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Administrative, financial and institutional matters

Budget performance for the biennium 2008–2009

Budget performance for the biennium 2008–2009

Note by the secretariat*

Summary

The Conference of the Parties (COP), by its decision 13/CP.13, approved the programme budget for the biennium 2008–2009 and requested the Executive Secretary to report to the COP at its fourteenth session on income and budget performance, and to propose any adjustments that might be needed in the programme budget for the biennium 2008–2009.

Following the weakening of the United States dollar against the euro, the value of the core budget for 2008–2009 has been greatly reduced. If the secretariat is to fully implement the mandated work programme, the Executive Secretary will require authorization for a higher expenditure in USD terms, equivalent to the approved budget in euros (EUR 41.2 million) at the average rate of exchange prevailing during the 2008–2009 biennium.

In the meantime, resource requirements under the supplementary fund to support the agreement reached in Bali and other activities have been updated. A progress report on the secretariat's efforts to achieve equitable geographical distribution and gender balance is also provided.

* Submission of this document has been delayed owing to the internal consultations that were required.

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I. Introduction

A. Mandate

1. The Conference of the Parties (COP), by its decision 13/CP.13, approved the programme budget for the biennium 2008–2009 and requested the Executive Secretary to report to the COP at its fourteenth session on income and budget performance, and to propose any adjustments that might be needed in the programme budget for the biennium 2008–2009.

B. Scope of the note

2. This document contains information on the effect of the weakening United States dollar on the programme budget for the biennium 2008–2009, the revised resource requirements under the Trust Fund for Supplementary Activities and the Trust Fund for Participation in the UNFCCC Process, and the secretariat's efforts to achieve equitable geographical distribution and gender balance among its staff. It should be read in conjunction with document FCCC/SBI/2008/INF.6, which updates information on the status of contributions as at 15 May 2008.

C. Possible action by the Subsidiary Body for Implementation

3. The Subsidiary Body for Implementation (SBI) will be invited to consider the report and recommend draft decisions on administrative and financial matters, including on measures to address the adverse effects of the exchange rate fluctuations, for adoption by the COP at its fourteenth session and the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) at its fourth session.

II. Impact of exchange rate fluctuations

4. In accordance with the financial procedures,¹ the proposed programme budget is prepared in the year preceding the biennium in order to provide sufficient time for consideration and adoption by the COP and the CMP. The budget is calculated and presented in United States dollars with an indication of the euro equivalent using an average of the United Nations official rates of exchange for the three months prior to the preparation of the document. The information on the euro equivalent is a clear indicator on the level of resources required in the biennium because most of the secretariat's commitments are made in euros.

5. When the programme budget for the 2008–2009 biennium was being prepared, the average exchange rate of the United States dollar against the euro for the period January through March 2007 was 0.762. The SBI, at its twenty-sixth session, recommended a budget of USD 54,031,584 (EUR 41,172,068); this budget was adopted by the COP at its thirteenth session and the CMP at its third session.

6. The United Nations operational rate of exchange of the United States dollar against the euro is subject to incremental shifts throughout the year due to events outside the control of the secretariat, making it very challenging to predict a trend for future periods. After a two-month period in which the dollar strengthened against the euro – reaching a peak of 0.771 in February – a downward trend began in March and continued throughout the year and into 2008, with adverse effects on the secretariat's core budget.

7. Table 1 shows the value of the budget for the biennium 2008–2009 at the time it was prepared and at the beginning of the biennium. At the average exchange rate for the months of January through

¹ Decision 15/CP.1, annex I.

March 2008 (0.674), the approved budget in euro terms is reduced from EUR 41.2 million to EUR 36.4 million – a shortfall of EUR 4.8 million, or 11.6 per cent.

