

Briefing to Parties and observer States on Administrative, Financial and Institutional matters

Summary of questions from Parties and responses from UN Board of Auditors and the UNFCCC secretariat

(ver. of 15 December 2020)

On 26 (16:00–18:00 Central European Time) and 27 (8:00–10:00 Central European Time) November 2020, the SBI Chair convened virtual Question and Answer (Q&A) sessions with Parties and observer States as part of a briefing on Administrative, Financial and Institutional matters. The two sessions followed the same format and were scheduled to accommodate different time zones. The briefing was split into two parts: Part A, which focused on the external audit report from the United Nations Board of Auditors for the financial year ending 31 December 2019. The auditors prepared briefing material and participated in the live Q&A sessions to respond to questions from Parties and observer States.

Part B of the briefing addressed:

- The implementation of the UNFCCC budget 2020-2021, including the status of contributions and implementation rate, as well as financial implications of COVID-19
- The status of implementation of the secretariat structure; and
- Preliminary information on the 2022-2023 budget.

In the lead up to the live Q&A sessions, relevant documents and presentations were pertaining to the briefing prepared by the UNFCCC secretariat and the UN Board of Auditors were shared on the [UNFCCC budget webpage](#). Parties and observer States were notified and requested to submit questions in advance of the live Q&A sessions.

Below is a compilation of the questions received (prior to and during the Q&A sessions) and the corresponding responses provided by the UN Board of Auditors and the UNFCCC secretariat.

Part A: External Audit Report 2019

1. ***Question: What is the Board's assessment and impression of the restructuring of the secretariat?***

Response from the UN Board of Auditors:

The [audit report](#) covers the status as of May / June 2020. Since then, the Board has had no further audit evidence on the progress of the restructuring. We plan to gather more information in December this year.

The Board highlighted that clear criteria to track the objectives of the restructuring were needed but were still lacking. The Conference of the Parties requested the secretariat to strive for efficiency gains in the new structure. UNFCCC did not have a clear set of criteria to assess whether the restructuring had achieved its objectives. The secretariat stated that the new structure implementation process was still at an early stage and that the newly established Organizational Development and Oversight (ODO) unit would monitor and report on performance indicators of the new structure. However, the posts for ODO are vacant and in the process of recruitment.

There is a time lag of the implementation. The Board pointed out that while on 1 April 2020, the secretariat started using the new structure, many posts have still not been filled. Therefore, the Board is of the view that the secretariat should draw a realistic timetable and priority list for filling the vacancies ([para. 145-163, audit report](#)).

Also, the Board found that UNFCCC created more posts than included in the work programme. The variances differed considerably among organizational units. Therefore, the proposed work programme was no longer suitable for reporting on budget performance. The secretariat has now published an [updated work programme](#) as at 1 January 2020.

Response from the secretariat:

The secretariat launched the structure review with the following objective:

- Make the secretariat's structure fit-for-purpose, taking into the consideration the new era of the implementation of the Paris Agreement
- Make the secretariat more agile, efficient and effective in the delivery of its work, including its internal functioning

The Office of Internal Oversight Services (OIOS) will audit COP25 this year and have indicated that they will be auditing the structure review and implementation process in 2021, which would further address these concerns. The outcome of the OIOS audit will be publicly available.

2. ***Question: How big is the financial risk for the Parties taking into account the overall deficit, while also noting overall accumulated surpluses and reserves and the problem of outstanding contributions?***

Response from the UN Board of Auditors:

The Board of Auditors stated that the deficit partly stemmed from outstanding contributions. It is to be noted that the secretariat's resources are made up of several trust funds. Some of these, for example the special accounts for programme support cost and cost recovery, recorded a surplus, while others like the Clean Development Mechanism recorded a deficit (see Table 37 and 38 of the financial statements for further details). It is important to know that for the accumulated surpluses and reserves, the funds are often earmarked and therefore limited in their use. Reference is made to the recommendations to analyse the net assets of the special accounts for programme support costs and cost recovery (para. 43-56 in the audit report). The ratios that we report on (para. 24 of the audit report) have decreased but overall still indicate sound solvency and liquidity as at 31 December 2019.

