

## **Annex III**

### **Zero nominal growth scenario**

1. As requested by the Conference of the Parties,<sup>1</sup> this annex presents a “zero nominal growth” budget for the biennium 2018–2019. The bottom line figure of EUR 54,648,484 for the biennium is maintained. The annex should be read in conjunction with the documentation referred to in chapter II.B of this document.
2. In preparing this budget option, new, higher standard cost figures for staff (see annex VIII) were integrated. The effect of absorbing these costs is equivalent to a reduction of 3 per cent.
3. All existing programmes are maintained along with the new clustering approach introduced in 2017 to promote stronger collaboration across teams and enhance flexibility and efficiency in implementing the work programme (see chapter III.E.4 of this document).
4. Under the zero growth scenario, efforts were made to prevent a further decline in the ratio of staff costs to non-staff costs. The ratio would be maintained at about the same level as in 2016–2017 (78.1 per cent versus 21.9 per cent, compared with 78.2 per cent versus 21.8 per cent in the biennium 2016–2017). In the interest of organizational health and flexibility, special efforts were made to ensure sufficient funding for operating costs, for consulting expertise and for the costs of meetings of the constituted bodies. The implication of this approach, combined with the change in standard salary costs, is the need to freeze posts.
5. Just as in the enhanced delivery budget proposed for approval in this document, a zero growth budget would not allow for maintaining the grant to the Intergovernmental Panel on Climate Change (IPCC) that is traditionally included in the core budget (see para. 50(d) of this document).
6. The support to the intergovernmental process is essentially maintained, although there may be some reduction in responsiveness due to less staff resources being available (see para. 10 below for examples). Nevertheless, the provision of support for the recently established bodies of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement and the Ad Hoc Working Group on the Paris Agreement as well as support to Parties’ consultations in relation to the Paris Agreement under the Subsidiary Body for Implementation and the Subsidiary Body for Scientific and Technological Advice are absorbed within the zero growth baseline.
7. The operations of the constituted bodies will be affected to some extent by the limited availability of core budget resources in a zero growth scenario. While every effort has been made in the preparation of the budget to maintain two meetings for each constituted body during the biennium, additional meetings would be reliant on supplementary funding. The potential for holding virtual meetings will be explored. Substantive support to the work of some of the bodies will be marginally affected by the staff reductions. Budgetary provisions in relation to the Paris Committee on Capacity-building will be limited. Fewer resources for supporting the implementation of the workplans of the constituted bodies will affect to differing degrees:
  - (a) The development of the clearing house for risk transfer;
  - (b) The Forum of the Standing Committee on Finance;
  - (c) The biennial assessment and overview of climate finance flows;

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<sup>1</sup> Decision 22/CP.21, paragraph 22.

(d) The review of the adequacy and effectiveness of adaptation and support.

8. The budget in a zero growth scenario will continue to include significant provisions for the implementation and further development of the measurement, reporting and verification (MRV) regime. However, in spite of the ongoing measures to increase efficiency, a number of limitations apply, including:

(a) While technical reviews of the submitted greenhouse gas (GHG) inventories from Parties included in Annex I to the Convention (Annex I Parties) are to be implemented every year for every Party, there would be provision in the core budget to support the individual reviews of these inventories and the related supplementary information under the Kyoto Protocol only once per Party involved per biennium. Additional individual reviews could be implemented if supported through supplementary funding. However, it might be argued that after over 20 years, further improvements to inventories attributable to annual reviews add little value and do not justify the high costs associated with this effort.;

(b) There would be provision in the core budget to support technical in-depth reviews of national communications and biennial reports from developed country Parties, as part of the international assessment and review process, once every four years for every Party involved; supplementary funding would be required to implement such reviews once per biennium for every Party;

(c) There will be provision in the core budget to support the conduct of up to 22 analyses of biennial update reports from developing country Parties, as part of the international consultation and analysis process; additional analyses, if needed, would have to be supported by supplementary funding.

9. More limited resources and/or less predictable funding for promoting stakeholder engagement and outreach will affect:

(a) The development and operationalization of the local communities and indigenous peoples platform;

(b) Support of the management of a large array of side events and exhibits, an area of significant growth over the past years;

(c) The implementation of technology action plans, in particular in relation to the engagement of financial providers and the ability of the Technology Executive Committee to play a catalytic role.

10. In the zero nominal growth scenario, the advancement of the post-Paris priorities identified by the Executive Secretary will be dependent on supplementary funding and therefore cannot be assured. Affected priorities will include:

(a) Basic support to the high-level champions and to stronger coordination of diverse initiatives;

(b) The ability of the secretariat to catalyse support for countries in their implementation of nationally determined contributions, national adaptation plans, technology needs assessments and other key deliverables, by working with partners and using targeted initiatives, which will not be advanced;

(c) Efforts to promote stronger engagement of other United Nations entities and the integration of the implementation of the Paris Agreement with the 2030 Agenda for Sustainable Development, which will be minimal.

