

## Secretariat responses to requests from Parties for information and clarification received during budget briefing on 6 June 2023<sup>1</sup>

- 1. Request:** Are cost increases factored into each line item of the integrated budget? Would adding 7 % for inflation as an adjustment to the total cost result in double counting of cost increases?

➤ **Response:**

The budget does not have double counting of cost increases. Cost increases realized until February 2023 are built into each budget item, including costs increases resulting from inflation and statutory increases (e.g. so-called step-increases included in the United Nations salary scale). Further cost increases resulting from inflation in the period March 2023 to December 2025 are proposed to be covered from the 7% adjustment to the total budgets.

- 2. Request:** Could information on core budget requirements be presented at the same level of detail as requirements in the Trust Fund for Supplementary Activities?

➤ **Response:**

Requirements in the Trust Fund for Supplementary Activities are grouped by projects. Project titles and related codes and resource requirements are presented in annexes V and VI of the programme budget for the biennium 2024–2025 as contained in FCCC/SBI/2023/2 and overviews of projects are used for fundraising purposes. Core budget activities at a higher level of detail are presented for all funding sources in the 2024–2025 work programme as contained in FCCC/SBI/2023/2/Add.1.

- 3. Request:** Provide the rationale for requesting budget increases for projects that have low budget implementation rate in the current biennium.

➤ **Response:**

Budgetary requirements for the biennium 2024–2025 are estimated based on outputs mandated and planned to be delivered in the biennium 2024–2025. While certain supplementary funded projects currently have low budget implementation rates, the secretariat needs to estimate 2024–2025 budgetary requirements based on existing mandates and on the assumption that Parties expect all mandates to be fully implemented and the secretariat to be fully operational.

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<sup>1</sup> Additional information will be provided as soon as it becomes available.

- 4. Request:** We have noted that the proposed budget includes resources for communication products to be prepared and made available in several United Nations official languages. We would request to include resources either for all six official languages or for none.

➤ **Response:**

The relevant project will be revised and updated in the second half of 2023 to reflect the necessary supplementary 2024-25 budget requirements covering **all** official United Nations languages.

- 5. Request:** Provide information on measures that have been taken to address the arrears in core budget contributions since COP 27.

➤ **Response:**

The secretariat follows up on outstanding contributions through the following measures:

- Publishing detailed updates on the UNFCCC website at:  
[https://unfccc.int/sites/default/files/resource/CORE\\_Contributions\\_06-06-2023.pdf](https://unfccc.int/sites/default/files/resource/CORE_Contributions_06-06-2023.pdf).
- Publishing detailed updates on the UNFCCC website at:  
[https://unfccc.int/sites/default/files/resource/CORE\\_Contributions\\_06-06-2023.pdf](https://unfccc.int/sites/default/files/resource/CORE_Contributions_06-06-2023.pdf).
- Sending reminders to National Focal Points.
- Notification letters of contributions for the following year include detailed information on any outstanding contributions from prior years.
- Management follows up with Parties during bilateral meetings throughout the year.
- Preparing and publishing the semi-annual SBI document on the status of contributions and fees. The latest version is available on the UNFCCC website at:  
[https://unfccc.int/sites/default/files/resource/sbi2023\\_inf04.pdf](https://unfccc.int/sites/default/files/resource/sbi2023_inf04.pdf). The latest version is available on the UNFCCC website at:  
[https://unfccc.int/sites/default/files/resource/sbi2023\\_inf04.pdf](https://unfccc.int/sites/default/files/resource/sbi2023_inf04.pdf).

- 6. Request:** Is the secretariat planning to prepare a ZRG scenario on unavoidable costs?

➤ **Response:**

COP 26 requested the Executive Secretary to apply the budget methodology used by the secretariat to develop the programme budget for the biennium 2022–2023 to future bienniums. The requested budget methodology is based on the principle that essential, recurring, and long-term activities should be funded from the core budget. As stated in the official documents on the 2024-2025 programme budget, the actual requirements for the secretariat to undertake all category 1 and category 2 activities amounts to EUR 131.2 million (EUR 122.6 million exclusive of 7 per cent for future inflation).

