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Item 17(c) of the provisional agenda

Administrative, financial and institutional matters

Other financial matters

Improving the efficiency and transparency of the UNFCCC budget process

Note by the Executive Secretary

Summary

This document elaborates on the options that Parties may consider for improving the efficiency and transparency of the UNFCCC budget process. It contains information on the impact of each option on the timelines, documentation and bodies that may be involved. It also identifies the potential financial implications of the changes.

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I. Introduction

A. Mandate

1. The Subsidiary Body for Implementation (SBI), at its forty-fourth session,¹ took note of the information relating to an overview of structures and bodies within the United Nations system that may inform Parties in making the UNFCCC budget process more efficient and transparent. It requested the secretariat to prepare an information document to further elaborate on document FCCC/SBI/2016/INF.5, including the range of options for improving the efficiency and transparency of the UNFCCC budget process,² to enable SBI 45 to consider this matter under the agenda item on administrative, financial and institutional matters.

2. The range of options for improving the efficiency and transparency of the UNFCCC budget process include:

(a) No additional change to the budget process apart from the changes already requested at the twenty-first session of the Conference of the Parties (COP), including no cost increase and no effect on timelines;

(b) Agreement on standard documentation requirements, including any information that was not contained in official budget documents in the past. The agreement may lead to increased transparency while limiting cost increases and avoiding effects on timelines. One example would be to adopt the supplementary data format used by the Advisory Committee on Administrative and Budgetary Questions (ACABQ);

(c) Establishment of a budget review body of recognized experts to advise the SBI. This option would have financial implications and possibly increase the length of the budget process, but may be considered efficient in the sense that the body would be familiar with the UNFCCC process;

(d) Exploration of adopting the full United Nations regular budget process. This process is potentially the most costly and time-consuming and involves a steep learning curve for the review bodies. It would, however, ensure that recognized experts review the UNFCCC budget.

B. Scope of the note

3. This document includes information on:

(a) The current UNFCCC budget review process;

(b) The additional standard documentation requirements;

(c) The possible adoption of the full United Nations regular budget process;

(d) The possible establishment of a budget review body;

(e) Other possible ways to enhance the efficiency and transparency of the UNFCCC budget process.

¹ FCCC/SBI/2016/8, paragraph 175.

² FCCC/SBI/2016/INF.5, paragraph 47

C. Possible action by the Subsidiary Body for Implementation

4. The Executive Secretary considers that changes to the current budget process are necessary to ensure more informed decision-making, enhance transparency and promote efficiency. She has launched a dialogue to this end and looks forward to guidance from and engagement by Parties in improving the process.³
5. The SBI is invited to take note of the information presented in this document and provide guidance to the secretariat in improving the current UNFCCC budget process.

II. The 'no change' option

6. The Executive Secretary does not consider 'no change' to be a viable option. She acknowledges that changes to the process and presentation of budgetary information are needed to meet the needs of Parties. Work on this is under way, building on the results-based budget model that has been in use since the biennium 2008–2009 (see para. 13 below). The Executive Secretary looks forward to guidance from and engagement by Parties in improving the process. The secretariat will continue making improvements, including by providing the additional information and documentation as mandated by decision 22/CP.21.⁴
7. Currently, the UNFCCC budget process takes 18 months, beginning with the issuance of internal budget instructions together with the relevant tools, templates and guides to the secretariat programmes in July of the first year of the biennium, through to the review of budget submissions by the Executive Secretary in October of the same year, followed by initial informal discussions with Parties during the United Nations Climate Change Conference regularly held in November and/or December, to the revision and refining of programme proposals, and the publication of the final programme budget proposal around April of the second year of the biennium. The proposed budget is then discussed with Parties during the SBI session in May or June in the second year of the biennium, when formal contact groups and informal consultations and discussions with Parties take place. During the budget negotiations, the secretariat usually addresses in excess of 100 questions both in writing and orally, until Parties reach consensus on a budget. On the basis of recommendations made by the SBI, the COP, at its session in November or December, approves the budget.
8. The SBI⁵ assists the COP in the assessment and review of the effective implementation of the Convention. It is open to participation by government representatives from all Parties who are experts on climate change matters. In relation to the programme budget review process, the SBI assists the COP and the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) in the preparation and implementation of the relevant decisions.
9. The role of the COP⁶ is to consider the proposed budget and approve the programme budget before the start of the respective biennium covered by the budget.
10. The review of the programme budget and its adoption are based on the consensus principle, which involves long formal and informal consultations.
11. The following official documents have traditionally been prepared for Parties to enable their consideration of the proposed programme budget (this arrangement is now

