

Secretariat responses to requests from Parties for information and clarification received at the budget contact group meetings on 7 and 10 June 2023¹

1. **Request:** Who dictates the course correction, would like to see that language removed?

➤ **Response:**

UNFCCC Parties determine the course correction and the actions required guided by science.

2. **Request:** We would like to ask you to provide further clarification on the 19% unavoidable costs. What exactly do they entail?

➤ **Response:**

The 19 % cost increase consists of increases in i) staff costs and ii) non-staff costs.

i. 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 as compared with the standard staff costs for 2022–2023 that were developed in 2020. 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. More detailed information on key components of United Nations staff costs and standard costs used for UNFCCC budgeting purposes are provided in the following paragraphs.

Staff members in the **Professional and higher categories** are recruited internationally and are paid on the basis of salary scales applied worldwide and established by the General Assembly of the United Nations on the recommendation of the International Civil Service Commission (ICSC). A common job classification system developed by ICSC provides the structure for this salary scale.

¹ Responses to other requests received by the secretariat will be provided as soon as they become available.

The salary of staff in the Professional and higher categories is made up of two main elements: a base or floor (minimum) salary and post adjustment, both expressed in United States dollars. Post adjustment is a cost-of-living adjustment designed to preserve equivalent purchasing power for all duty stations.

The Professional and higher categories comprise five Professional grades (P-1 to P-5), two Director levels (D-1 and D-2), as well as the levels of Assistant Secretary-General and Under Secretary-General in some organizations and Assistant Director-General and Deputy Director General in others. The scale, expressed as gross and net base salaries, is applied uniformly, worldwide, by all organizations in the common system.

The United Nations net remuneration (net base salary plus applicable post adjustment) for each grade P-1 to D-2 in New York, is compared to the salaries (net of income tax) of equivalently graded jobs in the comparator civil service in Washington, D.C. This comparison is expressed as an average ratio over a 12-month period and is known as the margin. A margin in favour of United Nations salaries is considered necessary to attract and retain staff from all countries including the comparator, and to compensate for specific elements relating to expatriate service including limited stability of employment and promotion prospects. An adjustment to account for the difference in the cost of living between New York and Washington, D.C. is included in the calculation of the margin. The margin should remain within a range of 110 to 120 (i.e. the United Nations being 10 to 20 per cent ahead of the comparator service), with a desirable midpoint of 115. Procedures are applied by the Commission to ensure that the margin remains close to the desirable midpoint. Action by the Commission is taken through the operation of the post adjustment system when the trigger levels of 113 or 117 are breached.

The post adjustment system is designed to ensure that remuneration levels of Professional staff have the same purchasing power at all duty stations. As the cost of living varies significantly across duty stations, net remuneration for staff in the professional and higher categories are set at different levels at each duty station so as to compensate for these differences in living costs. Differences in living costs are measured through periodic place-to-place surveys conducted at all duty stations. The surveys measure the cost of living in a duty station relative to the cost of living at the base of the system (New York). The results are reflected in a post adjustment index for each duty station. Duty stations with higher costs of living than New York have higher post adjustment indices, and consequently, higher net remuneration levels, while those which are less expensive than New York have lower post adjustment indices and lower net remuneration levels than New York.

ICSC reviews annually the level of the base/floor salary scale which represents the minimum salary payable to staff at all duty stations. These reviews usually result in the General Assembly increasing the base/floor salary scale and consolidating a number of multiplier points of post adjustment into the base/floor salary scale. This process ensures that minimum United Nations salaries are updated to take account of changes in the pay level of the comparator civil service. As a result of these increases in the base/floor salary scale, all

post adjustment classifications (multipliers) must be recalculated as the purpose of changes in the base/floor scale is not to give a general salary increase applicable at all duty stations but rather to maintain minimum United Nations salaries. Furthermore, there is an important distinction to be drawn between the base/floor salary scale and the actual net remuneration paid at the base of the system (New York). New York, as the base of the system, serves as a point of reference for measuring cost-of-living differentials between duty stations but the remuneration levels payable in New York normally consist of two elements: base/floor salary and a post adjustment element. The level of New York remuneration, like other duty stations, is normally adjusted to account for movements in the cost-of-living at the duty station, provided it remains within the established range of the margin, while the level of base/floor salaries is adjusted to account for movements in the comparator civil service salaries.

The management of the post adjustment system is the responsibility of ICSC. Consequently, changes in the post adjustment classification of duty stations are approved and promulgated monthly by the Chairman of ICSC.

General Service staff are recruited and paid on a local basis. Staff in the General Service category perform functions in areas such as general administration and office support and programme management support.

An underlying concept of the common system is that these staff should be compensated in accordance with the best prevailing conditions of service in the locality; consequently, they are paid not on the basis of a single global salary scale, but according to local salary scales established on the basis of salary surveys. Salaries at the Bonn duty station for staff in the General Service category were adjusted twice upwards in 2022 with the first adjustment applied retroactively to several years back.

UNFCCC standard staff costs

The salary and common costs for UNFCCC staff on fixed-term contracts are calculated using standard rates for each grade. The UNFCCC rates are determined based on 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.

Actual salary costs for the 12 months period of September 2021 – August 2022 were extracted from the general ledger accounts of UNFCCC **for all UNFCCC funds**. The standard rates include the annual adjustment in the salary scale for staff in the professional and higher category. Average rates were determined for each grade in the Professional and above category, and the cost of staff in the General Service category continued to be provided as an average for the entire category. The average yearly salaries in USD were converted to EUR using The United Nations **operational rate of exchange** of 1 September 2022 (0.998).