The Board pointed out the high level of unfunded employee benefit liabilities mainly for after-service health insurance for secretariat staff, which are recorded in the secretariat employee liabilities fund (also refer to our recommendations on funding decisions, Numbers 1 and 10 in the annex to the audit report). The Parties will have to cover these liabilities at some time in the future. These liabilities, however, are not UNFCCC-specific but a UN system-wide issue.

Response from the secretariat:

The audit and financial statements report a picture at a given point in time and resulting deficits/surpluses are carried forward on the principle of going-concern. A deficit results from higher expenses than either budgeted resources or actual income in the given fiscal year. As per the UN financial regulations and rules this is only possible by utilizing reserves drawn from surpluses from prior years.

With regards to the overall financial risk, the main financial risk is from the outstanding contributions to the core budget, as well as the level of supplementary contributions. The secretariat has established a continuous outreach to parties and donors to increase the collection of core and supplementary contributions.

3. ***Question: What will the secretariat do on the low implementation rate of the recommendations of the UN Board of Auditors?***

Response from the UN Board of Auditors:

The implementation rate is an important indicator for the organization, as well as for the stakeholders. This year, the rate is even lower than last year and with below 50 per cent very low. Secretariat's action to improve this rate is needed.

The Board of Auditors stated that the audit team would monitor the implementation status regularly, and for the next time in January 2021. We are pleased that the internal audit service of the Office of Internal Oversight Services (OIOS) has been re-installed, which was also a recommendation of our last audit report (para 199) and has now been implemented.

Response from the secretariat:

UNFCCC takes all recommendations from the UN Board of Auditors very seriously. We have increased our efforts to implement all recommendations. Currently, some of the outstanding recommendations received prior to and in 2020 have been resolved and are pending confirmation from the UN Board of Auditors during their next visit in December 2020.

4. ***Question: Given how critical the Organizational Development and Oversight unit is to the running of the secretariat, when will these posts be filled?***

Response from the secretariat:

The post of the manager of the Organizational Development and Oversight unit was advertised about a month ago together with other management level posts in the secretariat. The secretariat has retained the services of a consultant, Egon Zehnder, to assist with the recruitment process. The secretariat expects the incumbent to be on board by the first quarter of 2021. There is nobody in that function at the moment and the functions have been largely absorbed by the office of the Deputy Executive Secretary. It is possible that in future, the secretariat may consider adding one or two junior level staff to that unit through secondments or other temporary arrangements.

Part B: Budget and Structure

1. ***Questions: The [briefing material for Part B](#) is very comprehensive and useful. It should have been read by all the experts and negotiators before the Climate Dialogue. In this regard, it would be appreciated if you could kindly share such information with the Parties in well advance before each session.***

Response by the secretariat:

We take note of this request. For official/mandated documents the secretariat follows the standard requirement for the publication of documents before the regular sessions - which is four to ten weeks. For informal briefing sessions on budget and institutional matters, secretariat attempts to publish relevant documentation/presentation at least three working days prior to actual briefing. For this session (November 2020), secretariat published the documentation a week before the live Q&A sessions.

2. ***Question: What have been the measures to ensure outstanding contributions are recovered?***

Response from the secretariat:

The secretariat continues to make various efforts to address the issue of outstanding contributions, including seeking assistance from COP/CMP/CMA Bureau members with reaching out to Party delegations of their regions to encourage the payment of outstanding contributions. The secretariat sends annual notification letters to each Party, including reminders of any outstanding contributions, at least 90 days before

payment is due. Furthermore, the secretariat sends quarterly reminder letters to national focal points. In 2020, the secretariat sent, for the first time, reminder letters addressed to ministers to all Parties with outstanding core contributions, with the national focal points copied. Since March 2020, the secretariat has been implementing an enhanced outreach campaign for addressing the issue of outstanding core contributions from Parties which will continue until 2021. So far, there has been good progress in the receipt of outstanding contributions for 2020 and prior years.