³ See <http://unfccc.int/secretariat/unfccc_budget/items/9928.php>.

⁴ Decision 22/CP.21, paragraph 22.

⁵ Article 10 of the Convention.

⁶ Decision 15/CP.1.

under review to ensure improved and more accessible documents, to be made available online along with additional information):

(a) The main budget document describes the Executive Secretary's goals for the biennium, the structure of the proposed programme budget, the overview of additional requirements proposed to be covered by the core budget, and the proposed ratio of contributions towards the core budget requirements under the Convention and its Kyoto Protocol. It includes an overview of secretariat-wide staffing funded by the core budget, and a breakdown of the proposed core budget by object of expenditure and by programme. The main budget document includes a description of the various UNFCCC trust funds and information on contingency provisions for conference services, which are currently covered by the regular budget of the United Nations. The main budget document is published 10 weeks prior to the SBI session at which the budget is to be discussed;

(b) Addendum I to the main budget document includes an overview of the secretariat's work programme and outlines the amount of core budget and non-core resources required to implement the secretariat's mandates and achieve the expected results. The addendum is published eight weeks prior to the SBI session at which the budget is to be discussed;

(c) Addendum II to the main budget document describes the activities not covered by the core programme budget and identifies the associated resource requirements to be financed from the Trust Fund for Supplementary Activities. The addendum is published eight weeks prior to the SBI session at which the budget is to be discussed;

(d) Addendum III to the main budget document contains the work programme and proposed budget for the international transaction log. The addendum is published eight weeks prior to the SBI session at which the budget is to be discussed.

12. In addition to the standard official documents, COP 21 requested the Executive Secretary to provide additional information that will be included in the proposed programme budget for the biennium 2018–2019, including:

(a) A zero nominal growth budget scenario, together with information on the related implications of the implementation of the secretariat's work programme;

(b) The estimated impacts on the level of Parties' indicative contributions;

(c) The latest unaudited financial statements;

(d) An update on the implementation of the approved core budget.

13. Following the United Nations in the application of results-based budgeting (RBB), an approach that results in a smaller amount of financial data, in accordance with the required shift in the focus of Parties to outcome-driven programming,⁷ the secretariat adopted the RBB approach and presented a first biennial budget proposal using this approach for the biennium 2008–2009. The RBB approach followed by the secretariat includes the formulation of work programmes according to predefined objectives and expected results. Since then, the secretariat has further developed the methodology and strengthened the information presented to Parties in terms of objectives, expected results, performance indicators and performance data. The aim of the RBB approach has been to provide strategic documents to Parties. In addition, the secretariat provides supplementary financial and budgetary information to Parties upon request.

14. Budget performance reports are prepared by the secretariat as at months 6 and 18 of the biennium, wherein the secretariat is invited to propose any adjustments that might be

⁷ See the Joint Inspection Unit review of the United Nations budgetary process (JIU/REP/2003/2).

needed in the programme budget for the biennium. In addition, the secretariat issues annual financial statements that are audited by the United Nations Board of Auditors.

