
UNFCCC Financial Statements 2020

Under audit

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Under audit



United Nations



Framework Convention on
Climate Change

I. Certification of the Financial Statements

The financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the year ending 31 December 2020 have been prepared in accordance with financial rule 106.1. They include all trust funds and special accounts operated by UNFCCC.

A summary of significant accounting policies applied in the preparation of these statements is included as a note to the financial statements. The notes to the financial statements provide additional information and clarification on the financial activities undertaken by UNFCCC during the period covered by the statements, for which the Executive Secretary had administrative responsibility.

I certify that the appended financial statements of the United Nations Framework Convention on Climate Change for the year ending 31 December 2020 are correct.

Patricia Espinosa
Executive Secretary
31 March 2021

II. Narrative financial report

Financial report on the 2020 accounts

Introduction

1. The financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) are prepared in accordance with International Public Sector Accounting Standards (IPSAS) and are submitted to the Conference of Parties (COP) in accordance with the financial procedures. The financial statements include all operations under the direct authority of the Executive Secretary including the core budget, extra-budgetary financed activities and activities under the Sustainable Development Mechanisms.

2020 Financial Highlights

2020 Financial Results

Total revenue:

2. Revenue in 2020 totalled USD 72.7 million as follows:
- (i) The indicative contributions to the core budget of USD 32.5 million and USD 1.2 million to the budget of the International Transaction Log;
 - (b) Voluntary contributions from donors totalled USD 18.1 million;
 - (c) Fees for the CDM and JI mechanisms USD 14.4 million.

Total expenses:

3. Expenses in 2020 totalled USD 73.2 million mainly consisting:
- (a) Personnel expenses amounting to USD 55.6 million;
 - (b) Travel USD 0.6 million;
 - (c) Contractual services for USD 10.7 million.
 - (d) Operating and other expenses for USD 5.0
4. While income on indicative contributions level remained at comparable levels, fees for the CDM and JI saw an increase in 2020. Voluntary contributions have seen a significant reduction during the reporting period given that more agreements have been treated as conditional under IPSAS 23 and considerable less funding for major events as those could not take place due to Covid. This decrease relates mostly to voluntary funding received in the trust for supplementary activities (USD 13.1 million in 2020 compared to USD 26.4 million in 2019) but also in the special account for conferences and other events (USD 2.2 million in 2020 compared to USD 3.7 million in 2019). There was also the significant decrease of funding received under the trust fund for participation which received USD 3.3 million in 2019 comparing almost no contributions for 2020.
5. In its 2019 financial statements, UNFCCC indicated that the extent of the impact of the Covid-19 pandemic on the financial performance of the UN agency will depend on future developments, including (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the global economy, all of which are highly uncertain and cannot be reliably predicted.
6. The Covid-19 pandemic manifested itself in a variety of ways in the activities of UNFCCC during 2020. While the impact on the way UNFCCC conducted its business was significant, the direct, visible and measurable impact on the financial performance for 2020 and the financial position at the end of the year was limited. Furthermore, there can be no

exact or systematic determination of the impact of COVID on these financial statements as accounting and reporting systems are not intended or designed to report costs, revenues and balances based on a specific underlying cause, such as a pandemic.

7. **Operating result:** The deficit of revenue over expenditure in 2020 is USD 0.5 million (compared to a deficit of USD 6.4 million in 2019). The main reasons for total deficit under IPSAS are the deficits under Trust Fund for Supplementary Activities (USD 6.8 million) and under the Sustainable Development Mechanisms amounting to USD 1.3 million offset by a surplus under the special account for conferences and other recoverable costs of USD 5.2 million in 2020 comparing to a deficit of USD 4.2 million for 2019. Relating to employee benefits liabilities, UNCCC recorded a deficit in the employee liabilities fund of USD 6.9 million and an actuarial loss resulting from the valuation of these liabilities amounting to USD 4.7 million.

8. **Assets:** Total assets as of 31 December 2020 increased by USD 8 million to USD 260 million compared to the balance at 31 December 2019 of USD 252 million. The major components of UNFCCC's assets are as follows (thousands of United States dollars).

Table 1
Summary of assets as at 31 December 2020

(Thousands of United States dollars)

	2020	2019
Cash and cash equivalents	25 199	57 698
Investments	205 077	156 981
Indicative contributions receivable	15 011	14 555
Voluntary contributions receivable	9 011	14 732
Other accounts receivable	1 104	1 634
Other assets	3 351	4 711
Property, plant and equipment	349	214
Intangible assets	743	1 232
Total assets	259 845	251 756

9. The major assets at 31 December 2020 are cash, cash equivalents and investments totalling USD 230 million representing 89 per cent of the total assets and outstanding indicative contributions from members States of USD 15.0 million, or 5.8 per cent. The remaining assets consist of other accounts receivable, other assets (primarily advances), equipment and software.

10. **Cash, cash equivalents and investments:** Cash and cash equivalents as well as investments of USD 230 million are held in the UN Treasury main cash pool. While the overall levels for these assets have slightly increased comparing to 31 Dec 2019, the share of short-term and long-term investments has increased with a corresponding decrease in cash and cash equivalents.

11. **Accounts receivable:** Under IPSAS, accounts receivable from indicative contributions are recognized net of a provision of 50 per cent for all amounts receivable for three years and 100 per cent for all amounts receivable for four or more years. Delays in receiving contributions for 2020 during the financial year resulted in an increase of indicative contributions outstanding of USD 0.5 million or 3 per cent when comparing to amounts outstanding as at 31 December 2019. The increase in indicative contributions receivable is resulting from the late payment of amounts due from member states.

12. **Other assets** amounting to a total of USD 3.4 million mainly consist of prepayments of USD 2.0 million and education grant advances of USD 1.1 million. The closure of the CDM loan scheme activities resulted in a reduction of USD 1.3 million when comparing to 2019.

13. **Liabilities:** Liabilities as of 31 December 2020, totalled USD 198 million (USD 184 million as at 31 December 2019) as follows.

Table 2
Summary of liabilities as at 31 December 2020

(Thousands of United States dollars)

	2020	2019
Accounts payable and accruals	4 067	3 753
Advance receipts	27 087	28 051
Employee benefit liabilities	166 538	152 549
Other liabilities	0	2
Total liabilities	197 692	184 355

14. The most significant liability is the employee benefits earned by staff members and retirees but not paid at the reporting date, primarily the liability for After Service Health Insurance (ASHI). These liabilities total USD 151 million, represent 76 per cent of UNFCCC's total liabilities and are explained in detail in the respective note to the financial statements. The level of overall employee benefit liabilities increased by USD 14.0 million when comparing to 2019, mainly resulting from actuarial losses under the ASHI liability due to further decline in interest rates worldwide.

15. The other significant liability, advance receipts covers indicative contributions received in advance of the start of the year to which they are related, voluntary contribution provided by donors that contain conditions requiring the return of funds not spent in accordance with the terms of the agreement as well as CDM fees received but not yet earned. The balance represents the portion of the contribution at 31 December that has not been recognized as revenue since it has not been earned by UNFCCC by performing the services covered by the agreement.

16. During 2020, neither the meetings of the subsidiary bodies nor the meeting of the Conference of the Parties could take place due to the Covid pandemic. The secretariat continued to provide its service to its constituency through virtual means supporting Parties preparing reports to be presented at the next sessions of the COP and SBI as well as facilitating assistance to Parties in the compilation and communication of information required by the Convention and other workstreams of the UNFCCC process. The main objectives of the secretariat for the biennium 2020-2021 include

- (a) Facilitate intergovernmental engagement on responding to the threat of climate change
- (b) Enable constituted bodies to fulfil their mandates
- (c) Manage a trusted repository of data and information
- (d) Facilitate engagement in the UNFCCC process in order to promote action towards the achieve of the objectives and goals of the Convention, the Kyoto Protocol and the Paris Agreement
- (e) Manage and administer the secretariat effectively

17. Net assets: The movements in net assets during the year shows an overall decrease of USD 5.2 million from USD 67.4 million in 2019 to USD 62.2 million at the end of 2020 due to the actuarial losses of USD 4.7 million and an operating deficit of USD 0.5 million. Net assets include the operating reserves which amount to USD 49.7 million at the reporting date.

Comparison of budgets to actual amounts

18. The Conference of the Parties approved a Core expenditure budget for the 2020–21 financial period, amounting to EUR 59.8 million. The approved budget for the International Transaction Log for the 2020–21 financial period amounted to EUR 4.6 million.

19. Total expenditure as at 31 December 2020 under the core budget for 2020 represented 78 per cent of the core budget for 2020. The low level of expenditure for staff (77% implementation rate) are attributed to unfilled core budget posts, and adverse impact of the

COVID-19 pandemic, resulting in the postponement of the sessional meetings of the governing and subsidiary bodies. More detailed information on implementation performance under is available in the Budget Performance Reports presented to the Subsidiary Body for Implementation.

20. The overall expenditure rate under the Trust Fund for the International Transaction Log was 63 per cent as at 31 December 2020. Owing to several staff departures, the restructuring of the secretariat and the decrease in operational activities, the staffing level of the ITL during the reporting period was below the requirements included in its budget.

21. The core budget as well as the budget for the international transaction log continues to be prepared on a modified accrual basis in accordance with the UN Financial Regulations. The overall budgetary results of the 2020 financial period are summarized in Statement V-A to V-C. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the adopted budget are explained in the respective note to the financial statements.

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III. Financial statements for the year 2020

A. Statement I: Statement of Financial Position as at 31 December 2020

(Thousands of United States dollars)

	<i>Note</i>	<i>2020</i>	<i>2019</i>
ASSETS			
Current Assets			
Cash and cash equivalents	5	25 199	57 698
Short-term investments	5	154 191	119 489
Indicative contributions receivable	6	15 011	14 555
Voluntary contributions receivable	6	8 741	11 775
Other receivables	6	1 104	1 634
Other current assets	7	3 351	4 711
Total current assets		207 597	209 862
Non-current assets			
Voluntary contributions receivable	6	270	2 957
Long-term investments	5	50 886	37 492
Property, plant and equipment	8	349	214
Intangible assets	9	743	1 232
Total non-current assets		52 248	41 894
TOTAL ASSETS		259 845	251 756
LIABILITIES			
Current Liabilities			
Payables and accruals	10	4 067	3 753
Advance receipts	11	27 087	28 051
Employee benefits	12	2 332	2 252
Other current liabilities	14	0	2
Total current liabilities		33 486	34 058
Non-current liabilities			
Employee benefits	12	164 206	150 298
Total non-current liabilities		164 206	150 298
TOTAL LIABILITIES		197 692	184 355
NET ASSETS			
Accumulated surpluses/(deficits)		12 408	18 219
Reserves	17	49 748	49 181
TOTAL NET ASSETS		62 153	67 401
TOTAL LIABILITIES AND NET ASSETS/EQUITY		259 845	251 756

Note: The accompanying notes form an integral part of these financial statements.