COP 21 requested the Executive Secretary to include a zero nominal growth scenario in preparing future programme budget proposals. The zero nominal growth scenario for

2024-2025 maintains the total core budget at the approved 2022–2023 level of EUR 62.3 million. This scenario absorbs realized statutory and other cost increases at the expense of staff and non-staff resources, resulting in a de facto 19 per cent reduction in the core budget and a prohibitive dependence on supplementary funding, jeopardizing the sustainability of the UNFCCC secretariat and limiting support to critical recurring and long-term activities. Most of the cost increases relate to unavoidable increases in staff costs. Detailed information on the method applied in determining standard staff costs for the biennium 2024-2025 is contained in FCCC/SBI/2023/2, annex I, section B.

The proposed core programme budget, which carefully considers both the extensive mandates given to the secretariat and the constraints in funding, is estimated at EUR 88.4 million for the biennium 2024–2025. It represents a middle-way option that lies between the zero nominal growth scenario and the actual requirements as per the party decisions and mandated methodology. The proposed core budget reflects both cost increases and the inclusion of critical category 2 activities in the core budget that would otherwise rely on the provision of voluntary contributions. Table 3 of FCCC/SBI/2023/2 contains a description of category 2 activities to be funded from core resources in the proposed core budget scenario and from supplementary resources and through an internal cost recovery mechanism in the zero nominal growth scenario in 2024–2025.

While we realize that this is a significant increase, note that 19% of the increase is related to unavoidable cost increases such as realized statutory and other cost increases at the expense of staff and non-staff resources in the core budget. While the percentage of increase is significant, the total difference is approximately EUR 26.1 million for the biennium.

- 7. Request:** At this stage in the budget process are we able to move activities from supplementary to the core budget?

➤ **Response:**

Upon agreement among Parties, it is still possible to adjust the budget scenarios by moving outputs and related funding from supplementary to the core budget.

- 8. Request:** Does the secretariat have a financial risk policy?

➤ **Response:**

The secretariat does not have a specific financial risk policy. As recommended by the Board of Auditors in their draft 2022 report, the secretariat will develop an overarching enterprise risk management policy and will improve its risk management and governance to address the increasing complexity of the secretariat's business and funding arrangements. Alongside financial risks, the new policy will address the

identification, assessment and management of strategic, operational and program delivery risks.

- 9. Request:** How did the secretariat calculate the percentage cost increases of 19 % and 7 %?

➤ **Response:**

The 19 % cost increase consists of increases in staff and non-staff costs. The secretariat applies the United Nations rules governing salaries and employee benefits. The salary and common costs for staff on fixed-term contracts are calculated using standard rates for each grade. The UNFCCC rates are determined on the basis of a historical analysis of a set of staff cost parameters such as pay scales and employee benefits. As part of the 2024–2025 budget process, a comprehensive review was undertaken of all staff cost components, as well as the actual staff-related expenditures for 2022. This resulted in a change in standard staff costs for all levels. Increases result mainly from increases in the base salary scale, increases in the post adjustment, step increases and related higher salary costs such as pension and medical contributions. All secretariat divisions calculated non-staff costs based on their specific and in-depth knowledge of the outputs they need to deliver and the related resources. They took into account cost increases realized until February 2023.

The 7 % adjustment are intended to cover additional cost increases expected to result from inflation in the period March 2023 to December 2025. Actual cumulated cost increases during the period are likely to be higher than 7 %, given the continued high annual inflation rates in Germany and in many other countries in which the secretariat incurs expenditures.

- 10. Request:** Could the COP approve the supplementary budget in addition to the core budget?

➤ **Response:**

In the past, the COP took note of estimated requirements in the Trust Fund for Supplementary Activities. Such requirements evolve significantly during each budget period as the governing and subsidiary bodies regularly adopt decisions and conclusions that include requests to the secretariat for the delivery of additional outputs. The cost of such output delivery needs to be covered from voluntary contributions in the Trust Fund for Supplementary Activities.

- 11. Request:** What are the total budgetary requirements for each category of activities?

➤ **Response:**

The distribution of the budget scenarios between categories of activities is presented in Figure 3 of the programme budget for the biennium 2024–2025 (FCCC/SBI/2023/2).

**12. Request:** What is the current geographical background among staff?

➤ **Response:**

The geographical distribution of staff members appointed at the Professional level and above as at 31 December 2022 is presented in Table IV.3 of the budget performance report for the biennium 2022–2023 (FCCC/SBI/2023/6).