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**Plenary of the Intergovernmental Science-Policy  
Platform on Biodiversity and Ecosystem Services  
Second session**

Antalya, Turkey, 9–14 December 2013  
Item 5 (b) of the provisional agenda\*

**Financial and budgetary arrangements for the Platform:  
options for the Trust Fund**

## **Options for the trust fund**

### **Note by the secretariat**

1. At its first session, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services requested further information on the options presented to it in relation to the hosting of the Platform trust fund. Following discussions at its first session, the Plenary, in decision IPBES/1/4, invited members of the Platform to submit questions to the secretariat by the end of June 2013 about either the Multi-Partner Trust Fund Office or the United Nations Environment Programme (UNEP) administering the trust fund, and requested the secretariat to compile and provide information that addressed those questions to members and to the Bureau in time for consideration and a decision by the Plenary at its second session. Requests were received from the Governments of South Africa, Canada and Japan for further information on the two options, including information on their respective advantages and disadvantages for the administration of the fund. The present note provides further information on the two options and includes considerations relating to the administration of the fund by both the Multi-Partner Trust Fund Office and UNEP that can be used to assess the advantages and disadvantages of the two options. Table 1 provides a checklist comparison of the options.
2. The decision to be taken on the hosting arrangement for the trust fund is distinct from the decision already taken in relation to the administrative arrangements of the secretariat, which will be provided by UNEP in accordance with the rules of the Programme, although the decision regarding the hosting of the trust fund may have implications in terms of whether or not particular financial and administrative services will need to be provided by the Platform secretariat. The draft financial procedures of the Platform (see IPBES/2/7) will also need to be updated in the light of the decision on trust fund arrangements.

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\* IPBES/2/1.

## Option 1

### Multi-partner trust fund

3. A United Nations multi-partner trust fund is a multi-agency and multi-partner/donor funding mechanism which allows the partners to enhance coherence, coordination and efficiency in achieving common objectives at the country and/or global levels and to increase coordinated implementation. Under this mechanism, contributions received from one or more donors are held in trust by a United Nations entity that is appointed as the administrative agent for the fund, and the funding received, following a decision by the fund's governing body, is transferred to the United Nations participating bodies. A key objective in setting up the fund is to ensure that funding, operations and implementation modalities provide full transparency and accountability.

4. More than 60 different United Nations trust funds are currently administered by the United Nations Development Programme (UNDP) Multi-Partner Trust Fund Office (<http://mptf.undp.org/>), which acts as the administrative agent for those funds. The Office, established in 2006, was built on the successful experience of the United Nations Development Group Iraq Trust Fund after 2004 as well as of other United Nations multi-partner trust funds, such as the Peacebuilding Fund. The Multi-Partner Trust Fund Office provides a one-stop shop with focused support and service for Governments, United Nations bodies, United Nations country teams and donors interested in establishing multi-partner trust funds. The Multi-Partner Trust Fund Office currently has a portfolio of development, transition, humanitarian and environmental and climate change-related multi-partner trust funds, amounting to more than \$7 billion, operating in 94 countries (see list of multi-partner trust funds currently administered at <http://mptf.undp.org/portfolio/fund>). The Office has received contributions from more than 90 contributors and partners (<http://mptf.undp.org/portfolio/donor>), and 47 bodies participate in multi-partner trust funds (<http://mptf.undp.org/portfolio/agency>).

5. The increasing use of multi-partner trust funds reflects the application of the aid effectiveness agenda and the "One United Nations" initiative and represents a response to the need to provide flexible, coordinated and predictable funding to support the achievement of national and global priorities. By improving coordination among all stakeholders, multi-partner trust funds also provide a forum for policy dialogue, programmatic coordination and harmonization. Overall, they have become an important financing tool available to the United Nations to help channel funds towards a strategic vision that has been defined on the basis of an analysis of programmatic realities and in consultation with stakeholders.

6. UNEP, the United Nations Educational, Scientific and Cultural Organization (UNESCO), the Food and Agriculture Organization of the United Nations (FAO) and UNDP are already actively engaged in many multi-partner trust funds, and of the 114 States members of the Platform, at least 40 are already contributors to or partners in the United Nations multi-partner trust funds administered by the Multi-partner Trust Fund Office.