**B. Statement II: Statement of Financial Performance for the year ended
31 December 2020**

(Thousands of United States dollars)

	<i>Note</i>	<i>2020</i>	<i>2019</i>
REVENUE	15		
Indicative contributions		33 714	32 861
Voluntary contributions		18 501	36 362
CDM and JI service fees		14 448	10 382
Interest Revenue		2 537	5 091
Gain on foreign exchange		3 745	0
Other/miscellaneous revenue		220	512
TOTAL REVENUE		72 716	85 207
EXPENSES	16		
Personnel expenditure		55 624	50 231
Travel		635	12 523
Contractual services		10 721	20 100
Operating expenses		2 049	1 016
Other expenses		2 961	5 620
Depreciation of equipment		68	82
Amortization of intangible assets		489	469
Return/transfer of donor funding		681	1 181
Loss on foreign exchange		0	435
TOTAL EXPENSES		73 229	91 657
SURPLUS/(DEFICIT) FOR THE PERIOD		(513)	(6 449)

Note: The accompanying notes form an integral part of these financial statements.

**C. Statement III: Statement of Changes in Net Assets for the year ended
31 December 2020**

(Thousands of United States dollars)

	<i>Accumulated Surplus</i>	<i>Reserves</i>	<i>Total Net Assets</i>
Balance as at 01 January 2020	18 219	49 181	67 401
Surplus/(Deficit) for the current period	(513)		(513)
Adjustment Appendix D reserve	(184)	184	0
Actuarial gains (losses) on employee benefits liabilities	(4 734)		(4 734)
Adjustment to operating reverses amounts against accumulated surplus	(383)	383	
Balance as at 31 December 2020	12 405	49 748	62 153

Note: The accompanying notes form an integral part of these financial statements.

D. Statement IV: Cash Flow Statement for the year ended 31 December 2020

(Thousands of United States dollars)

	2020	2019
Cash flows from operating activities		
Surplus/(deficit) for the period	(513)	(6 449)
Depreciation expense	68	82
Amortization of intangible assets	489	469
(Increase)/decrease in accounts receivable	5 795	(10 552)
(Increase)/decrease in other assets	1 360	4 048
Increase/(decrease) in payables and accruals	314	(377)
Increase/(decrease) in advance receipts	(964)	17 672
Increase/(decrease) in employee benefit liabilities	9 254	4 942
Increase/(decrease) in other liabilities	(2)	2
Net cash flows from operating activities	15 802	9 837
Cash flows from investing activities		
(Increase)/decrease in equipment	(204)	(40)
(Increase)/decrease in intangible assets	0	(809)
(Increase)/Decrease in short-term investments	(34 702)	52 638
(Increase)/Decrease in long-term investments	(13 394)	(24 096)
Net cash flows from investing activities	(48 300)	27 693
Cash flows from financing activities		
Net increase/(decrease) in cash and cash equivalents	(32 498)	37 530
Cash and cash equivalents at the beginning of the year	57 698	20 168
Cash and cash equivalents at the end of the year	25 199	57 698
Overall increase/(decrease)	(32 498)	37 530

Note: The accompanying notes form an integral part of these financial statements.

E. Statements V: Statements of Comparison of Budgets to Actual Amounts

1. Budget to Actual Comparison Core Budget for the year 2020

2020*	Original Budget (EUR)	Final Budget (EUR)	Actual (EUR)	Difference (EUR)	Original Budget (USD)	Final Budget (USD)	Actual (USD)	Difference (USD)
Executive	1 667 860	1 811 920	1 531 944	279 976	1 861 451	2 022 232	1 751 314	270 918
Programmes Coordination	256 940	256 940	149 713	107 227	286 763	286 763	167 924	118 839
Adaptation	3 261 940	3 017 690	2 184 885	832 805	3 640 558	3 367 958	2 502 943	865 015
Mitigation	2 049 500	1 790 780	1 370 983	419 797	2 287 388	1 998 638	1 560 415	438 224
Means of Implementation	3 018 600	3 018 600	2 552 789	465 811	3 368 973	3 368 973	2 916 511	452 462
Transparency	6 159 920	6 177 560	5 093 885	1 083 675	6 874 911	6 894 598	5 821 329	1 073 269
Operation Coordination	588 980	588 980	279 728	309 252	657 344	657 344	321 118	336 226
Secretariat-wide costs	1 293 335	1 293 335	960 423	332 912	1 443 454	1 443 454	1 134 302	309 152
AS/HR/ICT	2 115 905	2 004 374	1 646 289	358 085	2 361 501	2 237 025	1 885 818	351 207
Conference Affairs	1 324 120	1 300 600	1 072 225	228 375	1 477 813	1 451 563	1 224 298	227 265
Legal Affairs	1 160 680	1 143 040	895 262	247 778	1 295 402	1 275 714	1 026 616	249 098
Intergovernmental Support and Collective Progress	1 579 820	1 824 070	1 443 997	380 073	1 763 192	2 035 792	1 648 916	386 876
Communications and Engagement	1 664 740	1 914 451	1 180 908	733 543	1 857 969	2 136 664	1 366 725	769 939
IPCC	244 755	244 755	244 755		273 164	273 164	269 851	3 313
Total appropriation	26 387 095	26 387 095	20 607 787	5 779 308	29 449 883	29 449 883	23 598 079	5 851 804
Programme support costs	3 430 322	3 430 322	2 598 922	831 400	3 828 485	3 828 485	3 034 341	794 144
Adjustment to working capital reserve	102 271	102 271			114 142	114 142		
Grand TOTAL	29 919 688	29 919 688	23 206 709	6 610 708	33 392 509	33 392 509	26 632 420	6 645 948
Contribution from the Host Government	766 938	766 938	766 938		855 958	855 958	855 958	
Income from Indicative Contributions	29 152 750	29 152 750	29 152 750		32 536 551	32 536 551	32 536 551	
Net result (budgetary)			6 712 979				6 760 089	

*Further information is contained in notes 19 and 20.

2. Budget to Actual Comparison International Transaction Log Budget for the year 2020

	Original and Final Budget (EUR)	Actual (EUR)	Difference (EUR)	Original and Final Budget (USD)	Actual (USD)	Difference (USD)
<i>2020*</i>						
Staff costs	769 400	467 676	301 724	858 705	534 239	324 467
Consultants	49 833		49 833	55 617		55 617
Travel of staff	15 000		15 000	16 741		16 741
Experts and expert groups						
Training	10 000		10 000	11 161		11 161
General operating expenses	1 102 509	735 677	366 831	1 230 478	870 781	359 697
Contributions to common services	104 000		104 000	116 071		116 071
TOTAL	2 050 742	1 203 353	847 389	2 288 774	1 405 020	883 754
Programme support costs (overheads)	266 596	145 651	120 945	297 540	169 519	128 022
Adjustment to working capital reserve	(11 951)			(13 338)		
Grant TOTAL	2 305 387	1 349 004	968 334	2 572 977	1 574 538	1 011 776
Income from indicative contributions	1 055 388	1 055 388		1 177 888	1 177 888	
Net result (budgetary)		(293 616)			(396 650)	

*Further information is contained in notes 19 and 20.

3. Budget to Actual Comparison Conference Services Contingency Budget for the year 2020

2020*	Original and Final Budget (EUR)	Actual (EUR)	Difference (EUR)	Original and Final Budget (USD)	Actual (USD)	Difference (USD)
Object of expenditure						
Interpretation	1 199 500		1 199 500	1 338 728		1 338 728
Documentation						
Translation	1 074 400		1 074 400	1 199 107		1 199 107
Reproduction and distribution	625 300		625 300	697 879		697 879
Meetings service support	239 000		239 000	266 741		266 741
Subtotal	3 138 200	0	3 138 200	3 502 455	0	3 502 455
Programme support costs	408 000		408 000	455 357		455 357
Working capital reserve	294 300		294 300	328 460		328 460
Total	3 840 500	0	3 840 500	4 286 272	0	4 286 727

*Further information is contained in notes 20 and 24.

F. Notes to the Financial Statements

Note 1: The Reporting Entity

22. The permanent secretariat of the United Nations Convention on Climate Change (UNFCCC) was established in January 1996 for the following purposes:

(a) To make arrangements for sessions of the Conference of the Parties and its subsidiary bodies established under the Convention, the Kyoto Protocol and the Paris Agreement and to provide them with services as required;

(b) To compile and transmit reports submitted to it;

(c) To facilitate assistance to Parties particularly developing country Parties on request in the compilation and communication of information required in accordance with the provisions of the Convention, the Kyoto Protocol and the Paris Agreement;

(d) To prepare reports on its activities and present them to the Conference of the Parties;

(e) To ensure the necessary coordination with the secretariats of other relevant international bodies;

(f) To enter, under the overall guidance of the Conference of the Parties, into such administrative and contractual arrangements as may be required for the effective discharge of its functions;

(g) To perform other secretariat functions specified in the Convention and in any of its protocols; and

(h) To undertake any other functions as may be determined by the Conference of the Parties.

23. UNFCCC is governed by the following constituent bodies:

(a) **The Conference of the Parties (COP)** is the supreme decision-making body of the Convention. All States that are Parties to the Convention are represented at the COP, at which they review the implementation of the Convention and any other legal instruments that the COP adopts and take decisions necessary to promote the effective implementation of the Convention, including institutional and administrative arrangements.

(b) **The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP):** All States that are Parties to the Kyoto Protocol are represented at the CMP, while States that are not Parties participate as observers. The CMP reviews the implementation of the Kyoto Protocol and takes decisions to promote its effective implementation.

(c) **The Subsidiary Body for Implementation (SBI)** is one of two permanent subsidiary bodies to the Convention established by the COP/CMP. It supports the work of the COP and the CMP through the assessment and review of the effective implementation of the Convention and its Kyoto Protocol. A particularly important task in this respect is to examine the information in the national communications and emission inventories submitted by Parties in order to assess the Convention's overall effectiveness. The SBI reviews the financial assistance given to non-Annex I Parties to help them implement their Convention commitments, and provides advice to the COP on guidance to the financial mechanism (operated by the Global Environment Facility - GEF). The SBI also advises the COP on budgetary and administrative matters.