Table 1. Core budget^a for the biennium 2008–2009 by object of expenditure

Object of expenditure	A	B	C	Difference D = B–C (EUR)	% change
	Approved budget (USD)	Approved budget (EUR) ^b	Value of approved budget as at March 2008 ^c		
Staff costs	35 648 213	27 163 938	24 026 896	(3 137 042)	
Consultants	1 653 000	1 259 586	1 114 122	(145 464)	
Travel on official business	1 490 848	1 136 026	1 004 832	(131 194)	
Expert groups	3 009 800	2 293 468	2 028 605	(264 863)	
General operating expenses	1 880 600	1 433 017	1 267 524	(165 493)	
Supplies and materials	219 416	167 195	147 886	(19 309)	
Acquisition of furniture and equipment	1 501 299	1 143 990	1 011 875	(132 115)	
Training	248 000	188 976	167 152	(21 824)	
Contribution to common services	1 436 500	1 094 613	968 201	(126 412)	
Grants and contributions (IPCC ^d)	700 000	533 400	471 800	(61 600)	
Total programme budget	47 787 676	36 414 209	32 208 893	(4 205 315)	11.55
13% programme support costs	6 212 398	4 733 847	4 187 156	(546 691)	
8.3% working capital reserve	31 510	24 011	21 238	(2 773)	
GRAND TOTAL	54 031 584	41 172 068	36 417 287	(4 754 779)	11.55

^a Decision 13/CP.13.

^b The exchange rate used (USD 1 = EUR 0.762) is the average rate for the period January–March 2007.

^c The exchange rate used (USD 1 = EUR 0.674) is the average rate for the period January–March 2008.

^d Intergovernmental Panel on Climate Change.

8. Of particular concern is the payment of staff salaries and entitlements, which account for about 75 per cent of the total core budget. Staff against core posts are under contract for up to three years. Salaries for General Service staff are fixed in euros in accordance with the relevant salary scale of the International Civil Service Commission.² Professional staff salaries are adjusted by the post adjustment multiplier, which offsets the fluctuation of the exchange rate.

9. Salary statistics for the first two months of the biennium (see table 2) are indicative of the challenge the secretariat will face in the course of the next 22 months (March 2008 to December 2009). By the end of February 2008, the secretariat had spent 8.4 per cent of the 2008–2009 budget for staff costs, which was already slightly higher than the expected expenditure for this time in the biennium (8.3 per cent). If all positions had been filled from the beginning of the biennium, the percentage would have been much higher, which is an indication that it would have been impossible to contain expenditures within the authorized dollar amount. Under the assumption that the average exchange rate for January–March 2008 (0.674) is maintained for the remainder of the biennium and that some vacant posts will be filled in the course of the biennium, it is projected that salary costs alone would be higher than the budget for staff costs by USD 4.6 million.

² <http://www.un.org/Depts/OHRM/salaries_allowances/salaries/germany.htm>.

Table 2. Projected expenditure under the core budget for 2008–2009 by object of expenditure
(United States dollars)

Object of expenditure	Approved budget ^a	Expenditure as at Feb. 2008	Projected expenditure for 22 months (Mar. to Dec. 2009)	Total expenditure ^e	Expenditure as a percentage of budget
Staff costs	35 648 213	2 976 192	37 238 112	40 214 304	112.8
Non-staff costs	12 139 463	1 202 454	12 297 546	13 500 000	111.2
Total	47 787 676	4 178 646	49 535 658	53 714 304	112.4
13% programme support costs	6 212 398	543 224	6 439 636	6 982 860	
8.3% working capital reserve	31 510		277 850	309 360	
GRAND TOTAL	54 031 584	4 721 870	56 253 144	61 006 524	112.9

^a Decision 13/CP.13 excludes programme support costs and adjustment to working capital reserve.

10. In the light of the current financial situation, the secretariat will exercise prudence in managing its resources. However, as more measures are taken to reduce expenditures, the secretariat's capacity to undertake the activities mandated in the work programme for the biennium diminishes considerably.

11. If the secretariat is to implement the mandated work programme for the biennium, it will require the full amount of EUR 41,172,068, or about USD 61 million at the average rate of exchange of 0.674. After taking into account the fund balance from the previous biennium, indicative contributions for the 2008–2009 biennium, the contribution from the Host Government, and an estimate of miscellaneous and interest income, the projected shortfall against the estimated expenditure will be USD 2.3 million (see table 3).

Table 3. Estimated shortfall of funds in the biennium 2008–2009
(United States dollars)

Fund balance as at 31 December 2007	9 411 139
Indicative contributions 2008–2009	50 018 623
Contribution from the Host Government 2008–2009	2 012 961
Estimated interest and miscellaneous income	1 350 000
Total expected income	62 792 723
Total expenditure (including 13% PSC^a and 8.3% WCR^b)	61 006 524
Net excess of income over expenditure	1 786 199
Working capital reserve	(2 303 578)
Estimated outstanding contributions as at 31 December 2009	(2 000 000)
Estimated shortfall at the end of the biennium	(2 257 379)

^a Programme support costs.

