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**SUBSIDIARY BODY FOR IMPLEMENTATION**

**Twenty-sixth session**

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**Item 15 (c) of the provisional agenda**

**Administrative, financial and institutional matters**

**Implementation of paragraph 7 (c) of the financial procedures of the Convention concerning the financial support for participation in the UNFCCC process**

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**Note by the secretariat**

*Summary*

The Subsidiary Body for Implementation (SBI), at its twenty-second session, took note of information contained in document FCCC/SBI/2005/3 regarding the suspension of the practice of withholding funding to eligible Parties to participate in the UNFCCC process if they have contributions to the core budget outstanding. The SBI decided that more time was required to determine the financial implications of the suspension and that the status quo on the practice of funding participants should be maintained through 31 December 2007. It requested the secretariat to report on this issue to the SBI at its twenty-sixth session. This report provides further analysis and a recommendation to the SBI.

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## **I. Introduction**

### **A. Mandate**

1. The UNFCCC secretariat administers the Trust Fund for Participation in the UNFCCC Process, which enables representatives of developing country Parties and Parties with economies in transition to take part in sessions of the Conference of the Parties (COP) and its subsidiary bodies.
2. The Subsidiary Body for Implementation (SBI), at its nineteenth session, noted the concern of some Parties over the secretariat's practice of not funding delegates from Parties whose contributions are outstanding.<sup>1</sup> The SBI requested the secretariat to suspend this practice through the tenth session of the Conference of the Parties (COP) and to review the financial impacts of funding these delegates and the effects on the implementation of paragraph 7 (c) of the financial procedures of the Convention<sup>2</sup> regarding the participation of representatives of developing country Parties and of Parties with economies in transition in sessions of the COP and its subsidiary bodies, and to report its findings to the SBI for consideration at its twentieth session.<sup>3</sup>
3. The SBI, at its twentieth session, took note of document FCCC/SBI/2004/2, which stated that the secretariat "will prepare a more comprehensive report for consideration by the SBI at its twenty-second session". Following this report (FCCC/SBI/2005/3), the SBI concluded that more time was required to determine the financial implications of the suspension and that the status quo on the practice of funding participants should be maintained through 31 December 2007. It also requested the secretariat to report on this issue to the SBI at its twenty-sixth session. This present document reflects further on the financial implications of suspending the practice described in paragraph 1 above.

### **B. Possible action by the Subsidiary Body for Implementation**

4. The SBI may wish to take note that the secretariat's practice of withholding funds to eligible Parties through the Trust Fund for Participation has had little effect on the payment of contributions to the core budget and on the number of Parties that have had access to financial support provided by the trust fund. Consequently, it may conclude that this practice could be discontinued.

## **II. Implementation of paragraph 7 (c) of the financial procedures**

5. Paragraph 7 (c) of annex 1 to the financial procedures states that the resources of the COP shall comprise, inter alia, voluntary contributions "to support the participation of the representatives of developing country Parties and of other Parties with economies in transition in the Conference of the Parties and its subsidiary bodies".
6. As indicated in table 1, after a shortfall in voluntary contributions to the trust fund during the biennium 2002–2003, the situation improved greatly in the biennium 2004–2005, with almost double the amount of income being raised. This trend continued in 2006, when income was again on the increase. This has enabled the trust fund to finance the participation of one participant from all eligible Parties to all sessions of the Convention and its Protocol, and a second participant from Parties which are least developed countries and small island developing States for the sessions of the COP and the Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP) (see table 2).

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<sup>1</sup> It should be noted that the original suspension did not apply to delegates from least developed countries or small island developing States.

<sup>2</sup> FCCC/CP/1995/7/Add.1, decision 15/CP.1, annex I.

<sup>3</sup> FCCC/SBI/2003/19, paragraph 59.

**Table 1. Trust Fund for Participation in the UNFCCC Process: income and expenditure by biennium as at 31 December 2006**  
(United States dollars)

	1996–1997	1998–1999	2000–2001	2002–2003	2004–2005	2006–2007 <sup>a</sup>	Total
Income	4 946 640	2 746 698	3 842 703	2 214 856	4 032 609	2 422 522	20 206 028
Expenditure	3 909 523	3 306 334	3 689 945	2 499 105	3 440 702	1 939 579	18 785 188

<sup>a</sup> Amount as at 31 December 2006.