15. During a biennium and following the adoption of a budget, the secretariat receives new mandates. The resource requirements resulting from some of those mandates can be absorbed under the approved core budget. Requirements that cannot be absorbed are captured during the negotiations among Parties on provisions to be included in decisions of the COP and the CMP and conclusions of the subsidiary bodies. The secretariat informs the COP and its subsidiary bodies of the associated financial implications, and states that the delivery of such mandates is subject to the receipt of sufficient voluntary contributions.

16. Unlike the United Nations Secretariat, the UNFCCC secretariat does not have a contingency fund for the implementation of new mandates that cannot be absorbed. The only contingency provisions approved for the secretariat are for the costs of conference services, which mainly include interpretation at meetings, translation, and reproduction and distribution of documents, for up to two sessions of the Convention bodies annually. To date, these costs have been covered by the United Nations regular budget. However, this contingency is not funded. The COP approves the contingency budget for conference services to be added to the programme budget in the event that the United Nations General Assembly decides not to provide resources for these activities from the United Nations regular budget.

III. Additional standard documentation requirements

17. This chapter provides information on some of the documentation requirements that could be included in the standard documentation presented to Parties, resulting in enhanced transparency. In addition to the standard official documents listed in paragraph 11, which are currently under review, and the supplementary information to be made available online, Parties could receive further documents, including:

(a) Supplementary data in the standard format used by ACABQ, including additional financial information on resource requirements by object of expenditure, source of funding and post requirements per programme, with an accompanying justification;

(b) A comprehensive list of planned outputs and the related mandates and proposed source of funding for each output, including a list of documents to be produced under each programme and a list of meetings and workshops, including the planned meetings of the constituted bodies.

18. The option described in this chapter would follow the established UNFCCC timelines and bodies involved in the preparation, review and approval of the budget proposals, limiting any potential cost increases.

IV. Possible adoption of the full United Nations regular budget process, including the involvement of the Advisory Committee on Administrative and Budgetary Questions

19. This chapter provides information on the United Nations regular budget process, its timelines, the standard documentation and the bodies involved in the review and approval of the United Nations regular budget. It elaborates on some of the implications of a possible decision on fully integrating the UNFCCC budget review and approval process into the United Nations regular budget process.

20. The United Nations regular budget covers a two-year period. The preparation of the United Nations regular budget is a twofold process that includes the preparation of a strategic framework 26 months⁸ prior to the start of a biennium, and the preparation of the proposed programme budget for consideration and approval by the General Assembly.

21. At the halfway point of the biennium, the General Assembly reviews the first financial performance report and decides on revised appropriations. Although the budget is approved for a two-year period, it is reviewed annually. Parties' contributions are provided on an annual basis.

22. Several bodies are involved in the review and approval of the United Nations regular budget proposals:

(a) The Committee for Programme and Coordination (CPC) reviews the strategic framework, including programmatic changes in the proposed programme budget arising from new or revised mandates, and reports on its findings to the General Assembly, via the Fifth Committee;⁹

(b) ACABQ is a subsidiary organ of the General Assembly. It examines and reports to the General Assembly on the budget proposals, any administrative and budgetary matters referred to it, and the auditors' reports on the accounts of the United Nations and specialized agencies;

(c) The Fifth Committee's role is in accepting, curtailing or rejecting the recommendations of ACABQ. The conclusions and recommendations of ACABQ often form the basis of the draft resolutions and decisions recommended by the Fifth Committee. The Fifth Committee typically reviews the proposed programme budget from October to December, by which time it will have received the ACABQ report and, as applicable, the CPC report;

(d) The General Assembly considers and approves the United Nations budget on the basis of the reports of the Fifth Committee. The General Assembly usually adopts the budget recommended by the Fifth Committee at a session in late December.