(d) The Conference of the Parties, the supreme body of the Convention, shall serve as **the meeting of the Parties to the Paris Agreement (CMA)**. All States that are Parties to the Paris Agreement are represented at the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), while States that are not Parties participate as observers. The CMA oversees the implementation of the Paris Agreement and takes decisions to promote its effective implementation.

(e) **The Bureau of the COP and CMP** supports the COP, CMP and the CMA through the provision of advice and guidance regarding the on-going work under the Convention and its Kyoto Protocol, the organization of their sessions and the operation of the secretariat, especially at times when the COP and the CMP are not in session. The Bureau is elected from representatives of Parties nominated by each of the five United Nations regional groups and small island developing States. The Bureau is mainly responsible for questions of process management. It assists the President in the performance of his or her duties by providing advice and by helping with various tasks (e.g. members undertake consultations on behalf of the President). The Bureau is responsible for examining the credentials of Parties, reviewing the list of intergovernmental and non-governmental organizations, seeking accreditation and submitting a report thereon to the Conference.

24. UNFCCC is financed by indicative contributions paid by Parties to the Convention, fees derived from services provided by the Organization and voluntary contributions from Parties to the Convention and the Kyoto Protocol and other donors.

25. The Organization enjoys privileges and immunities as granted under the 1947 Convention on Privileges and immunities of the United Nations and the 1996 Headquarters agreement with the Federal Government of Germany, notably being exempt from most forms of direct and indirect taxation.

Note 2: Basis of Preparation

26. The financial statements of the UNFCCC have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) using the historic cost convention. The statements are prepared on a going concern basis given the approval by the Conference of Parties of the Programme Budget appropriations for the Biennium 2020-2021, the historical trend of collection of indicative and voluntary contributions over the past years and that the Conference of Parties has not made any decision to cease operation of UNFCCC.

27. In accordance with IPSAS, the 2020 financial statements are presented on an annual basis covering the period 1 January 2020 to 31 December 2020. These financial statements are certified by the Executive Secretary. The financial statements are submitted to the United Nations Board of Auditors on 31 March 2021. Sequentially, the report of the Board of Auditors together with the audited financial statements are submitted to the Conference of the Parties.

28. The Cash Flow Statement is prepared using the indirect method.

29. Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

2.1 Functional and Presentation Currency

30. The financial statements are presented in United States dollars, which is the functional and presentation currency of UNFCCC.

2.2 Foreign Currency Translation

31. Transactions in currencies other than United States dollar are translated into United States dollar at the prevailing United Nations Operations Rates of Exchange (UNORE) which represents the prevailing rate at the time of transaction. Assets and liabilities in currencies other than United States dollar are translated into United States dollar at the UNORE year-end closing rate. Resulting gains and losses are accounted for in the Statements of Financial Performance.

32. The Core budget and the budget for the International Transaction Log are approved and assessed in euros. The contingency budget for conference services of UNFCCC is approved by the Conference of the Parties (COP). However, funds are not accessed unless required. Information on the Statements of Budget to Actual Comparisons for each budget are presented on both euros and United States dollars.

33. For statements V, euro amounts from the approved budgets for the original and final budget are converted to USD using the UNORE as at 1 January 2020 while the euro amounts

for the actuals are converted to USD using the applicable monthly UNORE rate at the time of the transaction.

2.3 Materiality and the use of judgement and estimates

34. Materiality is central to the UNFCCC financial statements. The financial statements necessarily include amounts based on judgments, estimates and assumptions by management. Actual results may differ from these estimates. Changes in estimates are reflected in the period in which they become known. Accruals, equipment depreciation and employee benefit liabilities are the most significant items for which estimates are utilized.

Note 3: Significant Accounting Policies

3.1 Cash and Cash Equivalents

35. Cash and Cash equivalents are held at fair value and comprise cash on hand, cash at banks, money market and short-term deposits. Investment revenue is recognized as it accrues taking into account the effective yield.

3.2 Financial Instruments

36. Financial instruments are initially measured at fair value. Subsequent measurement of all financial instruments is at fair value except for accounts receivable and accounts payable, which are measured at amortized cost using the effective interest method except for indicative and voluntary contributions balances which are recognized at nominal value (proxy to fair value at the time of recognition).

37. Financial instruments are recognized when UNFCCC becomes a party to the contractual provisions of the instrument until the rights to receive cash flows from those assets have expired or have been transferred and UNFCCC has transferred substantially all the risks and rewards of ownership.

38. The Main cash pool comprises participating entity shares of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed by the UN Treasury. UNFCCC's share of the cash pool is disclosed in the notes to the financial statements and on the Statement of Financial Position categorized as cash and cash equivalents, short-term and long-term investments.

39. Gains or losses arising from changes in the fair value of financial instruments are included within the statement of financial performance in the period in which they arise. Gains or losses arising from a change in the fair value of the financial assets held in the Main Cash Pool are presented in the Statement of Financial Performance in the period in which they arise as finance costs if net loss or investment revenue if net gain.

40. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. UNFCCC's receivables comprise indicative contributions receivable from member countries and other accounts receivable recognized on the Statement of Financial Position. Receivables are measured at amortized cost taking into account a provision for impairment.

3.3 Inventories

41. UNFCCC does not maintain an inventory of tangible assets that are held for resale or consumed in the distribution in rendering of services. Should inventories be recognized in future financial statements, these inventories would be recognized at the lower of cost and net realizable value or at the lower of cost and current replacement cost.

3.4 Property, Plant and Equipment

42. Equipment with a cost above USD 5,000 is stated at historical cost less accumulated depreciation and any impairment losses. UNFCCC is deemed to control equipment if it can use or otherwise benefit from the asset in the pursuit of its objectives and if UNFCCC can exclude or regulate the access of third parties to the asset.

43. Depreciation is calculated over their estimated useful life of equipment using the straight-line method.

Table 1

The estimated useful life for equipment classes

<i>Class of equipment</i>	<i>Estimated useful live (in years)</i>
Computer equipment	5
Communication and audio equipment	5
Furniture and fittings	10
Vehicles	10
Leasehold improvements	10 (or lease term, whichever is shorter)

3.5 Intangible Assets

44. Intangible assets are valued at historical cost less accumulated amortization and any impairment losses. Intangible assets acquired externally are capitalised if their costs exceed the threshold of USD 5,000. Internally developed software is capitalized if its cost exceeded a threshold of USD 100,000 excluding research and maintenance costs and including directly attributable costs such as staff assigned full time to a development projects, subcontractors and consultants.

45. Amortization is provided over the estimated useful life using the straight-line method.

Table 2

The estimated useful lives for intangible asset classes

<i>Class of intangible assets</i>	<i>Estimated useful life (in years)</i>
Software acquired externally	3
Internally developed software	3–5
Copyrights	Set 8 years or period of copyright, whichever is shorter

46. Impairment is assessed at each reporting date for all intangible assets based on indications that an asset may be impaired, and any impairment losses are recognized in the Statement of Financial Performance.

3.6 Payables, advance receipts and accruals

47. Accounts payable are financial liabilities in respect of either goods or services that have been acquired and received by UNFCCC and for which the invoices have been received from the suppliers. They are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest method. As the accounts payable of UNFCCC generally fall due within 12 months, the impact of discounting is immaterial, and nominal values are applied to initial recognition and subsequent measurement.

48. Accruals are liabilities for goods and services that have been received or provided to UNFCCC during the year and have not been invoiced by suppliers as at the reporting date.

49. Advance receipts are prepayments from customers, parties or donors for subsequent periods.

3.7 Employee Benefits

50. UNFCCC provides the following employee benefits:

(a) Short Term employee benefits comprise first-time employee benefits (assignment grants), regular monthly benefits (wages, salaries, allowances), compensated absences (annual and paid sick leave, maternity/paternity leave) and other short-term benefits (education grant, reimbursement of taxes) which fall due wholly within twelve months after the end of the accounting period in which employees render the related service;

(b) Post-Employment benefits including ASHI, repatriation grant, separation related travel and shipping costs;

(c) Other Long Term employee benefits including accumulated annual leave payable on separation; and

(d) Termination benefits include indemnities for voluntary redundancy payable once a plan has been formally approved.

51. The liability recognized for post-employment benefits is the present value of the defined benefit obligations at the reporting date. An independent actuary using the projected unit credit method calculates the defined benefit obligations. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-grade corporate bonds with maturity dates approximating those of the individual plans.

52. Employee benefits including payments to staff members on separation from service such as repatriation grant, accrued annual leave, repatriation travel and removal on repatriation are expensed on an accrual basis.

53. Actuarial gains and losses related to post-employment benefits for after service health insurance are recognised in the period in which they occur on the statement of changes in net assets as a separate item in net assets/equity.

54. UNFCCC is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF, the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

55. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the Fund. UNFCCC and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify UNFCCC's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence UNFCCC has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee Benefits. UNFCCC's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

3.8 Provisions

56. Provision are made for future liabilities and charges where UNFCCC has a present legal or constructive obligation as a result of past events and is probable that UNFCCC will be required to settle the obligation, and the value can be reliably measured.

3.9 Contingent liabilities and contingent assets

57. Contingent liabilities where their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNFCCC or where the value cannot be reliably estimated are disclosed in the Notes to the financial statements. Contingent liabilities are assessed continually to determine whether an outflow of resources has become probable. If an outflow becomes probable, a provision is recognized in the financial statements in the period in which probability occurs. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

3.10 Leases

58. Leases, where the lessor retains a significant portion of the risks and rewards inherent in ownership, are classified as operating leases. Payments made under operating leases are charged on the Statement of Financial Performance as an expense on a straight-line basis over the period of the lease.

3.11 Non-exchange revenue and receivables

59. **Indicative contributions** to the Core budget and to the Trust Fund for the International Transaction Log from Parties to the Convention are recognised at the beginning of the year to which the assessment relates. The revenue amount is determined based on the approved budgets and the scale of assessment approved by the General Assembly as adopted by the Conference of the Parties.

60. **Voluntary contributions** are recognised upon the signing of a binding agreement with the donor. Revenue is recognised immediately if no condition is attached. If conditions are attached, including a requirement that funds not utilized in accordance with the agreement must be returned to the contributing entity, revenue is recognised only upon satisfying the conditions. Until such conditions are met a liability (deferred revenue) is recognised. Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are considered contingent assets and are recognised as revenue when received and disclosed in the Notes to the financial statements if receipt is considered probable.

61. Multi-year voluntary conditional **contributions** due in future financial periods are recognized as receivables on the signing of the agreement along with a liability (deferred revenue) until the conditions are met.