#### Key stakeholders

7. The key stakeholders in a multi-partner trust fund would be:

- (a) A steering committee of the fund, for example, a body comprising representatives of the Bureau of the Platform and the four United Nations bodies, with the Multi-Partner Trust Fund Office as an ex officio member;
- (b) Implementing partners from Governments and non-governmental organizations, as appropriate;
- (c) The Platform secretariat acting as fund secretariat;
- (d) Participating United Nations bodies;
- (e) The Multi-Partner Trust Fund Office acting as administrative agent.

#### Cost structure

8. The cost structure of all United Nations multi-partner trust funds involves three main types of costs: fund development and administration costs, fund operation costs and fund implementation costs, as follows:

- (a) Fund development and administration: the administrative agent charges a fee of 1 per cent of the amount contributed by donors;
- (b) Fund implementation: participating United Nations bodies charge a fee of 7 per cent on the activities they implement, assume full financial and programmatic accountability for the funds

disbursed by the administrative agent and provide oversight/facilitation with regard to the implementation of the projects/programmatic allocations;

(c) **Fund operation:** the role of the fund secretariat could be performed by the Platform secretariat, which would charge the costs involved in acting as fund secretariat as a direct cost to the fund, effectively contributing to the costs of financial administration within the Platform secretariat. The cost for multi-partner trust funds is on average around 3 per cent of the total fund size. The key tasks of a fund secretariat are to provide administrative support to the steering committee for fund operations. The main functions of the secretariat include: preparing operation manuals and rules of procedure; facilitating steering committee meetings; managing proposal submissions and reviewing project proposals; monitoring projects and coordinating fund evaluations; and overseeing and managing public communication in relation to the fund. It also coordinates with the administrative agent to produce and distribute narrative and financial reports to the steering committee. Where necessary, it can directly appraise projects and be assisted in that task by a technical working group.

#### **Functions of the Multi-Partner Trust Fund Office as administrative agent**

9. The Multi-Partner Trust Fund Office performs the full range of administrative agent functions, including by assuming responsibility for:

(a) Supporting the fund establishment process, including with regard to legal agreements, terms of reference, fund policies and procedures;

(b) Developing an integrated quality assurance and results framework;

(c) Receiving and managing donor contributions (treasury and investments, quality assurance, disbursements and reporting);

(d) Disbursing funds to each of the participating United Nations bodies, in accordance with decisions of the governing body;

(e) Maintaining the online public platform, GATEWAY, for monitoring and reporting the programmatic and financial performance of the fund;

(f) Consolidating annual statements and reports on the basis of submissions provided to the administrative agent by each participating organization and secretariat, and submitting them to the governing body;

(g) Providing final reporting, including notification that the multi-partner trust fund has been operationally completed;

(h) Disbursing funds to United Nations participating bodies for any additional costs that the governing body may decide in accordance with the terms of reference, for example secretariat costs.

10. In addition to performing the standard functions described above, upon request the Multi-Partner Trust Fund Office can provide additional services to the fund, including supporting capacity development initiatives, preparing resource mobilization strategies and advising on establishing fund operations (for example, an operation manual).

11. While the multi-partner trust fund arrangement provides overall fund management and disbursement to United Nations bodies, all other services, such as procurement, administration, human resources, fund management and legal support, would have to be provided by the Platform secretariat, which would require sufficient capacity to ensure that such services are implemented in an effective and efficient manner.