23. By being integrated into the United Nations budget process, the UNFCCC would be involved in the preparation of a number of documents, mechanisms and related review processes:

(a) The strategic framework comprises two parts: longer-term objectives and priorities, and the biennial programme plan with a structure of programmes for use in the programme budget. It includes objectives to be addressed in the delivery of mandates, and the RBB logical framework of objectives with expected accomplishments and indicators of achievement. This framework serves as the basis for budget preparation;

(b) The budget outline includes a preliminary indicative estimate of resource requirements for a forthcoming biennium. The General Assembly reviews the outline and approves a separate outline of the proposed programme budget and priorities for a forthcoming biennium;

(c) The supplementary financial information for the review of ACABQ, which includes information in relation to the proposed programme budget for a biennium, elaborates on the financial and post requirements by component, object of expenditure and source of funds;

⁸ See <https://www.eda.admin.ch/content/dam/eda/de/documents/publications/SwissMission_InteractivePDF_2014_9_16_en.pdf>.

⁹ See document FCCC/SBI/2016/INF.5 for further information on the membership and role of CPC.

(d) Two budget performance reports are prepared. The Fifth Committee reviews the first performance report, which also includes adjustments to initial appropriations resulting from exchange rate fluctuations, inflation, changes in standard costs, or unforeseen and extraordinary expenses, and approves any re-costing, if appropriate. The contingency fund is a mechanism that enables the Secretary-General to exercise his authority (within limits) to implement additional mandates not covered by the programme budget that cannot be absorbed. The General Assembly approves a percentage of the budget for new mandates, usually amounting to 0.75 per cent of the preliminary estimates included in the budget outline. The level of the contingency fund for the biennium 2016–2017 was USD 41.7 million.¹⁰ The contingency fund is not funded, but indicates the upper ceiling of additional resources that can be made available.

24. The Permanent Representatives to the United Nations of Australia, Mexico, Nigeria, Peru, Poland, Saudi Arabia, South Africa, Switzerland and Thailand launched a joint initiative and formed an independent expert panel to review the United Nations budget planning process and make suggestions for improvement. The expert panel produced a report in August 2014¹¹ that includes an overview of areas that require short- and long-term changes, as well as a set of recommendations. The essential conclusion expressed in the report is that the United Nations regular budget process is not efficient. The panel is therefore requesting an extensive reform of United Nations budget documentation, timelines and bodies, including the proposed merging of ACABQ and CPC owing to the duplication of work. The expert panel expressed the view that the reporting lines and roles of the two committees were not clear and included overlapping areas.

25. The integration of the UNFCCC into the full United Nations regular budget process would not be a straightforward matter. Currently, the mandate of ACABQ does not permit the review of the UNFCCC budget. A change in the mandate of ACABQ would require decisions by the COP and a resolution of the United Nations General Assembly. The institutional linkage of the UNFCCC secretariat to the United Nations would also need to be reviewed and clarified. Decisions and resolutions would need to clarify, *inter alia*, the role of the COP with respect to ACABQ and CPC, including reporting lines and accountabilities to the COP and the provision of guidance by the COP to ACABQ and CPC.

26. The option of adopting the United Nations regular budget process would ensure that established expert bodies review UNFCCC budget proposals. However, it is potentially the most costly and time-consuming option as it would involve a complete change of the UNFCCC budget process and documentation, a revision of the institutional linkage of the UNFCCC with the United Nations and the cost of supporting the expert bodies located at the United Nations headquarters in New York. As the United Nations expert bodies and committees are not yet sufficiently familiar with the UNFCCC process, this option would also require a significant investment in capacity-building. It is unclear what the role of UNFCCC bodies, in particular the SBI, the COP, the CMP and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), would be in the budget review or budget approval process. It is assumed that Parties would be required to devote more time to the budget review process, including during meetings and sessions in New York. A feasibility study would need to be conducted if this option is preferred by the Parties, in order to quantify the financial implications, address legal and procedural questions, and confirm detailed documentation and data requirements with a view to overcoming the existing hurdles in relation to mandates, bodies, timelines and associated costs.

¹⁰ United Nations General Assembly resolution A/RES/69/264.

¹¹ See <https://www.eda.admin.ch/content/dam/eda/de/documents/publications/SwissMission_InteractivePDF_2014_9_16_en.pdf>.