62. **Goods in kind** are recognised at their fair value, measured as of the date the donated assets are acquired. **Services in kind** are not recognized on the face of the statements but as note disclosure describing the services received

63. Receivables are stated at amortized cost less allowances for estimated irrecoverable amounts.

3.12 Exchange revenue

64. Revenue from the fees charged in connection with the Clean Development Mechanism (CDM) and the Joint Implementation Determination (JI) is recognized upon completion of the underlying service for which the fee has been charged. A liability is established covering the estimated amount of fees reimbursable to the applicant. Interest income is recognized on a time proportion basis as it accrues, taking into account the effective yield.

3.13 Expenses

65. Expenses arising from the purchase of goods and services are recognized when the services or goods have been received and accepted by UNFCCC. Service are considered received on the date when the service is certified as rendered. For some service contracts this process may occur in stages.

3.14 Segment reporting

66. UNFCCC is a single purpose entity with a mandate to assist the signatories of the UN Framework Convention on Climate Change to limit average global temperature increases and the resulting climate change, and to cope with whatever impacts are inevitable in part through enforcing the legally binding emission reduction targets established in the Kyoto Protocol. Its operations, therefore, consist of a single segment. However, to provide additional information for use to senior management and Parties to the Convention and Kyoto Protocol, supplemental disclosures are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all UNFCCC funds. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Fund balances represent the accumulated residual of revenue and expenses.

67. UNFCCC classifies all projects, operations and fund activities into ten funds and special accounts:

(a) Trust fund for the Core Budget of UNFCCC financed from indicative contributions (or general-purpose contributions from donors);

(b) Trust fund for Supplementary Activities financed from voluntary contributions;

(c) Trust fund for the Participation in the UNFCCC process financed from voluntary contributions;

(d) Trust fund for the Clean Development Mechanism financed from fees charged for registration of projects and issuance of certificates;

(e) Trust fund for the International Transactions Log financed from indicative contributions (or general-purpose contributions from donors);

(f) Trust fund for the Special Annual Contribution from the Government of Germany financed from a voluntary contribution from the government in which the UNFCCC headquarters is located;

(g) Special account for Programme Support Costs financed from charges made to the activities financed from indicative and voluntary contributions as well as fee financed activities;

(h) Special account for conferences and other recoverable costs financed from voluntary contributions; and

(i) Cost recovery fund financed from charges made to the activities financed from indicative and voluntary contributions;

(j) End of service and post employee benefits fund currently not fully funded.

68. Transactions occurring between funds are accounted for at cost and eliminated on consolidation.

69. UNFCCC reports on the transactions of each fund during the financial period, and the balances held at the end of the period.

3.15 Budget comparison

70. UNFCCC's budget is prepared on a modified accrual basis based on the applicable financial regulations and rules while the financial statements are prepared on a full accrual basis. Under the modified accrual basis, expense is recognized on the obligation principle, i.e. when the organization enters into a financial commitment to obtain goods or services. Costs of equipment acquisition are expensed when the equipment has been delivered and expense does not include costs related to changes in provisions for employee benefits liabilities or changes related to additions to or consumption of inventories. Income is recognized as per para 59 ff. also for statement V.

71. The budget is adopted on a biennial basis and presented in annual estimates in the financial statements. Unexpended balances at the end of the first year of the biennium are carried forward and added to the annual budget estimate for the second year of the biennium.

72. Statements V-1 to V-3, Comparison of budget and Actual amounts, compare the final budget to actual amounts calculated on the same basis as the corresponding approved budget.

73. As the basis used to prepare the budget and financial statements differ, note 19 provides a reconciliation between the actual amounts presented in statement V-1 to V-3 and the actual amounts presented on the Statement of Financial Performance.

74. The COP approves the biennial Core budget and the contingent budget for Conference Services. The CMP approves the budget for the International Transaction Log. Budgets may be subsequently amended by the COP or CMP, as applicable, or through the exercise of delegated authority.

3.16 Update on IPSAS standards

75. IPSAS 41 Financial instruments was issued in 2018 with an initial effective date of 1 January 2022 which was postponed to 1 January 2023 due to the Covid-19 pandemic. Its impact on the financial statements of UNFCCC upon adoption is currently being assessed.

76. IPSAS 42: Social benefits was issued in 2019 with an effective date of 1 January 2022 which was postponed to 1 January 2023 due to the Covid-19 pandemic. The standard is not expected to be applicable to UNFCCC in the foreseeable future.

Note 4: Financial Risks

4.1 Financial risk factors

77. UNFCCC's operations may expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

4.2 Market risk

Foreign exchange risk

78. UNFCCC operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the euro. Foreign exchange risk arises from operating revenue and expenses and recognized assets and liabilities. Management requires that the Organization manage its currency risk against its functional currency by structuring contributions from its owner organizations and its technical cooperation project donors to correspond to the foreign currency needed for operational purposes.

79. As of 31 December 2020, if the US dollar had weakened/strengthened by 5 per cent against the euro with all other variables held constant, the impact on net assets would have been USD 0.6 million higher/lower due to the change in the asset value of receivables denominated in euro.

Price risk

80. The Organization may be exposed to price risk because of investments held in the Main cash pool which are classified in the Statement of Financial Position at fair value through surplus or deficit. The share of any realized loss or gain on the Organization's holdings in the Main cash pool is recognized in surplus or deficit.

Interest rate risk

81. The organization earns interest revenue derived from surplus balances that it maintains in operational and non-operational cash holdings throughout the year. The implementation of UNFCCC's programme and budget is not directly dependent on interest earnings.

4.3 Credit risk

82. Credit risk refers to the risk that counterparty to a financial instrument will default on its contractual obligations resulting in a financial loss to the Institute. The carrying value of financial assets equates to the maximum exposure to credit risk as at balance date. The Organization does not hold any collateral as security.

Other credit risk disclosure

83. Voluntary contributions from governments representing the member countries of the Organization comprise the majority of the Organization's voluntary contributions receivable. Credit risk is considered minimal since most of its donors are sovereign entities.

4.4 Liquidity risk

84. Cash flow forecasting is performed by the Organization in conjunction with the United Nations Office at Geneva (UNOG) which monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. There are no restrictions on the amount that UNFCCC may withdraw at any time after providing the UN Treasury with several days' notice.

4.5 Cash Pools

85. In addition to directly held cash and cash equivalents and investments, the United Nations Framework Convention on Climate Change ("UNFCCC") participates in the United Nations Treasury main pool. The main pool comprises of operational bank account balances in a number of currencies and investments in United States dollars.

86. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term

investments and long-term investments) and revenue is based on each participating entity's principal balance.

87. As at 31 December 2020, UNFCCC participated in the main pool that held total assets of \$10,652.4 million (2019: \$9,339.4 million), of which \$230.7 million was due to the Organization (2019: \$215.6 million), and its share of revenue from the main pool was \$3.7 million (2019: \$5.4 million).

Table 3

Summary of assets and liabilities of the Cash Pools as at 31 December 2020

(Thousands of United States dollars)

	<i>Main pool</i>
Fair value through the surplus or deficit	
Short-term investments	7 120 427
Long-term investments	2 349 880
Total fair value through the surplus or deficit investments	9 470 307
Loans and receivables	
Cash and cash equivalents	1 163 683
Accrued investment revenue	18 398
Total loans and receivables	1 182 082
Total carrying amount of financial assets	10 652 389
Cash pool liabilities	
Payable to UNFCCC	230 675
Payable to other cash pool participants	10 421 714
Total liabilities	10 652 389
Net assets	–

Table 4

Summary of revenue and expenses of the Cash Pools for the year ended 31 December 2020

(Thousands of United States dollars)

	<i>Main pool</i>
Investment revenue	113 031
Unrealized gains / (losses)	54 145
Investment revenue from main pool	167 176
Foreign exchange gains / (losses)	5 837
Bank fees	(578)
Operating gains (losses) from main pool	5 259
Revenue and expenses from main pool	172 435

Table 5

Summary of assets and liabilities of the Cash Pools as at 31 December 2019

(Thousands of United States dollars)

	<i>Main pool</i>
Fair value through the surplus or deficit	
Short-term investments	5 177 137
Long-term investments	1 624 405
Total fair value through the surplus or deficit investments	6 801 542
Loans and receivables	
Cash and cash equivalents	2 499 953
Accrued investment revenue	37 867

	<i>Main pool</i>
Total loans and receivables	2 537 820
Total carrying amount of financial assets	9 339 362
Cash pool liabilities	
Payable to UNFCCC	215 553
Payable to other cash pool participants	9 123 809
Total liabilities	9 339 362
Net assets	–

Table 6
Summary of revenue and expenses of the Cash Pools for the year ended 31 December 2019
(Thousands of United States dollars)

	<i>Main pool</i>
Investment revenue	198 552
Unrealized gains/(losses)	14 355
Investment revenue from main pool	212 907
Foreign exchange gains/(losses)	3 287
Bank fees	(808)
Operating gains / losses from main pool	2 479
Revenue and expenses from cash pools	215 386

Financial risk management

88. The United Nations Treasury is responsible for investment and risk management for the Cash Pools, including conducting investment activities in accordance with the Guidelines.

89. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market rate of return component of the objectives.

90. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

91. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible Cash Pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The Cash Pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

92. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

93. The credit ratings used for the Cash Pools are those determined by major credit-rating agencies; Standard & Poor's and Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown below.

Table 7
Credit ratings
Investments of the cash pool by credit ratings as at 31 December 2020

<i>Main pool</i>	<i>Ratings as at 31 December 2020</i>				<i>Ratings as at 31 December 2019</i>				
Bonds (Long term ratings)					Bonds (Long term ratings)				
	AAA	AA+/AA/AA-	A+	NR	S&P	AAA	AA+/AA/AA-	A+	NR
S&P	44.0%	53.2%		2.8%	S&P	35.8%	58.8%		5.4%
Fitch	61.4%	15.5%		23.1%	Fitch	60.2%	23.8%	-	16.0%
	Aaa	Aa1/Aa2/Aa3	A1		Moody's	Aaa	Aa1/Aa2/Aa3	A1	
Moody's	61.1%	34.9%	0.4%	3.6%	Moody's	54.8%	45.2%		
Commercial papers/ Certificates of Deposit (Short term ratings)					Commercial papers (Short term ratings)				
	A-1+/A-1				S&P	A-1+/A-1			
S&P	100%				S&P	100.0%			
	F1+/F1		NR		Fitch	F1+			
Fitch	98.0%		2.0%		Fitch	100.0%			
	P-1				Moody's	P-1			
Moody's	100%				Moody's	100.0%			
Term deposits (Fitch viability ratings)									
	aaa	aa/aa-	a+/a		Fitch	aaa	aa/aa-	a+/a/a-	
Fitch	-	27.5%	72.5%		Fitch	-	84.2%	15.8%	

94. The United Nations Treasury actively monitors credit ratings and, given that the Organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

Financial risk management: liquidity risk

95. The main pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The main pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

96. The main pool comprises the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than four years (2019: five years). The average duration of the main pool was 0.72 years (2019: 0.74 years), which is considered to be an indicator of low risk.

