For the 2008-2009 period, the Secretariat has spent US\$ 1,505,241 in translation. For 2010, the Secretariat is anticipating an expenditure of US\$ 1,090,000 which includes the 13 per cent PSC.

24. The offer made by UNEP to provide secretariat support to the Convention on Biological Diversity was agreed by the Conference of the Parties at its first meeting, held in Nassau, in December 1994. It was subsequently endorsed by the Governing Council of UNEP. Therefore, it can be argued that providing secretariat support to the Convention on Biological Diversity is not an incremental activity subject to PSC, but rather an integrated part of the core mandate of UNEP. Charging overhead costs is therefore tantamount to charging UNEP's own activities. Indeed, if the Secretariat of the Convention on Biological Diversity is considered part of UNEP, the 13 per cent PSC cannot be justified. If the Secretariat is considered a separate entity, distinct from UNEP, the PSC charge can indeed be justified but at a lower rate, based on the precedent of activities jointly implemented by two United Nations entities.

25. With the expected growth of the activities arising from COP-10 and COP-MOP-5 and two new legal instruments to be adopted in Nagoya, the business as usual scenario will not possible without undermining the capacity of the Secretariat to fulfill its mandate.

26. Following the requests made by the Conference of the Parties at its seventh, eighth and ninth meetings to revise the administrative arrangements between UNEP and the Secretariat of the Convention on Biological Diversity for submission at its tenth meeting, it is the intention of the Executive Secretary to recommend to the Executive Director, UNEP, and to submit the three following options regarding the issue of PSC to the Conference of the Parties at its tenth meeting:

Option 1: All administrative tasks, travel, visas, conference services, host agreements, payment of DSA etc., of the activities undertaken by the Secretariat of the Convention on Biological Diversity though voluntary contribution be handled directly by UNEP under the 13 per cent PSC;

Option 2: CITES arrangements be extended to the Secretariat of the Convention on Biological Diversity for its activities financed through voluntary contributions;

Option 3: Based on the UNFCCC and UNCCD examples, the Secretariat of the Convention on Biological Diversity will retain the 13 per cent PSC and take responsibility for all administrative and financial issues and UNON will be reimbursed based on costs incurred.

With regards conference services, the Executive Secretary will recommend that the Executive Director includes in the next draft budget of UNEP to the UNGA financial provisions for core meetings of the Convention similar to the ones being extended by UNGA to the two other Rio conventions. The Executive Secretary will also recommend that COP and MOP documents be considered as UNEP's documents and therefore that the translation of these documents be done free of charge.

An annex containing arrangements between the Secretariat of the Convention on Biological Diversity and the Director General of UNON will be attached to the revised administrative arrangements to be submitted to COP-10.