V. Possible establishment of a budget review body

27. The SBI may consider establishing an expert body for UNFCCC programme and budget review that would advise the SBI on matters relating to the proposed programme budget for the secretariat. The body could comprise selected government representatives who are experts in financial and budgetary matters at the international level and have in-depth knowledge of the UNFCCC. Members could be elected by the COP for a certain number of years, taking equitable and geographical distribution among Parties into account.

28. The budget review body would examine and report to the SBI on the proposed programme budget, internal oversight and audit reports, and audited financial statements of the UNFCCC, including the report of the United Nations Board of Auditors, and advise and comment on any administrative and financial matters as and when appropriate.

29. The body could meet for three to five days one month prior to the sessional period at which the budget proposal is scheduled for consideration, and would provide a written and oral report to the SBI for its consideration, upon which the SBI would recommend a budget decision for adoption by the COP, the CMP and the CMA. Three weeks prior to the start of the meetings of the budget review body, the secretariat would make relevant official documentation available on the UNFCCC website. The number of meetings and required meeting days as well as the associated meeting costs would be driven by the body's mandate and terms of reference.

30. An overview of budget processes in selected United Nations and related organizations,¹² including the bodies involved in the budget processes, the number of body members and the related costs, is provided in the annex. This information may facilitate assessment of the potential implications of establishing a budget review body.

31. The establishment of an expert budget review body could lead to improved effectiveness of the UNFCCC budget process, on the assumption that its members are familiar with the UNFCCC process. The review body would require a clear mandate and terms of reference to avoid issues concerning the duplication of work due to overlapping areas of work, as currently experienced by ACABQ and CPC (see para. 24 above). This option would increase the length of the budget review process, as early preparation of the proposed budget would be required to meet the documentation requirements for the meetings of the budget review body. Further, this option would require additional funding, which is currently not available, to cover the costs of travel, daily subsistence allowances, and other associated logistical costs. The cost of such meetings would have to be covered by the UNFCCC core budget. Expert body members would normally be expected to travel to and stay in Bonn, Germany, for the duration of the meetings and may have to return to Bonn for the sessional meetings of the subsidiary bodies a few weeks later.

VI. Other possible ways to increase the efficiency and transparency of the budget process and enhance budget documentation

A. Informal budgetary information meetings on the margins of each sessional meeting with a changing focus

32. Themed discussions at informal meetings on the margins of each sessional meeting could be organized and would include presentations by the secretariat on a specific theme,

¹² See document FCCC/SBI/2016/INF.5 for further information.

followed by question and answer sessions, leading to improved transparency of the budget process and better understanding among Parties of the UNFCCC work programme and related funding. Priority themes would be identified by seeking input from Parties and could include:

- (a) The core budget and its relation to requirements under the Trust Fund for Supplementary Activities;
- (b) Requirements under the Convention, the Kyoto Protocol and the Paris Agreement and how to cover the related costs;
- (c) The RBB approach followed by the secretariat and possible enhancements thereto.

33. The informal budgetary information meetings would follow the established timelines and bodies involved in the preparation, review and approval of the budget proposals. This option would not have any financial implications.

B. Approaches to enhance the effectiveness of work under existing agenda items

34. Discussions on the standing SBI agenda items under administrative, financial and institutional matters could be enhanced. Instead of considering budget performance through e-mail exchange with interested Parties, the SBI could regularly establish an informal group to hold a more in-depth discussion on the secretariat's performance in terms of budget implementation and programme delivery, including a discussion of strengths, weaknesses, risks and challenges. In addition, a regular discussion on the evolving functions and operations of the secretariat may benefit budget negotiators in enhancing their understanding of the role of the secretariat and its requirements in the delivery of the UNFCCC work programme. This would have no impact on the costs or timelines of the UNFCCC budget process.