#### **Advantages of multi-partner trust funds**

12. Multi-partner trust funds provide a number of advantages:

(a) Inclusion/engagement of four United Nations bodies. A multi-partner trust fund would allow all four United Nations bodies supporting the Platform (UNEP, UNESCO, FAO and UNDP) to participate in the implementation of the Platform on equal terms, using their comparative advantages, and without increasing overhead costs;

(b) Transaction costs. Under a multi-partner trust fund, donors would need to sign one contribution agreement for the fund. The fund's activities can be implemented by many participating United Nations bodies and implementing partners at the national level in many countries, in terms of a single agreement, avoiding the need to make repeated or ad hoc arrangements for implementation. As mentioned above, the Multi-Partner Trust Fund Office (as administrative agent) takes an administrative fee of 1 per cent, while the fee of the participating United Nations bodies recovered

through programme support costs is 7 per cent, and the costs of the fund secretariat are covered as a direct cost to the fund. The total fee (8 per cent) and direct cost of the fund secretariat ensures that all the funds are used for their intended purposes, through full services of financial accountability, oversight and reporting;

(c) Transparency and accountability. The Multi-Partner Trust Fund Office keeps its partners informed of the status of the multi-partner trust fund at all times and provides full transparency and accountability with regard to the funds that it administers. For the prospective fund, the Office would set up a website (see, for example, that for the Peacebuilding Fund (<http://mptf.undp.org/factsheet/fund/PB000>)), which would provide the fund's stakeholders with real-time (maximum of two-hour delay) information directly from its financial system. Information provided would include contributions from donors, decisions of the steering committee, the transfer of approved funding to specific programmes/countries and the annual expenditure for each funded activity. The integrated quality assurance and results framework would be developed and available publicly online. The information on emerging results of funded activities of the fund would be available to stakeholders and the general public around the world. In addition, the website would contain all relevant information on the fund, including terms of reference, memorandums of understanding, standard administrative arrangements, minutes of the meetings of the steering committee, annual reports on funded activities, periodic quarterly reports of funded activities, and so forth.

### **Establishment of a multi-partner trust fund**

13. The establishment of a multi-partner trust fund requires the following steps:

- (a) A decision to establish a multi-partner trust fund by the Plenary and the participating United Nations bodies;
- (b) The development of trust fund terms of reference, with programmatic priorities, governance structure, allocation criteria, start and end dates of the fund, and so forth;
- (c) The preparation of a memorandum of understanding, to be signed by the Platform Bureau, the United Nations bodies and the Multi-Partner Trust Fund Office as administrative agent;
- (d) The preparation of a standard administrative agreement, to be signed by donors and the administrative agent.

14. The Fund could be established within one week, provided that the objectives of the fund have been set and it is based on the terms of reference drafted and agreed to by the steering committee. Once the terms of reference have been agreed, the Platform Bureau, the participating United Nations bodies and the Multi-Partner Trust Fund Office can sign the standard memorandum of understanding. This marks the establishment of the fund. When the first standard administrative agreement is concluded with a donor, the fund becomes operational.

## **Option 2**

### **UNEP trust fund**

15. While the Environment Fund is the principal source of funding for most of the core functions of UNEP, the Programme also manages voluntary contributions in the form of trust funds and counterpart contributions in support of specific activities that are consistent with its objectives and programme of work. Over the years, trust funds and earmarked contributions have assumed an ever greater share of the Programme's overall expenditures, and in the biennium 2010-2011 they amounted to \$665 million. Of the trust fund expenditures for 2010-2011 (excluding those pertaining to the Global Environment Facility), 46 per cent relate to multilateral environmental agreements. For each agreement (aside from the Multilateral Fund of the Montreal Protocol on Substances that Deplete the Ozone Layer), UNEP operates a core trust fund in accordance with the Financial Regulations and Rules of the United Nations in order to finance and manage the work of the relevant secretariat and conference of the parties. In respect of some multilateral environmental agreements, UNEP also operates technical cooperation trust funds to assist developing countries and other countries in need of technical assistance.

16. The United Nations Office at Nairobi was established effective 1 January 1996 as a successor to the United Nations Common Services Unit in Nairobi and the two separate divisions of administration of UNEP and the United Nations Human Settlements Programme (UN-Habitat). The objective of establishing the Office was to strengthen the United Nations presence in Nairobi and to achieve economies of scale. Under a memorandum of understanding and specific service agreements with UNEP and UN-Habitat, the Office provides a wide range of administrative and other support

services to UNEP, including various financial services, such as the management of trust funds. Under various agreements with offices of other United Nations system bodies located in Nairobi, the Office also administers common support services for those offices, such as those related to finance, human resources and procurement.