^b Working capital reserve.

12. This scenario anticipates that 96 per cent of the indicative contributions will be received in a timely manner and that the exchange rate will remain at the average of the first three months of the biennium. Even with that assumption, the secretariat will not be in a position to fund the approved work programme from available resources, unless the core budget is augmented through additional contributions. Parties may wish to consider making such contributions, especially in view of the fact that some may have realized savings from their contributions earmarked for the core budget resulting from the fall in the value of the United States dollar.

13. Therefore, it is proposed that the SBI recommends that the COP and CMP:
- (a) Authorize the Executive Secretary to raise the dollar expenditure level equivalent to the approved budget in euros (EUR 41,172,068) and to adjust the approved budget for the biennium 2008–2009 in United States dollars using the United Nations official rate of exchange in accordance with decision 13/CP.13, paragraph 16, and the practice of the United Nations;
 - (b) Authorize the Executive Secretary to notify Parties of their 2009 contributions in euros, on the basis of the approved euro budget, or in United States dollars at the exchange rate used in preparing the budget (0.762).
14. The SBI may also wish to urge Parties to make additional voluntary contributions to the core budget.

III. Resource requirements under the Trust Fund for Supplementary Activities and the Trust Fund for Participation in the UNFCCC Process

A. Trust Fund for Supplementary Activities

15. The COP, by its decision 13/CP.13, took note of the funding estimates for the Trust Fund for Supplementary Activities of USD 19,930,187 for the biennium 2008–2009, and invited Parties to make contributions to this fund. Although the impact of the declining value of the United States dollar has meant that these estimates have increased in dollar terms, the main increase in requirements under this trust fund is as a result of additional mandates given to the secretariat during the sessions in Bali to undertake work not covered by the core programme budget.

16. In particular, the adoption of the Bali Action Plan (decision 1/CP.13) to launch a comprehensive process to enable the full, effective and sustained implementation of the Convention through long-term cooperative action, now, up to and beyond 2012, in order to reach an agreed outcome and adopt a decision at the fifteenth session of the COP, has resulted in an enormous increase in resource requirements to undertake activities in relation to this process. Although some generous pledges have been made in support of the first two additional sessions mentioned in the Bali Action Plan, there is still a need to raise more funds to ensure that the requisite substantive support is in place and to cover conference servicing costs. A conservative estimate at this time is that an additional USD 8 million will be required for the biennium; this estimate may increase should there be a need for more than two additional sessions in 2009.

17. Although the secretariat has been able to carry over funds to start implementing activities in 2008 immediately, there are still large shortfalls for many important mandated activities financed through voluntary contributions, including:

- (a) Activities in relation to joint implementation (a current shortfall of USD 2.3 million);
- (b) Communication and outreach activities (USD 2 million);
- (c) Support to national communications from Parties not included in Annex I to the Convention (non-Annex I Parties) (USD 700,000);
- (d) Development and maintenance of the annual compilation and accounting database (USD 1.2 million);
- (e) Software development and support for the greenhouse gas inventory compilation, submissions and data interface (USD 1.1 million);
- (f) Expert review processes under the Convention and the Kyoto Protocol (USD 400,000);
- (g) Supporting the programme of work of the Expert Group on Technology Transfer (USD 700,000) and the Least Developed Countries Expert Group (USD 700,000);

- (h) Capacity-building for developing countries (USD 650,000);
- (i) Activities relating to adaptation (USD 500,000).

18. The above is not an exhaustive list of all activities that require funding for this biennium. Fundraising letters will be sent out in April 2008, emphasising the importance of making contributions in a timely manner so that mandated activities can continue without disruption. Parties should also note that more funds may be required for these activities should additional mandates be given during the biennium.

B. Trust Fund for Participation in the UNFCCC Process

19. Also by decision 13/CP.13, the COP took note of the funding estimates for the Trust Fund for Participation in the UNFCCC Process of USD 5,650,000 for the biennium 2008–2009, and invited Parties to make contributions to this fund.