3. Question: The Executive Secretary has a certain level of authority for moving funds between appropriation lines. However, can the secretariat explain what was behind the decision to make those changes to appropriation lines so early in the biennium?

Response from the secretariat:

The changes between appropriation lines were undertaken within the authority of the Executive Secretary for better planning and to address secretariat needs in a timely manner. Decision 17/CP.25 was based on a budget proposal in which the details which were of the organisational structure were not yet finalized. Some specific necessary changes which were then implemented 2020 that required a re-allocation of budget between the appropriation lines.

Overall, the changes of core posts between divisions had no effect on the total core budget. The details will be reported in the budget performance report for 2020 which will be published next year. In summary, posts were moved between the appropriation lines as follows:

| Division | Post changes |
|--|---------------------|
| Adaptation | -1 P3 |
| Communications and Engagement | +1 P4 |
| Conference Affairs | -1 P5, +1 P4 |
| Executive | +1 P5, -1 P4, +1 P3 |
| Intergovernmental Support and Progress | +1 P3 |
| Legal Affairs | -1 P4, +1 P3 |
| Mitigation | -1 P4, -1 P3 |
| Transparency | +1 P4, -1 P3 |

4. Questions: Would it be possible for the secretariat to report budget performance more frequently (e.g., 2 or 3 times per year) under the 2020-21 budget?

Response from the secretariat:

The secretariat will plan to provide more details and more regular status updates through virtual briefings in addition to the mandated budget performance reports.

5. Questions: Why has the Secretariat increased the total number of staff to 498 from 471? Isn't this increase beyond the mandate of the Secretariat?

Response from the secretariat:

There are a number of variations between the work programme and the new structure that explain the variance in number of posts, as outlined to the Board of Auditors in document FCCC/SBI/2020/INF.9, para 171.

The COP approves the number of posts to be covered in and funded from the core budget. The secretariat strictly adheres to the approved number of core posts. However, posts that are to be covered and funded from voluntary contributions are taken note of in the budget decision – meaning that the number of these posts can vary in relation to available funding and evolving requirements. The secretariat establishes such supplementary posts based on actual requirements and available funding.

The difference between the number of posts in the work programme and in the secretariat's new structure is mainly due to ICT cost-recovery posts, which are considered in the non-staff costs of the respective divisions and in Total Cost of Ownership (TCO) and were therefore excluded in order to avoid double counting of associated funding. There are 28 such posts in the new structure.

Other differences are as follows:

- Three posts in Operations Coordination were inadvertently omitted in the work programme.
- The work programme included two core posts, one in Legal Affairs and one in Transparency, which were not retained following the decision by Parties in the final part of negotiations on budget at COP 25; and
- The work programme included two additional posts, one CDM-funded post and one JI-funded, which were not approved by the CDM EB and JISC, respectively, and have therefore not retained.

Taken together, these differences account for the variance in the number of posts between the work programme and the new structure (i.e. $471 + 28 + 3 - 2 - 2 = 498$)

The increase from 471 as per the budget proposal for 2020-2021 to 498 is explained in para. [171 of the report of the board of auditors](#):

“171. UNFCCC confirmed that the number of posts in the work programme was 471. However, UNFCCC explained that there were an additional 28 cost recovery posts from ICT that were intentionally not included to avoid double counting. The funds for these posts, but not the posts itself were already considered in the units where the respective service was received. UNFCCC further stated that there were an additional three posts of the Records Management Team in the Operations Coordination department that were inadvertently omitted by mistake in the work programme. Also, two posts from the Legal Affairs Division and Transparency Division were removed during the negotiations with the parties in the final stages of budget finalization but still reflected in the work programme. Furthermore, the original work programme does not include the final post numbers for CDM and JI approved in September 2020, which both were reduced by 1. Therefore, the total revised count of posts should be 498 (471 plus 28 plus 3 minus 2 minus 2). Out of these, 491 have been implemented in Umoja. UNFCCC stated that it intended to reflect these post adjustments in the next budget performance report.”

