



## Outstanding indicative contributions

### *Background*

At the forty-sixth session of the Subsidiary Body for Implementation (SBI) Parties requested the secretariat to organize a technical workshop on the margins of SBI 47 to discuss ways to increase the efficiency and transparency of the UNFCCC budget process.<sup>1</sup>

This document, one of five that the secretariat has prepared for the above-mentioned technical workshop, provides information on potential measures to address outstanding contributions to the core budget.

### **I. Executive Summary**

1. Sufficient funding, delivered in a timely and predictable manner is vital for the planning and delivery of mandates and initiatives that the secretariat is required to fulfil.
2. The secretariat continues to record an increase in the level of outstanding core contributions over the years.
3. The last quarter of the year tends to be the most difficult period for core budget cash as it necessitates drawing down on the working capital reserve during the final months of the year. With an increasing rate of outstanding core contributions, the working capital reserve is insufficient to provide the requisite cover.
4. The secretariat reviewed practices within other UN entities including incentives and punitive measures and provides the information to Parties for their deliberation at the workshop.

### **II. Introduction**

5. There are 133 Parties with outstanding contributions for 2017 and prior years as at 31 August 2017, of which 24 Parties, have outstanding contributions from 2010 and prior years. 2017 saw an increase in the number of Parties that paid their contributions in full by 1 January 2017. However, the trend shows an increase in the cumulative amounts of outstanding contributions as the arrears remain unpaid
6. The secretariat has reached out to several United Nations entities to identify practices and measures that promote the timely and complete payment of indicative contributions. These include:
  - (a) Frequent, clear and relevant notifications and reminders including regular engagement by the secretariat with Parties;
  - (b) Incentives;
  - (c) Punitive measures;
  - (d) Peer pressure Parties.

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<sup>1</sup> FCCC/SBI/2017/7, paragraph 129

### **III. Frequent, clear and relevant notifications and reminders including regular engagement by the secretariat**

7. The secretariat makes various efforts to ensure it receives indicative contributions from Parties in a timely manner and to settle, wherever possible, outstanding ones.

8. The secretariat transmits a notification to each Party, at least 90 days before payment is due, informing it of its indicative contribution for the next year. The notification, pursuant to the UNFCCC financial procedures contained in the annex to decision 15/CP.1, also informs the Party of the need for the timely payment of the annual contribution, recalling that: “[...] each Party shall, prior to 1 January of each year, inform the head of the Convention secretariat of the contribution it intends to make that year and of the projected timing of that contribution”. Any outstanding contributions payable by the Party are also indicated in the notification.

9. As of January 2017, additional quarterly reminder letters are sent to Parties with outstanding contributions.

10. The Executive Secretary has encouraged Parties to settle outstanding contributions, stressing that the timely and predictable delivery of adequate funding is vital for the secretariat to plan work, implement initiatives and deliver on mandates.

11. In 2017 the secretariat recorded an increase in the number of Parties that paid their contributions in full by 1 January

12. The analysis of outstanding indicative contributions since 2010 shows an increase in the outstanding balance from under Euro 500K in 2010 to close to Euro 10 million in 2017.

### **IV. Incentives**

13. Some international organizations have considered using incentives to encourage their members/donors with outstanding contributions to honour their commitments. Such incentives vary depending on the circumstances. Options include:

(a) Establishing payment plans<sup>2</sup> to enable Parties to pay off outstanding contributions in accordance with their available financial resources. For example, Parties having accumulated a significant balance of outstanding contributions over time may be withholding any and all payment until able to settle the amount payable in full. Such Parties may wish instead to avail themselves of the option of establishing a payment plan with the organization to pay off the outstanding total gradually in accordance with an agreed payment schedule. Such practices have been adopted with positive results by organizations such as the International Organization for Migration;

(b) Establishing support programmes whereby a Party willing and able to do so could support one or several other Parties in the payment of contributions. Such an arrangement would be subject to agreement between the Parties involved on the feasibility and the modalities.

14. Since no provision for such incentives exists under the United Nations financial rules and regulations applicable to the UNFCCC, Parties would need to decide on and adopt such provisions.

### **V. Punitive measures**

15. Some United Nations entities have considered applying punitive measures for delayed payments, such as suspending voting rights, discontinuing services or levying interest.

16. The United Nations General Assembly, for example, applies Article 19 of the Charter of the United Nations,<sup>3</sup> which provides that “a Member of the United Nations which is in arrears in the payment of its financial contributions to the Organization shall have no vote in the General

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<sup>2</sup> Payment plans tend to be particularly effective when outstanding payments are linked to punitive measures. Thus the payment plan serves to forestall the application of the punitive measure;

<sup>3</sup> <http://www.un.org/en/sections/un-charter/chapter-iv/index.html>

Assembly if the amount of its arrears equals or exceeds the amount of the contributions due from it for the preceding two full years. The General Assembly may, nevertheless, permit such a Member to vote if it is satisfied that the failure to pay is due to conditions beyond the control of the Member”.

17. Parties may wish to consider such measures. However, such action could be seen as running counter to the principle of inclusiveness that is integral to the UNFCCC process.

## **VI. Peer pressure**

18. In some United Nations entities, Parties encourage each other to settle their core contributions in a timely manner, including making good on any outstanding contributions from previous years. Additionally, the President of governing bodies in these entities actively engage Parties, by for example sending notification letters, encouraging them to make good their contributions. Where the entity also applies punitive measures e.g. loss of voting rights, the reminder letter also serves as an opportunity for Parties to enter arrangements that will allow them to retain such rights by committing to clearing all outstanding contributions. Such arrangements allow the Parties to be included in the processes whilst clearing the outstanding contributions.

## **VII. Conclusion**

19. The information in this document is meant to provide a basis for discussion at the technical workshop to be held at the margins of SBI 47. Parties may wish to draw from their experiences with other entities in dealing with outstanding core contributions as this is a prevalent issue in many UN entities.

20. The secretariat counts on the support of the Parties to address this urgent and important issue that is of significant concern to the Executive Secretary.

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