### **UNEP programme support costs and their implications for the operation of the Platform and its secretariat**

17. In accordance with General Assembly resolution 35/217, programme support costs at 13 per cent of direct costs are collected on expenditures from trust funds held by UNEP. The recovery and use of such programme support cost resources underpin the financing and organization of efficient and effective programme support services. Those resources cover incremental costs incurred in supporting activities financed from extrabudgetary contributions, and are intended to ensure that the cost of supporting such activities is not borne by the regular budget and/or other core resources that are central to the budget review and approval process of United Nations system bodies. In the case of UNEP, the extrabudgetary resources include trust funds, as distinct from budgetary resources, namely, the budget of the Environment Fund approved by the United Nations Environment Assembly and the programme budget approved by the General Assembly.

18. Incremental costs are both direct and indirect. Direct costs are those that can be clearly attributed, either wholly or in part, to an operation, programme or project financed from extrabudgetary contributions. They include costs associated with providing direct management and other support functions where a direct link between the cost and project can be identified. All direct costs are intended to be financed as identifiable components of a programme or project and not by programme support costs. Indirect costs are those that cannot be traced unequivocally to specific activities, projects or programmes, and include costs incurred by services providing administrative and other support functions to a range of operations, programmes and projects financed by a range of extrabudgetary contributions. Indirect costs may be incurred when the following functions are being performed: project appraisal and formulation, the preparation, monitoring and administration of workplans and budgets, the recruitment and servicing of staff, consultants and fellowships, procurement and contracting, financial operations, payroll, payments, accounts, the collection of contributions, the investment of funds, reporting and auditing. Indirect costs are the only costs expected to be recovered through programme support costs.

19. In this context, and on the basis of a request by the Plenary for UNEP to administer with full management responsibility the Platform secretariat, UNEP could propose one of three options for the management of the Platform trust fund, as follows:

(a) **Option 2.A.** UNEP charges 13 per cent of programme support costs on all expenditure incurred from the trust fund. Under this arrangement, UNEP would assume all administrative and financial responsibilities pertaining to the management of the secretariat. This includes funding the full costs of the two Platform secretariat positions of Administrative and Finance Officer (P-3) and Administrative Assistant (G-5) out of the 13 per cent charged by UNEP. When secretariat funds are being committed with another United Nations body for the delivery of a specific output, the programme support costs would be split (7 per cent for the receiving entity and 6 per cent for UNEP);

(b) **Option 2.B.** UNEP charges 8 per cent of programme support costs on all expenditure incurred. As with Option 1, because the two posts would not be covered by the 8 per cent charged by UNEP, the Platform secretariat staffing table would then include the positions of Administrative and Finance Officer (P-3) and Administrative Assistant (G-5), which would be charged to the Platform trust fund, in order to service the financial and administrative requirements of the secretariat. Under this arrangement, UNEP would assume all administrative and financial responsibilities pertaining to the management of the secretariat. When secretariat funds are being committed with another United Nations body for the delivery of a specific output, the programme support costs would be split (7 per cent for the receiving entity and 1 per cent for UNEP);

(c) **Option 2.C.** The Executive Director of UNEP decentralizes part of the administrative capacity to the Platform secretariat, which may retain a portion of the programme support costs generated. In this regard, 67 per cent of the 13 per cent (a total of 8.71 per cent) may go back to the secretariat in the form of direct finance and administrative costs, including for personnel, and 33 per cent of the 13 per cent (a total of 4.29 per cent) is retained collectively by UNEP and the United Nations Office at Nairobi to cover corporate services to the trust fund, including reporting, audit, investigation, evaluation, financial management, human resource matters, information and communications technology, procurement, legal issues, and so forth. This option has been the practice for all UNEP-administered global and regional convention (multilateral environmental agreement) secretariats. Under this option, it is the responsibility of the Executive Director to ensure that adequate

administrative resources and systems are in place, both within UNEP/the United Nations Office at Nairobi and within the Platform secretariat, to meet the fiduciary responsibilities of UNEP with respect to the sound management of the resources of the Platform secretariat, as follows:

- (i) The Executive Director will allocate 67 per cent of the annual programme support cost income attributable to all funds of the Platform to the secretariat. This includes funding the full costs of the two Platform secretariat positions of Administrative and Finance Officer (P-3) and Administrative Assistant (G-5) out of the 67 per cent of the annual programme support cost income charged by UNEP. The Executive Director will allocate 33 per cent of the programme support cost income attributable to all of the trust funds of the Platform to finance central administrative functions, as described in subparagraph (v) below, including those performed by the United Nations Office at Nairobi, the United Nations Office of Internal Oversight Services and the Board of Auditors;
- (ii) The Executive Director will provide full transparency in respect of the allocation of programme support costs between the secretariat and central administrative functions;
- (iii) When secretariat funds are being committed with another United Nations body for the delivery of a specific output, the programme support costs would be split (7 per cent for the receiving entity, 4.02 per cent for the Platform secretariat and 1.98 per cent for UNEP);
- (iv) UNEP would discharge the central administrative functions mentioned in subparagraph (ii) above, including and limited to the following:
  - a. Staff recruitment, classification and selection process;
  - b. Payroll and administration of staff entitlements, including education grant, medical insurance (including appendix D), home leave and repatriation;
  - c. The United Nations financial disclosure programme (billed by United Nations Headquarters);
  - d. Accounting and finance functions, including statement preparation, the issuance of allotments and allocations, payables/receivables, cash-flow management, treasury and contributions receipt and recording;
  - e. Administration of end-of-service and post-retirement benefits, including the administration of pension fund deductions and after-service health insurance;
  - f. Non-expendable property asset management;
  - g. Internal audit, investigation, inspection and external audit;
  - h. Participation in the United Nations system of administration of justice;
  - i. Shipping, pouch, visas and United Nations laissez-passers;
  - j. Access to the corporate United Nations/UNEP intranet/Internet and mail systems;
- (v) The cost of services contracted locally by the Platform secretariat is to be borne by the secretariat (services contracted outside the United Nations Office at Nairobi).

Table 1  
**Comparison of options for the establishment of the Platform trust fund**

	<i>Multi-partner trust fund</i>	<i>UNEP trust fund</i>
<i>Description</i>	A United Nations multi-partner trust fund is a multi-agency and multi-partner/donor funding mechanism which allows the partners to enhance coherence, coordination and efficiency in implementation and in achieving common objectives at the country and/or global levels	UNEP trust funds are accounts established with specific terms of reference or under specific agreements to record receipts and expenditures of voluntary contributions for the purpose of financing wholly or in part the cost of activities consistent with the body's aims and policies
<i>Services paid for by overhead</i>	Project implementation by participating United Nations bodies; Fiduciary responsibility, including financial management, accounting, audits,	Fiduciary responsibility, including accounting, financial management and audit. Corporate services, such as processing of administrative, human