- 6. Questions: It is mentioned in the [slide 8 of the presentation](#) that resource requirements for supplementary projects are regularly re-assessed and shared with Parties for support. When will the Secretariat share such information with the Parties and then how often will you update it for the Parties?**

Response by the secretariat:

The annual fundraising letter of the Executive Secretary sent to Annex I Parties in February 2020 reflects updated requirements for supplementary activities that also take into consideration COP 25 decisions. Further details of updated requirements considering COVID-19 impacts were shared with donor Parties on 28 September 2020.

The secretariat has further reviewed and updated the supplementary funding requirements as at 15 November 2020 available [here](#).

7. Questions: Have there been any savings that have resulted from operations, especially in relation to core and participation trust funds?

Response from the secretariat:

While it is premature to determine if there will be savings, the secretariat does not expect in the core and participation funds. The reason being, the secretariat has not received full funding from Parties against the activities/expenditures planned. For example, while travel has stopped, once it resumes it is expected to be more expensive and the reductions in travel are offset by increased expenditure elsewhere.

8. Questions:

- a) **What is the “short-term staffing” that is referred to in [slide 8 of the presentation](#)?**
- b) **It is mentioned in the same slide that savings in the amount of EUR 1.7m in core budget were used to cover short-term staffing needs. Could the Secretariat explain whether that is appropriate?**

Response from the secretariat:

- a) Short-term staff is essentially staff hired on a short-term/temporary contract of less than one year to fulfil essential tasks. They have been used to fulfil essential tasks that cannot be delayed until Fixed-Term posts are advertised and filled.
More specifically, in the case of the core budget, short-term staffing was and still needed to fill vacant core posts without increasing long-term staff obligations.
- b) COP approves the core budget by appropriation line (see table 1 in budget [decision 17/CP.25](#)). In pursuance of effective and efficient implementation of the work programme and overall budget, the secretariat uses the available funds along these appropriation lines within the authority afforded to the Executive Secretary.

9. Questions: It was mentioned in the briefing in June that the secretariat is developing a tool (VOICE) to support virtual negotiations. Could the secretariat share an update on its status?

Response from the secretariat:

The Virtual, Online and In-person, Conferencing Experience (VOICE) is a secretariat hybrid conference tool developed through a project funded by the German government as part of UN-Bonn Sustainable Meeting Hub. Since its completion late last year, VOICE has been used in several meetings including EB105, Compliance Committee, TEC20 and internal management meetings.

Following this initial use, some limitations were observed, and useful feedback received from meeting participants. Use of the tool was temporarily halted to allow time to consolidate the findings and to seek funding needed for further development and operationalization of the tool. As of November 2020, supplementary funds were made available to address the identified limitations and make the tool operational, has started.

10. Questions: The core assumption in [slide 33 of the presentation](#) looks optimistic. If the current pandemic continues and travel restrictions are not lifted in the 1st half of 2021, how would the secretariat proceed on the budget for the 2022-2023 biennium?

Response from the secretariat:

As shared with Parties during the briefing on institutional matters in June 2020, and in related documents, the secretariat is planning, as was done for the current biennium, to organize a budget workshop in March 2021, before finalizing its budget proposal for the 2022-2023 biennium for the consideration of Parties.

In that context, we hope that by March 2021 there would be more clarity on the evolution of the pandemic and the possible implications on the sessions that will take place in 2021. The secretariat will present options at the March 2021 workshop on how to best proceed with the process of consideration and decisions by the Parties on the 2022-2023 budget.

11. Questions: *Wouldn't it be logical to reduce the budget expenditure for 2022-23 with a view to discussing when there is more clarity on COVID-19?*

Response from the secretariat:

A majority of secretariat expenditure is staff cost and this is expected to continue. The main areas where we expected to see differences are in the trust fund for participation, which is funded from voluntary contributions.