11. Furthermore, a significantly more constrained budget, consistent with a zero nominal growth scenario, would affect other areas of support of the intergovernmental process, in terms of reducing the level and/or quality of services and/or delaying action, including:

- (a) The development of adaptation communications;
- (b) The development and operationalization of the adaptation registry;
- (c) The development of the Technology Framework and the scope and modalities for the periodic assessment of the Technology Mechanism;
- (d) Support of negotiations in relation to the clean development mechanism, joint implementation, land use, land-use change and forestry, and Article 6 of the Paris Agreement;
- (e) Legal advice and services;
- (f) The scope of conference services in relation to support to observers and meetings management;
- (g) Webcasting services for meetings and events;
- (h) Multilingual content on the UNFCCC website;
- (i) Work under Article 6 of the Convention, known as Action for Climate Empowerment.

12. Table 8 summarizes the mandated zero nominal growth scenario by cluster for 2018 and 2019 and the expected sources of income. Comparisons with the approved budget for the biennium 2016–2017 by commitment item and on a programme basis are provided in tables 9 and 10, respectively.

Table 8  
**Zero nominal growth scenario for 2018–2019 by cluster**

	2018 (EUR)	2019 (EUR)	Total (EUR)
<b>A. Appropriations</b>			
Executive Direction and Management	1 480 010	1 480 010	2 960 020
Implementation and climate action	13 376 340	13 098 140	26 474 480
Intergovernmental affairs and secretariat operations	9 488 405	9 426 393	18 914 798
<b>Programme expenditures (A + B)</b>	<b>24 344 755</b>	<b>24 004 543</b>	<b>48 349 298</b>
<b>B. Programme support costs (overheads)<sup>a</sup></b>	<b>3 164 818</b>	<b>3 120 591</b>	<b>6 285 409</b>
<b>C. Adjustment to working capital reserve<sup>b</sup></b>	<b>13 777</b>	<b>-</b>	<b>13 777</b>
<b>Total (A + B + C)</b>	<b>27 523 350</b>	<b>27 125 134</b>	<b>54 648 484</b>
<b>Income</b>			
Contribution from the Host Government	766 938	766 938	1 533 876
Indicative contributions	26 756 412	26 358 196	53 114 608
<b>Total income</b>	<b>27 523 350</b>	<b>27 125 134</b>	<b>54 648 484</b>

<sup>a</sup> Standard 13 per cent applied for administrative support. See annex VI to this document.

<sup>b</sup> In accordance with the financial procedures (decision 15/CP.1), the core budget is required to maintain a working capital reserve of 8.3 per cent (one month of operating requirements).

13. The principal component of the core budget in this scenario, as under the proposed budget, is staff costs, representing 78.1 per cent of the total core budget as opposed to 78.2 per cent in the biennium 2016–2017. Other major components include general operating expenses at 7.7 per cent (7.0 per cent in 2016–2017), consultants at 3.7 per cent (3.5 per cent in 2016–2017) and experts at 2.8 per cent (3.8 per cent in 2016–2017).

14. For the 2018–2019 biennium, total staff costs would decrease by 0.2 per cent compared with 2016–2017. The slight decrease of EUR 65,605 in staff costs is attributable to not funding seven posts so that the increased expenditure resulting from adjusted standard salary costs could be absorbed.<sup>2</sup>

15. The zero growth budget for non-staff costs amounts to EUR 10.57 million in the 2018–2019 biennium – an overall increase of only EUR 16,357 compared to the current biennium. Increases in costs for consultants are due to the continued expansion of the MRV process, especially in relation to information and data communicated by Parties not included in Annex I to the Convention, expected demand for specific technical work as part of the preparation of the Paris Agreement rule book, work in accordance with the provisions of the Paris Agreement, and work that was previously covered by short-term staff. There are several reasons behind the fall in expert costs, including:

(a) Only one individual review of the GHG inventories from Annex I Parties and the related supplementary information under the Kyoto Protocol per biennium is provided for;

(b) Technical in-depth reviews of national communications and biennial reports from developed country Parties have been scaled down from once per biennium to a four-year cycle;

(c) No more than 22 analyses of biennial update reports from developing country Parties can be supported.

16. The amount provided for operating costs has increased (costs for supplies, materials, equipment and furniture decreased accordingly) as a result of reclassifying expenses for software licences and software applications, maintenance and support as operating expenses.

Table 9

**Zero nominal growth scenario by commitment item**

<i>Commitment item</i>	<i>2016–2017 (EUR)</i>	<i>2018–2019 (EUR)</i>	<i>Difference (%)</i>
Staff costs	37 844 705	37 779 100	(0.2)
Consultants	1 697 786	1 766 501	4.0
Travel of staff	1 436 256	1 272 881	(11.4)
Experts and expert groups	1 852 926	1 353 340	(27.0)
General operating expenses	3 392 577	3 701 361	9.1
Supplies, materials, equipment, furniture	1 139 924	907 715	(20.4)
Training	392 222	372 400	(5.1)
Contributions to common services	1 195 840	1 196 000	0.0
Grants and contributions (IPCC)	489 510	-	(100.0)
Lump sum adjustment <sup>c</sup>	(1 043 200)	-	100.0
<b>Total core programme budget</b>	<b>48 398 546</b>	<b>48 349 298</b>	<b>(0.1)</b>
Programme support costs	6 291 811	6 285 409	(0.1)
Adjustment to working capital reserve <sup>b</sup>	(41 873)	13 777	
<b>Grand total</b>	<b>54 648 484</b>	<b>54 648 484</b>	<b>0.0</b>

*Abbreviation:* IPCC = Intergovernmental Panel on Climate Change.