	<i>Multi-partner trust fund</i>	<i>UNEP trust fund</i>
	evaluation, corporate services, administrative, human and financial transactions, legal issues, etc.	resource and financial transactions, investigation, legal issues, etc. Direct services, such as human and financial resource management
<i>Steps to operationalizing the trust fund</i>	<ol style="list-style-type: none"> <li>1. Plenary decision and approval of terms of reference for fund</li> <li>2. Memorandum of understanding with United Nations bodies</li> <li>3. Standard administrative agreement with the first donor</li> </ol>	<ol style="list-style-type: none"> <li>1. Plenary decision</li> <li>2. Terms of reference</li> <li>3. Approval by the Executive Director</li> <li>4. Endorsement by the United Nations Environment Assembly post facto</li> <li>5. Agreement between UNEP and each donor</li> </ol>
<i>Time required to establish fund</i>	1-2 weeks for fund to be established once approved by Plenary	Executive Director can approve within days of Plenary decision. United Nations Environment Assembly meets in June 2014 and may endorse post facto
<i>Governance</i>	Authorized representatives of Plenary and United Nations bodies	Plenary (and as delegated, e.g., through the Bureau) with oversight by the United Nations Environment Assembly of all UNEP trust funds
<i>Opportunity for inter-agency cooperation</i>	Yes Based on comparative advantages, United Nations bodies implement programmes/activities approved by Plenary, with opportunity for participation by United Nations bodies in shaping and growing the fund	Yes UNEP may authorize other agencies to implement activities through inter-agency cooperation agreements.
<i>Amount of funds under management</i>	\$7 billion	\$660 million in receipts during 2012
<i>Number of active trust funds under management</i>	62, with over 40 United Nations bodies and departments participating	123 active trust funds as at the end of 2012
<i>Trust fund management systems in place</i>	Yes All fund financial information is on the publicly available website, GATEWAY ( <a href="http://mptf.undp.org">http://mptf.undp.org</a> )	Yes IMIS and, from July 2014, Umoja (requirement for compliance with the International Public Sector Accounting Standards from 1 January 2014)
<i>Total costs</i>	8 per cent (1 per cent for multi-partner trust fund administrative agent, and 7 per cent for implementation by United Nations bodies), plus direct costs (on average 3 per cent) to be charged for the fund secretariat functions carried out by 2 staff members (financial and administrative), of the Platform secretariat, with the remainder of the cost of these posts funded by the trust fund	<p>Option 2.A: 13 per cent, covering all administration of the trust fund and including 2 secretariat posts (financial and administrative)</p> <p>Option 2.B: 8 per cent, covering administration of the trust fund, with two additional secretariat posts funded by the trust fund (financial and administrative)</p> <p>Option 2.C: 13 per cent (4.3 per cent, corporate administrative costs to UNEP/ United Nations Office at Nairobi; 8.7 per cent passed back to Platform secretariat for direct finance and administrative costs including covering 2 secretariat posts (financial and administrative)</p>

Table 2  
**Indicative annual cost comparisons relating to options for the trust fund**

(United States dollars)

	<i>Option 1</i> <i>Multi-partner trust fund</i> <i>Office</i>		<i>Option 2.A</i> <i>UNEP, 13 per cent</i> <i>programme support costs</i>		<i>Option 2.B</i> <i>UNEP, 8 per cent programme</i> <i>support costs</i>		<i>Option 2.C</i> <i>UNEP, 13 per cent</i> <i>programme support costs,</i> <i>with 67 per cent paid back</i>	
	5 000 000	10 000 000	5 000 000	10 000 000	5 000 000	10 000 000	5 000 000	10 000 000
Volume of trust fund	5 000 000	10 000 000	5 000 000	10 000 000	5 000 000	10 000 000	5 000 000	10 000 000
Programme support/administrative agent costs	370 370	740 740	575 221	1 150 442	370 370	740 740	575 221	1 150 442
Direct cost to Platform	150 000 <sup>a</sup> 142 000 <sup>b</sup>	300 000 <sup>a</sup> -	-	-	292 000	292 000	-	-
<b>Total cost to Platform</b>	<b>662 370</b>	<b>1 040 740</b>	<b>575 221</b>	<b>1 150 442</b>	<b>662 370</b>	<b>1 032 740</b>	<b>575 221</b>	<b>1 150 442</b>

a Average indicative costs for funds held by the multi-partner trust fund, which would be charged as direct costs by the Platform secretariat acting as the fund secretariat.

b Additional costs to the trust fund for making up the remainder of the costs of two posts (administrative and financial).



20. Table 2 compares the cost to the Platform of the various options presented. Two budget scenarios are presented (\$5 million and \$10 million), corresponding to the anticipated range of annual expenditures of the Platform. The programme support costs (for options 2.A, B and C) and administrative agent cost (for option 1) relate to the percentage costs applied of the total expenditure under each option. Direct costs to the Platform are incurred under options 1 and 2.B to cover the costs to the Platform secretariat to ensure that financial and administrative functions are performed beyond those associated with the administrative agent or UNEP as host of the secretariat.

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