



The allocation of resources in the Trust Fund for the Core Budget of the UNFCCC and the Trust Fund for Supplementary Activities

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.¹

This document, one of five that the secretariat has prepared for the above-mentioned technical workshop, provides information on the allocation of resources in the Trust Fund for the Core Budget of the UNFCCC (core budget) and the Trust Fund for Supplementary Activities (supplementary resources).

I. Executive Summary

1. The allocation of resources in the core budget and the supplementary fund is based on broad principles.
2. Over the years, the availability of resources under the core budget has not been commensurate with the increase in critical work mandated by Parties to the secretariat in support of an expanding climate change regime.
3. As a result, today many activities have to be funded from supplementary resources which, due to their nature, should in principle be resourced from the core budget to ensure predictability and sustainability of funding as well as ownership by all Parties.
4. In order to improve the balance between core and supplementary resources and ensure the sustainability of operations of the secretariat, it is necessary to undertake a comprehensive review of work mandated by Parties and the related resource allocation.
5. This review will be based on principles and practices, such as those outlined in this document, and will be undertaken in full transparency and consultation with Parties to ensure a balanced approach.

II. Introduction

6. Resources under the core budget and supplementary resources represent major streams of income for the secretariat to carry out work mandated by Parties to advance negotiations and the implementation of provisions under the Convention, the Kyoto Protocol and the Paris Agreement.
7. Whereas funding under the core budget is resourced from indicative contributions from Parties to the Convention, the Kyoto Protocol and the Paris Agreement, as well as a special contribution from the Host Government of the secretariat, supplementary funding is subject to

¹ FCCC/SBI/2017/7, paragraph 129

voluntary contributions to support mandated activities for which provisions are not made in the core budget.

8. Over the years, the proportion of supplementary resources has grown significantly, and today, the estimated resource requirements for supplementary funding are almost at the same level as resource requirements included in the core budget.² While this development is not a concern in and of itself, in practice, a growing body of important work mandated by Parties to the secretariat to support an ever expanding climate change regime, is covered increasingly by supplementary resources because of limitations on core budget resources.³ In effect, this means that some activities which, arguably should be covered from the core budget, need to be resourced from supplementary funding instead.

9. This document addresses the practice applied so far in the allocation of core and supplementary resources and the actions the secretariat intends to take to realign the allocation of resources in the future in order to ensure dependable and sustainable funding for core activities.

III. Principles and practice of allocation of core and supplementary resources

10. The practice of allocation of resources followed by the secretariat over the years has been based broadly on principles under which the following costs would be, to the extent possible, funded from the core budget:

(a) **Fixed indirect costs** relating to the **management of the organization and its basic operations**. This includes, for instance, most functions in the Executive Direction and Management programme as well as senior management positions in other programmes, legal services, all administrative functions, including budget, finance, human resources, procurement, travel and general services, core information and communications technology infrastructure and services, and a basic external communications infrastructure and services. It also includes limited non-staff costs needed to support secretariat infrastructure and operations, including in relation to office equipment, staff training and other domains;

(b) **Direct costs** resulting from mandates by the governing bodies for the secretariat to provide technical support, especially for **critical functions of a continuing nature** (ongoing activities that are not time-bound). This includes, for instance, support to the intergovernmental process as well as many activities mandated by governing bodies to facilitate implementation of the Convention, the Kyoto Protocol and the Paris Agreement, including core capacity for the conduct of reviews and technical analyses, the compilation and management of greenhouse gas and country data, key support functions related to finance, technology, capacity-building and adaptation, and support to some meetings of constituted bodies.

11. As for supplementary resources, these should generally fund activities that can be classified as:

(c) **Variable direct costs** related to support of mandated activities of the secretariat, which have **scalable elements** such as the number of meetings and reviews held. This should include, for instance, the support to sessions of the subsidiary bodies and ad hoc working groups that are held outside the regular calendar of meetings. It also includes meetings of constituted bodies in addition to a baseline number as agreed to by Parties for funding through the core budget;

(d) **Direct costs for temporary activities** arising from mandates to the secretariat to implement a certain project with specific outputs and end dates.

12. Given the significant increase in the number and scope of mandates to the secretariat over time and the limited scope for increases in the core budget, the broad principles outlined above could not always be applied in practice. In responding to budgetary pressures, the secretariat has, in the

² In the programme budget for the biennium 2018–2019, as recommended by the SBI to the Conference of the Parties at its twenty-third session (see document FCCC/SBI/2017/7, para. 125), the core budget amounts to close to EUR 57 million, while resource requirements under supplementary funding are estimated at about EUR 53.5 million.

³ There has been no increase in the core budget between the biennium 2014–2015 and the current biennium.

past, generally prioritized in the core budget programmatic activities related to support to the intergovernmental process and its institutions, to the detriment of ensuring appropriate core resources for services infrastructures. Over the years, however, programmatic activities also had to be covered in part from supplementary resources when their inclusion in the core budget would have been called for.

13. This has led to a situation where a number of important mandated activities which, over the years, have become continuous in nature and in some areas have grown successively in scope, had to be funded from supplementary resources. This includes ongoing activities in substantive domains, such as technical support to adaptation, finance, technology, capacity-building and mitigation, as well as basic support services, such as the secretariat's infrastructure providing data and information to Parties and other stakeholders.⁴

14. This situation needs to be addressed because it has led to a distortion of the general principles that should guide the allocation of funds and has increased the risk of leaving critical activities in support of mandates from Parties without dependable, long-term funding. This is all the more necessary as with the entry into force of the Paris Agreement, the scope of secretariat work has increased to support new bodies such as the Paris Committee on Capacity-building, and to enhance support to Parties to facilitate the implementation of nationally determined contributions and national adaptation plans.

IV. The way forward

15. In view of the above, the Executive Secretary has launched a review of the principles and practice of the allocation of core and supplementary resources with a view to improving the balance between these two sources of funding. This concerns both a more sustainable allocation of resources between activities funded from core and from supplementary resources and an improved balance of core-funded activities across major work streams. In that context, the review aims to provide a clearer definition of the minimum structure and functions which are necessary for the secretariat to deliver its services and hence should be funded from the core budget, including functions that are critical to support Parties in their efforts to achieve the objectives of the Paris Agreement.

16. The review will also need to look at all mandated activities and their nature to determine to what extent these are of a critical and ongoing (i.e. not time-bound, project-specific) nature, and to what extent work on some older mandates can be phased out or integrated into the work under new mandates.

17. Where critical and ongoing activities are currently covered from supplementary resources, the review will need to determine whether these activities should be included in the core budget and to what extent existing supplementary resources can be used as a sustainable source of income over the longer term.

18. The review will also look at the cost-effectiveness of secretariat operations and identify measures that would assist in maximizing the use of core budget resources, to include critical activities currently covered from supplementary resources without requiring an increase in the core budget.

19. Results of this review will be made available in the context of preparations for the programme budget for the biennium 2020–2021. Continuing the efforts made in the preparation of the programme budget for the biennium 2018–2019, the Executive Secretary will consult proactively in an open and transparent manner on the outcomes of the review and the implications for the allocation of core and supplementary resources in the 2020–2021 budget.

⁴ See document FCCC/SBI/2016/INF.13 for details on the evolving mandates and related functions of the secretariat, measures to enhance secretariat efficiency and recent examples of challenges in appropriately resourcing an increased scope of work.