**Table 2. Number of participants and Parties funded from the Trust Fund for Participation in the UNFCCC Process**

Year and session	Number of participants	Number of Parties
<b>2000</b>		
SBI 12/SBSTA 12, Bonn	95	90
SBI 13/SBSTA 13, Lyon	134	96
COP 6, The Hague	177	114
<b>2001</b>		
COP 6.5 and SBI 14/SBSTA 14, Bonn	156	119
COP 7 and SBI 15/SBSTA 15, Marrakesh	109	105
<b>2002</b>		
SBI 16/SBSTA 16, Bonn	118	110
COP 8 and SBI 17/SBSTA 17, New Delhi	146	113
<b>2003</b>		
SBI 18/SBSTA 18, Bonn	90	86
COP 9 and SBI 19/SBSTA 19, Milan	112	105
<b>2004</b>		
SBI 20/SBSTA 20, Bonn	120	117
COP 10 and SBI 21/SBSTA 21, Buenos Aires	115	110
<b>2005</b>		
SBI 22/SBSTA 22, Bonn	122	115
COP 11, CMP 1 and SBI 23/SBSTA 23, Montreal	188	132
<b>2006</b>		
SBI 24/SBSTA 24, Bonn	127	123
COP 12, CMP 2 and SBI 25/SBSTA 25, Nairobi	181	128

### III. Financial implications of the implementation of the request by the Subsidiary Body for Implementation

#### A. Financial implications for the core budget

7. The intended purpose of withholding financial support to some Parties was to encourage the timely payment of indicative contributions to the core budget. Anecdotal evidence indicates that the prospect of being suspended from receiving support from the trust fund may have motivated some Parties to pay their outstanding contributions, and it may also have assisted some ministries to convince colleagues in the relevant departments to expedite payment. However, although the practice has been suspended since 2004, covering six sessional periods, there is no evidence that this has had a direct impact on the income to the core budget.

8. The level of outstanding core budget contributions from the 70 Parties eligible to receive financial support, which could have been affected by the practice of suspending funding of their

participation on the grounds of late payment of contributions, has remained fairly constant. At the end of 2003, the year immediately before the practice was suspended, 28 Parties had outstanding contributions to the core budget. In 2004, the number fell to 24, and although this increased to 27 at the end of 2005, a further reduction to 24 at the end of 2006 meant that fewer Parties had outstanding contributions than before the suspension was introduced. The figures therefore do not seem to suggest that this practice has had any direct effect on the timely payment of contributions by the Parties affected.

#### **B. Financial implications for the Trust Fund for Participation in the UNFCCC Process**

9. The number of participants funded to attend COP 10 and the concurrent sessions of the subsidiary bodies (when the practice of not funding delegates from Parties with outstanding contributions was newly suspended) was almost the same as the number of those funded to participate in COP 9. This is not surprising, as the number of Parties originally affected by the suspension was very small. Availability of funds, not the suspension of the practice, was the determining factor. The considerable increase in the number of funded delegates who attended COP 11 and CMP 1, as well as COP 12 and CMP 2, was the result of more income becoming available in the trust fund because of increased voluntary contributions by Parties.

#### **C. Conclusion**

10. The practice of not funding a relatively small number of Parties that have not paid their indicative contributions to the core budget in the current or preceding years does not seem to have had a significant impact on the number of contributions received from eligible Parties to the core budget or on the number of eligible Parties that have attended the sessions of the Convention and its Protocol supported by the Trust Fund.

11. The practice of withholding funding to Parties in arrears is not enough to encourage Parties to pay their contributions on time. Consequently, this practice could be discontinued without any impact on the core budget or on the participation of eligible Parties. Until Parties agree on new incentives for this purpose, the secretariat will continue to urge Parties to meet their commitments under the core budget at each session of the SBI, and send timely reminders during the course of the biennium to those Parties whose contributions are still outstanding.

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