Cash Pool interest rate risk sensitivity analysis

97. This analysis shows how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. The investments, being accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Table 8
Cash Pools interest rate risk sensitivity analysis as at 31 December 2020

<i>Shift in yield curve (basis points)</i>	-200	-150	-100	-50	0	+50	+100	+150	+200
Increase/(decrease) in fair value (Millions of United States dollars):									
Main pool total	148.41	111.30	74.20	37.10	0	(37.10)	(74.18)	(111.26)	(148.34)

Table 9

Cash Pools interest rate risk sensitivity analysis as at 31 December 2019

<i>Shift in yield curve (basis points)</i>	-200	-150	-100	-50	0	+50	+100	+150	+200
Increase/(decrease) in fair value (Millions of United States dollars):									
Main pool total	134.47	100.84	67.22	33.61	-	(33.6)	(67.2)	(100.79)	(134.38)

Other market price risk

98. The main pool is not exposed to significant other price risks because it does not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value – Cash Pool

99. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

100. The levels are defined as:

(a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e. derived from prices);

(c) Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

101. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held in the main pool is the current bid price.

102. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximise the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2.

103. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no Level 3 financial assets, nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Table 10

Fair value hierarchy as at 31 December: main pool

(Thousands of United States dollars)

	31 December 2020			31 December 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets at fair value through surplus or deficit						
Bonds – corporate	452 281	–	452 281	148 473	–	148 473
Bonds – non-United States agencies	931 565	–	931 565	755 027	–	755 027
Bonds – supranational	787 362	–	787 362	423 230	–	423 230
Bonds – United States treasuries	502 462	–	502 462	497 829	–	497 829
Bonds – non-United States sovereigns	151 035	–	151 035	–	–	–
Main pool – commercial papers	–	2 062 987	2 062 987	–	347 398	347 398

	31 December 2020			31 December 2019		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Main pool – certificates of deposit	–	2 762 615	2 762 615	–	3 419 585	3 419 585
Main pool – term deposits	–	1 820 000	1 820 000	–	1 210 000	1 210 000
Total	2 824 705	6 645 602	9 470 307	1 824 559	4 976 983	6 801 542

Table 11
Summary Financial Instruments
(Thousands of United States dollars)

	31 December 2020	31 December 2019
Cash and cash equivalents	25 199	57 698
Short-term investments	154 191	119 489
Long-term investments	50 886	37 492
Accounts receivable	25 126	30 921
Accounts payable	(2 049)	(464)
Total financial instruments	253 354	245 135

Table 12
Carrying amounts of the contributions receivable
(Thousands of United States dollars)

	Indicative Contributions	Voluntary Contributions
EUR and other currencies	17 054	8 898
USD	135	113
Total contributions receivable as at 31 December 2020	17 189	9 011

Table 13
Indicative contributions past due as at 31 December 2020
(Thousands of United States dollars)

Indicative contributions past due	Indicative Contributions
Up to 1 year	10 546
1 to 2 year	3 054
2 to 3 years	826
Above 3 years	2 763
Total indicative contributions past due as at 31 December 2020	17 189

Table 14
Provision for impaired indicative receivables as at 31 December 2020
(Thousands of United States dollars)

Provision for impaired receivables	Indicative Contributions
As at 1 Jan 2020	1 819
Increase in provision during 2020	359
Total as at 31 December 2020	2 178

Note 5: Cash and cash equivalents, short-term and long-term investments

Table 15
Cash and cash equivalents
(Thousands of United States dollars)

	31 December 2020	31 December 2019
Cash held in cash pools	25 199	57 698
Total cash and cash equivalents	25 199	57 698

Table 16
Breakdown of short-term and long-term investments

(Thousands of United States dollars)

	31 December 2020	31 December 2019
Short-term investments (cash pool)	154 191	119 489
Long-term investments (cash pool)	50 886	37 492
Total investments	205 077	156 981

104. UNFCCC cash forms part of a cash pools that are maintained and managed by the UN Treasury. The cash pools comprise UNFCCC's participating share of cash and term deposits, short term and long-term investments and accrual of investment income, all of which are managed in the pool.

105. UNFCCC cash and investments include USD 27.0 million that are subject to general stipulations which did not meet the requirements of conditionality under IPSAS 23. These stipulations include earmarking on the use of funding, mostly regarding their programmatic use and eligible expenditure periods. Historically, UNFCCC has had positive experiences with regard to receiving payment tranches from donors in accordance with the agreement and did not have cases where breach of stipulations prompted donors to demand refunds or reimbursement.

Note 6: Accounts receivable

Table 17

Accounts receivable

(Thousands of United States dollars)

<i>Accounts receivable</i>	31 December 2020	31 December 2019
Indicative contributions due from Parties to the Convention, the Kyoto Protocol and the International Transaction Log		
Current	17 189	16 374
Less provision for doubtful debts	(2 178)	(1 819)
Subtotal for indicative contributions	15 011	14 555
Voluntary contributions		
Current	8 741	11 775
Non-current	270	2 957
Subtotal voluntary contributions	9 011	14 732
Other receivables (current)	1 104	1 634
Total accounts receivable	25 126	30 921

106. Indicative contributions reflect the contributions receivable from Parties to the Convention to fund the Core Budget and the International Transactions log in accordance with the Financial Procedures adopted by the COP. Current voluntary contributions receivable are for confirmed contributions that are due within twelve months from the reporting date. Other receivables represent amounts invoiced to member governments, other UN agencies and individuals for services provided. Provisions for doubtful receivables have been established covering indicative contributions receivables and other receivables equal to 50 per cent of amounts outstanding for more than three but less than four years and 100 per cent of amounts outstanding for more than four years.

107. The full amount of voluntary contributions receivable are subject to general stipulations in donor agreements which did not meet the requirements of conditionality under

IPSAS 23. These stipulations include earmarking on the use of funding, mostly regarding their programmatic use and eligible expenditure periods. Historically, UNFCCC has had positive experiences with regard to receiving payments tranches from donors in accordance with the agreement and did not have cases where breach of stipulations prompted donors to demand refunds or reimbursement

Note 7: Other current assets

108. Other current assets consist of the following:

Table 18

Other current assets

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Prepayments	2 016	1 974
CDM Loan Scheme Advance	0	1 296
Project Clearing	194	217
Travel Advances	54	129
Education Grant Advances	1 087	1 096
Total	3 351	4 711

109. Prepayments include advances to vendors and other UN agencies.

110. The UNFCCC loan scheme for CDM was administered by the UN Office for Project Services and the United Nations Environment Programme and closed its operations in 2020. The advances were provided are covering the requirements for loans to be handed out to participants of the scheme as well as to cover related administrative expenses.

111. The project clearing accounts is the current account balance with the United Nations Development Programme.

Note 8: Property, plant and equipment

Table 19

Property, plant and equipment

(Thousands of United States dollars)

	<i>Vehicles</i>	<i>Communication and IT equipment</i>	<i>Furniture and machinery</i>	<i>Total</i>
Cost				
At 1 January 2020	88	3 080	45	3 213
Additions		204		204
Disposal	(11)			(11)
At 31 December 2020	77	3 284	45	3 406
Accumulated depreciation				
At 1 January 2020	29	2 927	44	2 999
Depreciation during the year	8	59	1	68
Disposal	(10)			(10)
At 31 December 2020	26	2 986	45	3 057
Net Book Value				
At 31 December 2020	51	298	0	349
At 31 December 2019	59	153	1	214

112. Assets are reviewed annually to determine if there is any indication that assets may be impaired in their value. During 2020 there was no indication for any equipment being impaired.

Note 9: Intangible assets

Table 20
Intangible assets
(Thousands of United States dollars)

	<i>Internally developed software</i>
Opening balance 1 Jan 2020	3 128
Additions	0
Disposal	0
Total as at 31 Dec 2020	3 128
Accumulated Amortization 1 Jan 2020	1 896
Amortization during the year	489
Disposal	0
Total as at 31 Dec 2020	2 385
Net book Value 31 Dec 2020	743
Net book Value 31 Dec 2019	1 232

113. UNFCCC has utilized the transition provision in IPSAS 31 and the value of intangibles assets has been recognized prospectively beginning with costs incurred on or after 1 January 2014.

Note 10: Payables and Accruals

Table 21
Payables and Accruals
(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Vendor payables	704	211
Other payables	1 344	253
Accruals for goods and services	2 019	3 289
Total payables and accruals	4 067	3 753

114. Payables to vendors relate to amounts due for goods received and services rendered for which payment has not yet been made.

115. Accruals are liabilities for goods and services that have been received or provided to UNFCCC during the year which have not yet been invoiced by suppliers.

Note 11: Advance receipts

Table 22
Advance receipts
(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Conditional voluntary contributions	14 092	14 345
Indicative contributions received in advance	8 030	7 684
Voluntary contribution received in advance	0	2 344
CDM fees received in advance	4 965	3 679
Total	27 087	28 051

116. UNFCCC recognizes a liability in cases where conditions are attached to voluntary contributions. Conditions are imposed by donors on the use of contributions and include both an obligation to use the donation in a specified manner and an obligation to return any amount not expended in accordance with performance specified by the donation. The amount recognized as a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As UNFCCC satisfies the conditions on voluntary

contributions through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognized.

117. Indicative contributions received in advance include amounts received before the actual due date established by the Financial Procedures.

118. CDM and JI fees unearned represent fees received for which UNFCCC has not completed the delivery of all of the services for which the fee has been charged.

Note 12: Employee Benefits

119. The employee benefits liabilities outstanding at the reporting date are as follows:

Table 23

Employee benefit liabilities

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Current employee benefit liabilities		
After service health insurance	425	359
Repatriation grant	830	969
Annual leave	203	248
Home leave travel	832	585
US tax reimbursement	42	91
Total current employee benefit liabilities	2 332	2 252
After service health insurance	150 229	137 687
Repatriation grant	10 367	9 246
Annual leave	3 587	3 319
Home leave travel	23	46
Total non-current employee benefit liabilities	164 206	150 298
Total employee benefit liabilities	166 538	152 550

120. The methodology for estimating the amounts of each liability is as follows:

121. Education grant: Internationally recruited staff members are eligible for partial reimbursement of the amounts paid for the education of dependent children up to maximum allowances established by the International Civil Service Commission (ICSC). The liability relates to the amount earned but not claimed at the reporting date. In case of education grants advances, 40 per cent of the advance is expensed in the current year while the balance of 60 per cent is recorded as staff advances under other current assets.