C. Using the UNFCCC website to communicate on budgetary matters

35. The Executive Secretary is committed to enhancing the provision and presentation of information on administrative and financial matters, including through better use of the UNFCCC website for this purpose. More financial and performance information and data will be made available to Parties, including analyses of budgetary data, trends, cash flow details, regular updates on the status of contributions, the budget process, fundraising letters and related project proposals. Reader-friendly graphs and charts would facilitate understanding of the UNFCCC work programme and related funding.

36. The enhancement will not affect the existing timelines and responsibilities for the review of budget proposals. The enhanced website would contribute to improved transparency and effectiveness of the budget process. The development of a web portal for up-to-date and reader-friendly financial and budgetary information and data may have funding implications that could not be fully absorbed from existing resources.

D. Annual report

37. The secretariat established an internal task force to review the current budget procedures and to enhance reporting, including the budget performance report. A possible further improvement could be the preparation and publication of annual reports, providing succinct information on the secretariat's activities in the preceding year, programme

delivery highlights and financial performance to facilitate the understanding of a broad range of stakeholders and interested observers with regard to what the secretariat is delivering and the challenges it is facing. Annual reports would contribute to improved outreach and provide the public, the media and non-governmental organizations with information on the UNFCCC process. The introduction of annual reports would enhance the overall transparency of the secretariat and the UNFCCC process, and provide additional performance and financial information to Parties. The preparation and production of the UNFCCC annual report may require supplementary funding for design and printing costs.

Elements of the budget processes of selected United Nations and related organizations

<i>Budget (regular or equivalent)</i>							
<i>Organization</i>	<i>Documents</i>	<i>Approximate number of pages</i>	<i>Budget in millions</i>	<i>Bodies involved in process</i>	<i>Number of review body members</i>	<i>Cost of review body</i>	<i>Comments</i>
United Nations	Programme budget and supplementary budget information	2 000	USD 5 401.8 for 2016–2017	CPC, ACABQ, Fifth Committee and General Assembly	ACABQ: 16	Each entity can send up to eight staff for ACABQ and Fifth Committee meetings	
UNEP	Programme budget and supplementary budget information	136	USD 35.3 for 2016–2017	CPC, ACABQ, Fifth Committee and General Assembly	ACABQ: 16	Travel and DSA for up to eight staff for ACABQ and Fifth Committee meetings (1–2 days)	Part of the United Nations regular budget
UNFCCC	Programme of work and budget	114	EUR 54.6 for 2016–2017	SBI and COP	SBI: approx. 30	No additional cost as part of the SBI	
UNCCD	Programme of work and budget	26	EUR 16.2 for 2016–2017	COW and COP	COP: approx. 30	No additional cost as part of the COP	Presented directly to the COP in December
OPCW	Programme and budget Income and expenditure report	114	EUR 67.5 for 2016	ABAF, Executive Council and COSP	ABAF: 16	DSA and travel for 16 members (4–5 days)	Yearly process
ISA	Programme budget	9	USD 15.7 for 2015–2016	FC, ISA Council and Assembly	FC: 15	Extra days of DSA (3–4 days) for 15 members for pre-sessional meetings	
ICC	Programme budget	221	EUR 139.6 for 2016	CBF, ASP subcommittee and ASP	CBF: 12	DSA and travel for 12 members (5 days)	Yearly process

Abbreviations: ABAF = Advisory Body on Administrative and Financial Matters, ACABQ = Advisory Committee on Administrative and Budgetary Questions, ASP = Assembly of States Parties, CBF = Committee on Budget and Finance, COP = Conference of the Parties, COSP = Conference of the States Parties, COW = Committee of the Whole, CPC = Committee for Programme and Coordination, DSA = daily subsistence allowance, FC = Finance Committee, ICC = International Criminal Court, ISA =

International Seabed Authority, OPCW = Organisation for the Prohibition of Chemical Weapons, SBI = Subsidiary Body for Implementation, UNCCD = United Nations Convention to Combat Desertification, UNEP = United Nations Environment Programme.