20. The adoption of the Bali Action Plan has also had an impact on the resource requirements under this fund, as an additional USD 4 million will be required to provide financial support to eligible Parties to attend the four additional sessions.

21. Although funds that have been carried over will cover the immediate needs of the first additional session, in March and April 2008, and the subsidiary body sessions in June 2008, some USD 7.2 million are still required to cover all the meetings envisaged in 2008–2009. This requirement will also be highlighted in the fundraising letters mentioned in paragraph 18 above.

IV. Human resources

22. The COP, by its decision 13/CP.13, approved the staffing table for the biennium 2008–2009 at 140.5 (88 Professional and 52.5 General Service) posts under the core budget. In addition, 178 posts were established under fee-based income, the Trust Fund for Supplementary Activities, the Bonn Fund and the programme support costs (overheads).

23. Recruitment is currently under way for many of the posts established under the Trust Fund for Supplementary Activities. Also a number of posts established under the core budget are vacant, either as a result of staff turnover or because posts were newly created in this biennium. The secretariat will take this opportunity to pursue its commitment to improve the ratio between nationals of Parties included in Annex I to the Convention (Annex I Parties) and non-Annex I Parties, and between male and female staff.

24. The Executive Secretary is committed to ensuring that the secretariat's staff at the professional level and above reflects the global constituency it serves. To this end, the goal is to achieve, as a first step, a ratio of 50:50 among nationals of Annex I Parties and non-Annex I Parties by the end of this biennium. A similar effort is also being made to improve the gender balance among staff in the Professional and higher categories. However, the main challenge for a fast growing secretariat has been finding staff of the highest professional calibre, while maintaining a broad geographical distribution and gender balance. The progress in the endeavour to achieve a geographical balance over the past year at the Professional level and above can be seen in table 4.

Table 4. Geographical distribution of staff members appointed at the Professional level and above, as at 28 February 2007 and 29 February 2008

Grade	Africa		Asia and the Pacific		Latin America and the Caribbean		Eastern Europe		Western Europe and Other		Total	
	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
ASG	0	0	0	0	0	0	0	0	1	1	1	1
D-2	0	0	1	1	0	0	0	0	2	2	3	3
D-1	1	1	1	1	1	1	2	1	0	1	5	5
P-5	3	5	1	2	1	1	1	1	3	5	9	14
P-4	2	3	6	6	4	4	3	3	11	13	26	29
P-3	3	3	8	12	3	5	5	7	22	24	41	51
P-2	1	1	3	10	2	7	2	3	8	10	16	31
P-1	0	0	0	0	0	0	0	0	1	1	1	1
Total	10	13	20	32	11	18	13	15	48	57	102	135
Percentage of total	9.8	9.6	19.6	23.7	10.8	13.3	12.7	11.1	47.1	42.2	100	100

Abbreviations: ASG = Assistant Secretary-General, D = Director, P = Professional.

25. During this same period the number of non-Annex I Party nationals has increased from 39.2 per cent to 45.2 per cent resulting in narrowing the ratio to 45:55 compared with 31:69 a year ago. Similarly, an increase of 4.9 per cent in female staff has changed the gender balance from 28:72 to 33:67 during the same period. Table 5 shows this development over the 12-month period from February 2007 to February 2008.

Table 5. Distribution of staff members appointed at the Professional level and above, between Annex I Parties and non-Annex I Parties and by gender, as at 28 February 2007 and 29 February 2008

Grade	Annex I Party nationals		Non-Annex I Party nationals		Male		Female	
	2007	2008	2007	2008	2007	2008	2007	2008
ASG	1	1	0	0	1	1	0	0
D-2	2	2	1	1	3	3	0	0
D-1	2	2	3	3	5	4	0	1
P-5	4	6	5	8	5	9	4	5
P-4	14	17	12	12	21	23	5	6
P-3	27	32	14	19	26	30	15	21
P-2	11	13	5	18	11	19	5	12
P-1	1	1	0	0	1	1	0	0
Total	62	74	40	61	73	90	29	45
Percentage of total	60.8	54.8	39.2	45.2	71.6	66.7	28.4	33.3

Abbreviations: ASG = Assistant Secretary-General, D = Director, P = Professional.