122. After Service Health Insurance (ASHI): Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or later are eligible for ASHI coverage if they have contributory health insurance coverage prior to retirement for at least five years of service for staff hired before 1 July 2007 and ten years of service for staff hired after 1 July 2007. Staff hired before 1 July 2007 who retire with less than ten years but more than 5 years of covered receive unsubsidized coverage until enrolled for 10 years at which time the coverage is subsidized. UNFCCC's liability for ASHI is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff.

123. After-service health insurance for retired staff members and their survivors and dependents of UNFCCC is provided by the United Nations Staff Mutual Insurance Society against Sickness and Accident (UNSMIS) established under article 6.2 of the United Nations Staff Regulation. UNSMIS is governed by its General Assembly consisting of its members which includes, in addition to UNFCCC, UNOG (UNCTAD, OCHA, ECE and OHCHR) as well as ICT, UNHCR, UNDP, UNICEF, WMO, UNV, UNCCD, UNSCC and UNCC. The General Assembly approves amendments to the Statutes. An Executive Committee consisting of three members appointed by the Director-General of the United Nations Office at Geneva, three members appointed by the Co-ordinating Council of the United Nations at

Geneva in consultation with corresponding bodies of the specialized agencies affiliated to the UNSMIS and one member appointed by the other six members, is responsible for approving the UNSMIS accounts and management report.

124. In accordance with Article 11 of the Statute, persons insured by UNSMIS shall pay monthly contributions, the amount of which shall be fixed by its Internal Rules. The UNFCCC, or other UNSMIS affiliated organizations, shall contribute to the UNSMIS funds through the payment of a subsidy, the proportion of which in relation to staff member contributions shall be fixed by the Director-General of the United Nations Office at Geneva within the limits of the relevant credited voted by the General Assembly of the United Nations. The ASHI liability calculation also include staff members who contribute to other United Nations insurance plans and accrue eligibility for after-service health insurance.

125. **Repatriation grant and travel:** In accordance with UN Staff Rules and Staff Regulations, non-locally recruited UNFCCC staff are entitled to a grant calculated based on length of services and family status on separation from service if they have completed at least one year of service outside their home country. In addition, non-locally recruited UNFCCC staff are entitled to reimbursement of travel and transport of personal effects on separation for themselves, their spouse and their dependent children.

126. **Annual leave:** In accordance with UN Staff Rules and Staff Regulations, UNFCCC staff may accumulate annual leave of up to 60 working days which is payable on separation from service.

127. **Death benefit** includes lump-sum benefits to be paid in the event of the death in service of an official with a long-term contract who left a dependent spouse or child. In line with the accounting practice of the UN secretariat, this liability is no longer recorded as a long-term employee benefit liability.

128. **Home leave:** Non-locally recruited UNFCCC staff is entitled to reimbursement for the costs of travel to their home country in the second year after their initial appointment and thereafter, every second year. The liability recorded has been calculated proportionately reflecting the number of months relates to the value of home leave entitlements that have been earned by officials since their last entitlement but not taken at the reporting date.

129. **US taxes:** American citizens that are officials of UNFCCC are reimbursed for the amount of income taxes payable on the compensation they earn from the organization.

130. An actuarial valuation as of 31 December 2020 carried out in 2021 has been utilized to determine the UNFCCC's estimated liability and expenses recognized on the Statements of Financial Performance and Financial Position for repatriation grants and travel, accumulated annual leave and after-service health insurance at the reporting date. For 2020, the actuarial study was conducted as a roll-forward of the actuarial valuation of the End-of-Service schemes as of 31 December 2019.

131. Each year, the UNFCCC reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expense and contribution requirements for the UNFCCC's after-service medical care plans and separation benefit plans. The discount rate is determined by calculating the expected benefit payments for each future year attributable to past service as of the valuation date and then discounting these benefit payments using spot rates for high quality corporate bonds. A single equivalent discount rate was then determined that resulted in the same past service obligation.

132. The following assumptions and methods have been used to determine the value of after-service medical care liabilities for the UNFCCC at 31 December 2020.

Table 24

Key financial assumptions

	<i>ASHI</i>	<i>Repatriation Grant & Travel</i>	<i>Annual Leave</i>
Discount rate at beginning of period	1.02%	4.24%	4.27%
Discount rate at end of period	0.23%	3.09%	2.50%

	<i>ASHI</i>	<i>Repatriation Grant & Travel</i>	<i>Annual Leave</i>
General inflation rate at beginning of period		2.20%	
General inflation rate at end of period		2.20%	
Salary increase rate at beginning and end of period	Based on the age of staff member calculated separately for professional and general service staff		
Healthcare cost trend rate at beginning of period	3.91% decreasing to 3.65% in four years		
Healthcare cost trend rate at end of period	3.83% decreasing to 3.65% in three years		

133. The following assumptions were utilized by the actuary in determining the maturity profile of the defined benefit obligations at 31 December 2020:

134. ASHI scheme: full eligibility is achieved once the staff member's period of service reaches 10 years in duration (5 years if hired before 01.07.2007) and once he/she reaches 55 years old.

135. Repatriation benefits: historically, for disclosure purposes it has been assumed that full eligibility is achieved from the time when the staff member's period of service reaches 12 years.

136. Annual leave: historically, for disclosure purpose it has been assumed that full eligibility is achieved from the time when the staff member has accumulated 60 days of leave, i.e. once the maximum of benefits has been accumulated.

137. The principal financial assumptions in the valuation of the defined benefit obligations are the rate at which medical costs are expected to increase in the future and the discount rate curve, which is calculated on the basis of corporate bonds. The sensitivity analysis looks at the change in liability due to changes in the medical cost trend rates and discount rate. The sensitivity analyses below are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur as changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognized in the statement of financial position. Should the discount rate or the medical cost trend assumption vary by 0.5 per cent, this would affect the measurement of the defined-benefit obligations as follows:

Table 25

Impact of change in medical health care cost trend rate

(Thousands of United States dollars)

	<i>Change</i>	<i>After service health insurance</i>
On total defined benefit obligation	0.50%	22 284
	(0.50)%	(19 312)
On current service cost and interest cost component of liability	0.50%	1 665
	(0.50)%	(1 371)

Table 26

Impact of change in discount rates assumptions and duration

(Thousands of United States dollars)

	<i>ASHI</i>		<i>Repatriation Grant</i>		<i>Annual Leave</i>	
	<i>Liability change</i>	<i>Change in %</i>	<i>Liability change</i>	<i>Change in %</i>	<i>Liability change</i>	<i>Change in %</i>
Increase of discount rate by 0.5%	(21 919)	(15)	(459)	(4)	(174)	(5)
Decrease of discount rate by 0.5%	26 543	18	494	4	188	5
Duration	33		10		11	

138. The liabilities established for defined benefit obligations and the net service costs for 2020 are as follows:

Table 27

Liabilities established for defined benefit obligations and the net service costs for 2020

(Thousands of United States dollars)

	<i>ASHI</i>	<i>Repatriation Grant & Travel</i>	<i>Annual Leave</i>
Reconciliation of defined benefit obligation			
Defined benefit obligation, beginning of year	138 048	10 157	3 567
Current service cost	8 031	621	310
Interest cost	315	299	86
Benefits paid (net of participant contribution)	(245)	(158)	(254)
Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets	4 505	148	81
Total liability recognized on Statement of Financial Position	150 654	11 067	3 790
Annual expense for calendar year			
Current service cost	8 031	621	310
Interest cost	315	299	86
Benefits paid (net of participant contribution)	(245)	(158)	(254)
Total charge/(credit) recognized on statement of financial performance	8 101	762	142
Estimated benefit payments net of participant contributions payable in 2021	245	158	254
Cumulative amount of actuarial (gain)/loss recognized in net assets			
Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets	4 505	148	81
Total portion of cumulative liability recognized in net assets at end of year	4 505	148	81

139. Effective 1 January 2018, a monthly accrual has been implemented to start funding after-service health insurance liabilities relating to extra budgetary activities. For this purpose, an accrual rate of 3 per cent is applied on the sum of gross salary and post adjustment.

140. Under IPSAS 39, the liabilities for ASHI, repatriation grant and travel and accumulated annual leave are considered unfunded and, therefore, no fair value of plan assets has been recognized and the entire ASHI liability is recognized as a liability of the UNFCCC.

141. Beginning in 2014 with the adoption of IPSAS, interest cost and current service cost related to the defined benefit obligation for ASHI liability, repatriation grant and travel and accumulated annual leave are recognized on the statement of financial performance as a component of personnel expenditure. Actuarial gains or losses for defined benefits plan results from changes in actuarial assumptions or experience adjustments including experience adjustments are directly recognized in the consolidated statement of changes in net assets. The balance of each provision is reviewed annually and adjusted to reflect actual experience.

142. Short-term employee benefit liabilities for education grants and home leave are recognized at an undiscounted amount. Short-term compensated absences are recognized, as employees earn their entitlement to future compensated absences through rendering a service to the UNFCCC. For non-accumulating compensating absences an expense is recognized when the absence occurs.

143. During 2020, UNFCCC accrued USD 0.5 million for repatriation grant and travel and USD 1.3 million for ASHI from all funds except the core budget and the international

transaction. These amounts are collected in the fund for employee benefits and will be used to (partially) fund future payment for ASHI and repatriation grants relating to the funds participating in the accrual. Based on the total liability for ASHI of USD 151 million and USD 11.1 million for repatriation grant and the overall accrued amounts of USD 3.8 million for ASHI and USD 2.0 million for repatriation, the current funding ratio amounts to 3 per cent for the ASHI and 18 per cent for repatriation grant liability. For 2021, the estimated amounts for accrual under ASHI and repatriation are USD 1.2 million and USD 0.5 million respectively.

144. As at 31 Dec 2020, 49.5 per cent of the total ASHI and repatriation liability equalling USD 74.6 million relates to core budget funded positions while 50.5 per cent of the ASHI and repatriation liability corresponding to USD 76.1 million relates to non-core funded positions.

United Nations Joint Staff Pension Fund (UNJSPF)

145. UNFCCC is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

146. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. UNFCCC and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify UNFCCC's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNFCCC has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee Benefits. UNFCCC's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

147. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the Open Group Aggregate Method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Pension Fund will be sufficient to meet its liabilities.