<sup>2</sup> See annex VIII.

<sup>a</sup> A lump sum adjustment was made to non-staff costs during the consideration by Subsidiary Body for Implementation at its forty-second session of the budget for the biennium 2016–2017 to achieve the targeted overall amount.

<sup>b</sup> In accordance with the financial procedures (decision 15/CP.1, annex I, para. 14), the working capital reserve will increase to EUR 2,284,645 by 2018 and be kept at that level in 2019.

17. A comparison of the zero nominal growth scenario with the approved budget for the biennium 2016–2017 on a programme basis is contained in table 10. A summary of key changes is provided below; further details are provided on the UNFCCC website.<sup>3</sup>

18. The differences between the 2016–2017 biennium and the 2018–2019 biennium on a programme basis are due to a combination of:

(a) Adjusting functions and levels of eight posts to reflect new requirements and enhance efficiency, and redeploying three posts;

(b) Not funding seven existing posts in the biennium 2018–2019. The equivalent of funding seven posts (two P-3 posts, two P-4 posts, two P-2 posts and one General Services post) was deducted to absorb the increase in actual staff costs;<sup>4</sup>

(c) Fully funding two posts that were only funded at 20 per cent and 25 per cent respectively in the 2016–2017 biennium;

(d) Increasing specific non-staff items in some programmes and reducing some in others.

19. Key changes from the biennium 2016–2017 to the biennium 2018–2019 are:

(a) In the Executive Direction and Management programme: the reassignment of specific resources to the management of clusters;

(b) Cluster management units: receiving existing senior director positions, one of which is to be increased to 100 per cent funding from 20 per cent funding in the biennium 2016–2017, plus an assistant position for each of the two senior directors; moving the support to the governing bodies from the Executive Direction and Management programme to the intergovernmental affairs and secretariat operations cluster;

(c) In the Adaptation programme and the Legal Affairs programme: exchanging posts in order to enhance support to the process to formulate and implement national adaptation plans;

(d) In the Information and Communication Technology programme: funding for one position is increased from 25 per cent in the biennium 2016–2017 to 100 per cent in the biennium 2018–2019;

(e) In the Executive Direction and Management programme and the Communications and Outreach programme: exchanging posts to ensure sustainable funding for the post of Director of Communications and Outreach.

Table 10

**Comparison of the zero nominal growth scenario with the approved budget for the biennium 2016–2017 on a programme basis**

	2016–2017 (EUR)	2018–2019 (EUR)	Difference (%)
A. Appropriations			
Executive Direction and Management	4 461 724	2 960 020	(33.7)
<b>Implementation and climate action cluster</b>			

<sup>3</sup> [http://unfccc.int/secretariat/unfccc\\_budget/items/9928.php](http://unfccc.int/secretariat/unfccc_budget/items/9928.php).

<sup>4</sup> See annex VIII.

	2016–2017 (EUR)	2018–2019 (EUR)	Difference (%)
Cluster management	-	589 600	
Mitigation, Data and Analysis	15 223 376	15 008 020	(1.4)
Finance, Technology and Capacity-building	5 464 887	5 401 520	(1.2)
Adaptation	4 671 964	4 743 260	1.5
Sustainable Development Mechanisms	776 240	732 080	(5.7)
<b>Intergovernmental affairs and secretariat operations cluster</b>			
Cluster management	-	1 257 960	
Legal Affairs	2 608 910	2 153 600	(17.5)
Conference Affairs Services	3 324 279	3 395 655	2.1
Communications and Outreach	3 069 899	3 431 320	11.8
Information and Communication Technology	5 565 551	5 447 800	(2.1)
Administrative Services <sup>a</sup>	3 231 716	3 228 463	(0.1)
<b>Expenditures</b>	<b>48 398 546</b>	<b>48 349 298</b>	<b>(0.1)</b>
B. Programme support costs (overheads) <sup>a</sup>	6 291 811	6 285 409	(0.1)
C. Adjustment to working capital reserve <sup>b</sup>	(41 873)	13 777	
<b>Total (A + B + C)</b>	<b>54 648 484</b>	<b>54 648 484</b>	<b>0.0</b>
Income			
Contribution from the Host Government	1 533 876	1 533 876	0.0
Indicative contributions	53 114 608	53 114 608	0.0
<b>Total income</b>	<b>54 648 484</b>	<b>54 648 484</b>	<b>0.0</b>

<sup>a</sup> Standard 13 per cent applied for administrative support. See annex VI to this document.

<sup>b</sup> In accordance with the financial procedures (decision 15/CP.1), the core budget is required to maintain a working capital reserve of 8.3 per cent (one month of operating requirements).