148. UNFCCC's financial obligation to the UNJSPF consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

149. The latest actuarial valuation for the Fund was completed as of 31 December 2019, and a roll forward of the participation data as of 31 December 2019 to 31 December 2020 will be used by the Fund for its 2020 financial statements.

150. The actuarial valuation as of 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.2% (139.2% in the 2017 valuation). The funded ratio was 107.1 (102.7% in the 2017 valuation) when the current system of pension adjustments was taken into account.

151. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as of 31 December 2019, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of this report, the General Assembly has not invoked the provision of Article 26.

152. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the UNJSPF pension plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the UNJSPF during the preceding three years (2017, 2018 and 2019) amounted to USD 7,546.92 million, of which 0.3 per cent was contributed by UNFCCC.

153. During 2020, UNFCCC's contributions paid to UNJSPF amounted to 7.8 million (2019 7.6 million). Expected contributions due in 2020 are 7.8 million.

154. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount

155. The United Nations Board of Auditors carries out an annual audit of the UNJSPF and reports to the UNJSPF Pension Board on the audit every year. The UNJSPF publishes quarterly reports on its investments and these can be viewed by visiting the UNJSPF at www.unjspf.org.

Note 13: Provisions

Table 28

Provisions

(Thousands of United States dollars)

	<i>31 December-2020</i>	<i>31 December 2019</i>
Provision for legal cases	0	0
Total	0	0

156. At year end, UNFCCC had no pending cases with the United Nations Administrative Tribunal.

Note 14: Other current liabilities

Table 29

Other current liabilities

(Thousands of United States dollars)

	<i>31 December-2020</i>	<i>31 December 2019</i>
Other Liabilities	0	2
Total	0	2

Note 15: Revenue

157. Indicative contributions are contributions received from Parties to the Convention toward funding the Core Budget and the International Transaction Log under the Financial Procedures, based on the United Nations scale of assessment adjusted for differences in membership. The contributions are based on a biennium budget and are recognized as of the first day of the year to which they relate. Indicative contributions are considered to be without conditions.

Table 30
Indicative contributions
(Thousands of United States dollars)

	2020	2019
Core budget to the convention	32 537	31 317
International transaction log	1 178	1 544
Total	33 714	32 861

158. Voluntary contributions are recognized as revenue at the point of signature except where such agreement contains a condition in which case recognition as revenue is deferred until the conditions specified in the donor agreement have been satisfied.

Table 31
Voluntary contributions
(Thousands of United States dollars)

	2020	2019
Voluntary contribution to the core budget	856	875
Participation trust fund	24	3 311
Trust fund for supplementary activities	13 056	26 398
Special annual contribution from the host country	1 997	2 043
Special account for activities for conferences	2 117	3 734
Total	18 051	36 362

159. Fee income includes charges for the Clean Development Mechanism (CDM) and Joint Implementation (JI).

Table 32
Fee Income
(Thousands of United States dollars)

	2020	2019
CDM fees	14 448	10 382
Total	14 448	10 382

160. Income from the Clean Development Mechanism and Joint Implementation includes fee-based income to finance CDM activities consisting of:

(a) Accreditation and related fees from commercial bodies to become designated operational entities to validate CDM project activities. The fee is calculated on the basis of the estimated average cost per application. Entities from non-Annex I Parties may have the possibility of paying 50 per cent of the non-reimbursable fee when they apply for accreditation, provided that they state their inability to pay the full fee at application. The remaining 50 per cent of the fee should be paid at a later stage once and if the applicant entity is accredited and designated and starts operation. The non-reimbursable application fee is USD 15,000 per application. In addition, fees are received to cover the costs for the work provided by CDM accreditation team (daily fee of USD 400);

(b) Registration fees charged for the formal acceptance by the CDM Executive Board of a validated project as CDM project activity. It is based on the expected average annual Certified Emission Reductions for the proposed project activity over its crediting period. No registration fee shall be payable for activities and programmes of activities hosted in least developed countries. No registration fee shall be payable until after the date of the first issuance of CERs in countries with fewer than 10 registered CDM project activities. The registration fee is a) USD 0.10 per CER issued for the first 15,000 tonnes of CO₂ of the expected annual CERs; b) USD 0.20 per CER issued for any amount in excess of 15,000

tonnes of CO2 equivalent of the expected annual CERs. The maximum registration fee is USD 350,000;

- (c) Share of proceeds to cover administrative expenses is:
- (i) USD 0.10 per CER issued for the first 15,000 tonnes of CO2 equivalent for which issuance is requested in a given year;
- (ii) (USD 0.20 per CER issued for any amount in excess of 15,000 tonnes of CO2 equivalent for which issuance is requested in a given year;
- (iii) No share of proceeds shall be due for project activities and PoAs hosted in least developed countries. The registration fee shall be deducted from the share of proceeds due for the issuance of CERs. In effect, the registration fee is an advance payment of the share of proceeds due for the issuance of CERs likely to be achieved during the first year.

Table 33
Interest revenue

	<i>31 December 2020</i>	<i>31 December 2019</i>
Investment income – Interest earned	2 537	5 091
Total	2 537	5 091

161. Services in kind are not recognised in the face of the financial statements.

162. Gain/loss on foreign exchange represent gains realized on transactions occurring in currencies other than United States dollars and unrealized losses resulting from revaluation of monetary assets.

Note 16: Expenses

Table 34
Expenses

(Thousands of United States dollars)

	<i>2020</i>	<i>2019</i>
Personnel expenditure	55 624	50 231
Travel	635	12 523
Contractual services	10 721	20 100
Operating expenses	2 049	1 016
Other expenses	2 961	5 620
Depreciation of equipment	68	82
Amortization of intangible assets	489	469
Return/transfer of donor funding	681	1 181
Loss on foreign exchange	0	435
Total	73 229	91 657

163. Personnel expenditure includes all international and national staff expenses such as salaries, post adjustments, entitlements, pension and health plan contributions for professional and general service category staff. It also includes temporary staff expenses such as costs relating to the employment of temporaries and supernumeraries. Pension and insurance benefits also include the service and interest cost as per the actuarial valuation.

Table 35
Personnel expenditure

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Salary and wages	33 517	32 911
Pension and insurance benefits	17 366	14 232

	31 December 2020	31 December 2019
Other benefits	4 742	3 088
Total	55 624	50 231

164. Travel covers the cost of airfare and other transport cost, daily support allowances and terminal allowances.

165. Contractual services include cost of acquiring goods and services from commercial providers, mainly for IT related and consultancy services for different service periods.

166. Operating expenses include cost of maintenance, rent, communications, joint activities and other operating expenses.

167. Other expenses include allowances for doubtful debts, cost for inter-agency and meeting related expenses as well as write-offs.

168. Pursuant to rule 106.7(a) of the financial Regulations of the United Nations, write-off cases totalling USD 3.5 million were processed for the year 2020 which related mostly to unrecoverable advances due to the last minute change of the COP venue and unrecoverable loans amounts under the discontinued CDM loan scheme.

169. Returns of donor funding includes the amounts of unspent funds returned to donors upon completion of voluntary funded projects in accordance with the respective donor agreement.

Note 17: Reserves

170. A reserve is established for the Core Budget and the Budget of the International Transaction log as part of the adoption of the budget by the COP. For the CDM trust fund, a reserve of USD 45.0 million has been established. The total reserves at the reporting date amount to USD 49.7 million. The Appendix D to the Staff Rules covers staff members for work related death, injury or illness attributable to the performance of official duties on behalf of the United Nations for which UNFCCC maintains a corresponding reserve.

Table 36

Reserves as at 31 December 2020

(Thousands of United States dollars)

Reserves for Core Budget and ITL	3 273
CDM trust fund reserve	45 000
Reserve for Appendix D	1 476
Total reserves	49 748

Note 18: Fund Accounting and Segment Reporting

171. The UNFCCC is a single purpose entity established by the Parties to the Convention and the United Nations as the joint technical cooperation agency for business aspects of trade development. The UNFCCC has one major mandate to assist the signatories of the UN Framework Convention on Climate Change to limit average global temperature increases and the resulting climate change, and to cope with whatever impacts are inevitable in part through enforcing the legally binding emission reduction targets established in the Kyoto Protocol. It, therefore, does not have segments as defined under IPSAS.

172. However, to provide essential information to senior management and owners on the utilization of resources by funding source, separate funds have been established to reflect the major funding sources of UNFCCC as follows:

(a) Trust fund for the Core Budget of UNFCCC financed from indicative contributions (or general purpose contributions from donors) supports the core functions of the secretariat;

(b) Trust fund for the Participation in the UNFCCC process financed from voluntary contributions supports participation of representatives from eligible developing

country Parties and Parties with economies in transition in the sessions of the Conference of the Parties and its subsidiary bodies;

(c) Trust fund for Supplementary activities financed from voluntary contributions including both bilateral funds involving the UNFCCC, a donor and often a recipient government and programmes to which multiple donors make voluntary contributions supports mandated activities for which provisions are not made under the Core budget;

(d) Trust fund for the Clean Development Mechanism financed from fees charged for registration of projects support the administration of the clean development mechanism enabling parties to meet their emission limitation and reduction commitments by using certified emission reductions (CERs) generated from CDM projects;

(e) Trust fund for the International transactions log (ITL) financed from indicative contributions (or general purpose contributions from donors). The ITL to verify the validity of transactions undertaken by national registries of Parties of Annex B of the Convention and CDM registry. The ITL takes a central role between registries and is an essential component of the settlement infrastructure for emissions trading under the Kyoto Protocol;

(f) Trust fund for the Special Annual Contribution from the Government of Germany financed from a voluntary contribution from the government in which the UNFCCC headquarters is located. Funds are used to finance the logistical arrangements of events taking place in Germany including workshops and sessions of the subsidiary bodies;

(g) Special account for Programme Support Costs financed from charges made to the activities under all operational funds used to manage the overhead charges payable on all trust funds to cover costs relating to administrative services;

(h) Special account for conferences and other recoverable costs financed from voluntary contributions used to finance costs associated with the hosting of the Conference of the Parties under the host country agreement. Balances in this account are refunded to the host country;

(i) Cost recovery fund financed from charges made to the activities financed from indicative and voluntary contributions;

(j) End of service and post employee benefits fund not currently financed.

173. Programme Support Revenue is charged in line with the UN financial procedures where UNFCCC charges a standard programme support cost rate of 13 per cent on expenditures incurred. For associate experts and European Commission funded projects, the rate varies from 7 per cent to 13 per cent

174. All funds elimination includes revenue and expense arising from transfers between funds which are accounted for at cost and are eliminated on consolidation.

Table 37

Statement of financial position by fund

(Thousands of United States dollars)

	Trust fund for the Clean development mechanism	Trust fund for the Core Budget of UNFCCC	Trust fund for participation in the UNFCCC process	Special Annual Contribution from the Government of	Trust fund for Supplementary Activities	Trust fund for the International Transaction Log	conferences and other recoverable costs	UNFCCC programme support costs	Cost Recovery	UNFCCC Employee liabilities fund	TOTAL
ASSETS											
Current Assets											
Cash and cash equivalents	14 466	2 070	652	88	4 347	995	267	1 335	325	655	25 199
Short-term investments	88 517	12 663	3 988	540	26 600	6 088	1 632	8 167	1 987	4 010	154 191
Indicative contributions receivable		15 001					10				15 011
Voluntary contributions receivable			8		8 171		562				8 741
Other receivables	727	71	10	28	140	35	18	33	31	10	1 104
Other current assets	437	590	6	11	1 726	64	2	255	241	19	3 351
Total current assets	104 147	30 394	4 664	667	40 984	7 192	2 480	9 790	2 583	4 695	207 597
Non-current assets											
Other receivables					270						270
Long-term investments	29 212	4 179	1 316	178	8 778	2 009	538	2 695	656	1 324	50 886
Property, plant and equipment		79		141	47		82				349
Intangible assets					743						743
Total non-current assets	29 212	4 258	1 316	319	9 838	2 009	621	2 695	656	1 324	52 248
TOTAL ASSETS	133 359	34 652	5 980	986	50 822	9 201	3 101	12 485	3 239	6 019	259 845
LIABILITIES											
Current Liabilities											
Payables and accruals	1 816	297	(2)	300	963	339	21	21	312		4 067
Advance receipts	4 965	7 412	1 650		12 442	617					27 087
Employee benefits	260	464		6	114	22	6	63	68	1 328	2 332
Provisions											0
Other current liabilities											0
Total current liabilities	7 041	8 173	1 648	306	13 519	979	27	85	380	1 328	33 486
Non-current liabilities											
Employee benefits	6	9			3			5	0	164 183	164 206
Advance receipts											
Total non-current liabilities	6	9			3			5	0	164 183	164 206
TOTAL LIABILITIES	7 047	8 182	1 648	306	13 522	979	27	89	381	165 511	197 692
NET ASSETS											
Accumulated surpluses/(deficits)	81 312	21 957	4 332	680	37 300	7 986	3 074	12 396	2 859	(159 492)	12 405
Reserves	45 000	4 512				236					49 748
TOTAL NET ASSETS	126 312	26 470	4 332	680	37 300	8 222	3 074	12 396	2 859	(159 492)	62 153
TOTAL LIABILITIES AND NET ASSETS/EQUITY	133 359	34 652	5 980	986	50 822	9 201	3 101	12 485	3 239	6 019	259 845

Table 38

Statement of financial performance by fund

(Thousands of United States dollars)

		Trust fund for the Clean development mechanism	Trust fund for the Core Budget of UNFCCC	Trust fund for participation in the UNFCCC process	Trust fund for the Special Annual Contribution from the Government of Germany	Trust fund for Supplementary Activities	Trust fund for the International Transaction Log	Special account for conferences and other recoverable costs	Special account for UNFCCC programme support costs	Cost Recovery	UNFCCC Employee liabilities fund	Elimination	TOTAL
REVENUE													
Indicative contributions	I1		32 537				1 178						33 714
Voluntary contributions	I2		856	24	1 997	13 056		2 117					18 051
CDM and JI service fees	I3	14 448							0	(0)			14 448
Interest Revenue	I4	1 494	140	52	22	500	100	20	120	37	53		2 537
Gain on foreign exchange	I5	771	2 255	29	6	399	58	109	69	17	32		3 745
Other/miscellaneous revenue	I6		18	106		(175)		0	44	5 914	2 107	(7 804)	208
Programme support income	PSC							7 792				(7 781)	11
TOTAL REVENUE		16 713	35 806	211	2 025	13 780	1 336	2 246	8 026	5 967	2 192	(15 585)	72 715
EXPENSES													
Personnel expenditure	E1	10 894	20 003		665	6 614	547	398	6 423	3 159	9 005	(2 084)	55 624
Travel	E2	424	211	(149)	5	980	(0)	(850)	15	(0)			635
Contractual services	E3	1 614	2 511	1	483	5 666	636	(1 090)	383	2 400	95	(1 980)	10 721
Operating expenses	E4	8	463		73	1 291	1	5		208			2 049
Other expenses	E5	2 884	386	2	210	2 771	61	(1 327)	1 540	173	0	(3 740)	2 961
Depreciation of equipment	E6		18		2	2		45					68
Amortization of intangible assets	E7	11	54			423							489
Return/transfer of donor funding	E8				124	483		75					681
Loss on foreign exchange	E9												
Programme support	PSC	2 164	3 034	(45)	215	2 404	170	(161)				(7 781)	
TOTAL EXPENSES		18 000	26 681	- 190	1 778	20 634	1 415	- 2 905	8 361	5 940	9 100	(15 585)	73 229
TOTAL SURPLUS/(DEFICIT)		(1 287)	9 125	401	247	(6 854)	(80)	5 151	(336)	27	(6 908)		(513)

Note 19: Budget Comparison and Reconciliation

175. UNFCCC's budget is prepared on a modified accrual accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS. The budgets are adopted on a biennial basis and divided into annual amounts for presentation in the financial statement. Comparison of budget and actual amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary appropriations. The comparison is only made in respect of budgets adopted by the COP and CMP as per IPSAS 24.

176. The actual amounts presented on a comparable basis to the budget are not prepared on a comparable basis to the Statement of Financial Performance. A reconciliation of the budgetary amounts to the amounts presented on the financial statements, identifying separately any basis and entity differences is presented in table 38. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

177. Basis differences capture the differences resulting from preparing the budget on a modified accrual basis. In order to reconcile the budgetary results to the net results on an IPSAS basis the non-cash elements such as un-liquidated obligations, payments against prior year obligations and outstanding indicative contributions are included as basis differences.

178. Presentation differences are differences in the format and classification schemes in the Statement of Financial Performance and the Statement of Comparison of Budget and Actual Amounts.

179. Entity differences represent funds other than Core budget, International Transactions Log and Contingent budget for conference services that are reported in the Statement of Financial Performance.

180. The reconciliation between the actual amounts presented in statements V-A, V-B and V-C and the actual amounts presented on the Statement of Financial Performance is as follows.

Table 39

Reconciliation of net result on budgetary and IPSAS basis*Reconciliation of net result on budgetary and IPSAS basis*

Actual net result on the Statement of budgets to actual comparison	
Statement V-A Core Budget	6 760
Statement V-B International Transaction Log	(397)
Statement V-C Contingent budget of conference services	
Actual net result on budgetary basis	6 363
Basis differences	
Additional income components under IPSAS	258
Exchange gains/losses	2 313
Conversion of unliquidated obligations to delivery principle	542
Capitalization of equipment & intangible assets	(72)
Changes in provision for doubtful debts	(360)
Sub-total basis differences	2 682
Entity differences on IPSAS Basis	
Trust fund for participation in UNFCCC process	401
Trust fund for supplementary activities	(6 854)
Trust fund for the Clean development mechanism	(1 287)
Trust fund for the Special Annual Contribution from the Government of Germany	247
Special account for conferences and other recoverable costs	5 151

Reconciliation of net result on budgetary and IPSAS basis

Special account for UNFCCC programme support costs	(336)
Cost Recovery	27
UNFCCC employee liabilities fund	(6 908)
Sub-total entity differences	(9 558)
Actual net result on the Statement of Financial Performance	(513)

Note 20: Budget to Actual variance analysis

181. Explanations of material differences between the original budget and final budget and the actual amounts are presented in the financial report from the Executive Secretary accompanying these statements. See paragraph 18-21 for further details.

Note 21: Related Parties

182. Except otherwise noted in these statements for revenue from non-exchange transactions including contributions in kind, all transactions made with 3rd parties occur within a normal supplier or client/recipient relationship or at arm's length terms and conditions.

183. The Organization reimburses the United Nations for the cost of all services provided at such rates as may from time to time be agreed upon for that purpose by both organizations.

184. The charges paid to the United Nations (UN Office at Geneva – UNOG) of USD 0.4 million for services related to security, payroll, treasury and other services are considered to be provided on a normal supplier basis. The United Nations Secretariat also provides support services on a normal supplier basis such as translation and editing of documents related to the meetings of the Conference of Parties to the Organization from its Core Budget at a value of EUR 3.8 million budget for 2020.

185. The authority to establish funds is vested in the Secretary General of the United Nations with the approval of the Conference of the Parties. All such funds must be consistent with the objectives of the UN Convention on Climate Change. The termination of any existing fund by the Conference of the Parties and the distribution of any remaining fund balance is subject to consultation with the Secretary General of the United Nations.

Table 40

Summary of senior management and related compensation

<i>Number of individuals</i>	<i>Aggregate remuneration (in thousands of USD)</i>	<i>Outstanding advances at 31 Dec 2020 (in thousands of USD)</i>
9	2 207	149

186. During 2020, two individuals of senior management left the organization.

187. The senior management personnel of UNFCCC are the Executive Secretary, Deputy Executive Secretary and Directors of programmes, who have the authority and responsibility for planning, directing and controlling the activities of UNFCCC and influencing its strategic direction.

188. Advances are those made against entitlements in accordance with the staff rules and regulations. There were no loans granted to key management personnel.

Note 22: Leases, commitments and contingencies

189. There are no contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to UNFCCC.

190. There are no contingent assets of which relate to official pledges made by donors to UNFCCC for future contributions at the reporting date.

Note 23: Events after the reporting date

191. UNFCCC's reporting date is 31 December 2020. The financial statements were authorized for issue on 31 March 2021, the date at which they were submitted to the External

Auditor. On the date of signing these accounts, there have been no material events, favourable or unfavourable, incurred between the reporting date and the date when the financial statements were authorized for issue that would have impacted these statements.

Note 24: In-kind contributions of services

192. The UNFCCC receives in-kind contributions from the government of the Federal Republic of Germany of the right to use land, office space and other facilities in its operations. The Organization has not received title to these properties which remain with the government. The facilities are provided to UNFCCC without charge. The agreement under which the facilities are provided does not entail formal cancellation policies or timelines. UNFCCC does not recognize the value of in-kind contributions of services including the financial value of the donated right to use the facilities provided by the Federal Republic of Germany on the financial statements. In addition, UNFCCC receives conference services (interpretation and document preparation) as in-kind contribution for the UN secretariat for meeting of the COP and the subsidiary bodies

Under audit