Staff members holding a fixed-term contract are eligible for within-grade salary increments (also known as step increases). The **anticipated within-grade salary increments** were calculated for each post based on the current incumbents. The average anticipated salary increments by grade for core posts were used for projection of the average increases within-grades for all funds. The calculation reflects the number of months anticipated to be at higher levels during the biennium 2024–2025.

The ICSC conducted a cost-of-living survey among staff in the Professional and higher category at the Bonn duty station in February 2023. The outcome of the survey will be reflected in the post adjustment and net remuneration of staff in this category and any related adjustment will likely take effect in July 2023. Any cost increase that may result from this adjustment and any increase in salaries of staff in the General Service category taking effect between March 2023 and December 2025 will need to be covered from the 7 % adjustment for future inflation as proposed in the UNFCCC programme budget for the biennium 2024-2025 as they are not included in the 2024-2025 standard staff costs for UNFCCC.

ii. Non-staff costs

In the last quarter of 2022 and in the beginning of 2023, all secretariat divisions calculated non-staff costs for the biennium 2024-2025 based on their specific and in-depth knowledge of the outputs they need to deliver and the related resource requirements. They considered cost increases realized since the cost estimates were made in the second half of 2020 for the preparation of the 2022-2023 programme budget when inflation rates were relatively low. The aforementioned period is more than 2 years long and includes a period of high inflation that started in 2022. Any increase in non-staff costs in the period March 2023 and December 2025 will need to be covered from the 7 % adjustment for future inflation as proposed in the UNFCCC programme budget for the biennium 2024-2025 as they are not reflected in the aforementioned cost estimates for non-staff costs.

- 3. Request:** The focus on the budget should be on the programmes and the distribution between core and supplementary funding. Some Parties are of the opinion that the proposed distribution of core funding is not very balanced, e.g. funding for Transparency and mitigation activities is much less than funding for adaptation?

➤ **Response:**

In developing the proposed core budget scenarios, the secretariat sought to ensure balance, to the extent possible, among category 2 activities to be funded from core resources by:

- (a) Ensuring balanced resource allocation across thematic areas (adaptation, mitigation, means of implementation, transparency, etc.);
- (b) Keeping key staff assigned to critical workstreams;

(c) Maintaining the ratio between staff and non-staff costs, thereby ensuring that at least a minimum level of non-staff costs is maintained for the provision of basic support for all workstreams;

(d) Giving due consideration to all mandated work regardless of the date of adoption of the respective mandate and the overarching instrument to ensure consistency in budgeting for similar activities.

However, this balance cannot be achieved in the zero nominal growth scenario. The actual needs scenario would represent the most balanced approach to funding of category 1 and 2 activities as it would respond fully to the mandates.

- 4. Request:** The details on the process in the Programme Budget document state that the Parties were engaged in the development of the budget, however in reality they only were engaged in briefings once the budget was set. Mandate should be given to engage with the Parties earlier.

➤ **Response:**

The briefings were convened after the proposals had been developed in order to have concrete inputs for parties to consider and review on ZNG, proposed and actual needs scenarios.

- 5. Request:** What more could be done to address the arrears? 23 countries have not paid for more than 10 years. What can be done about it?

➤ **Response:**

Table 1 of document FCCC/SBI/2023/INF.4 includes information on the status of contributions to the UNFCCC core budget, including the number of years of outstanding contributions per Party under the Convention and the Kyoto Protocol. A Party that has one or more years of outstanding contributions may have made a recent contribution. However, pursuant to the United Nations Financial Regulations and Rules, payments have to be applied against the oldest outstanding receivables first. Therefore, the number of years of outstanding contributions does not necessarily equal the number of years since the last payment was received.

The UNFCCC secretariat regularly follows up on all outstanding contributions, including long outstanding ones. Relevant information has been provided in the response to request 7 contained in the file available on the UNFCCC website at:

<https://unfccc.int/sites/default/files/resource/Secretariat%20responses%20to%20requests%20received%20during%20contact%20group%20meeting%20on%207%20June%202023-1.pdf>.

6. Request: Is there a possibility for the Secretariat to revise the documents?

➤ **Response:**

The secretariat will be guided by the co-chairs and any decision agreed by the Parties.

7. Request: Which activities did you shift to supplementary in ZRG scenario? Info on what is not covered in ZRG might be useful to inform the decision and to understand what areas are hit more than others.

➤ **Response:**

Activities that might not be delivered if the core budget is approved at ZRG level as compared to the proposed budget²

Overarching objective, division, activity	EUR (without PSC)	Professional level and above	GS level	Implications
Adaptation	626,136	1.0	0.0	
Support permanent NAP elements: 1 NAP Expo	145 840	-		Support to key permanent adaptation-related activities, including the NAP Expo and implementation of the NWP, will be impaired, unless the lack of resources is addressed through additional supplementary funding.
Support permanent NWP activities (annual progress report, technical support to constituted bodies, and annual NWP Focal Point Forum)	10 440	-		
Organize 1 LEG meeting	62 740	-		Organization of constituted body meetings and full implementation of the related support work will be adversely impacted, unless the required additional funding is provided.
Organize and support 1 ExCom meetings	50 930	-		
Support permanent elements of the AC's workplan's deliverables (technical and information material), including annual report and reports in support of recognition of efforts and GST: 1 Adaptation Forum	17 400	-		
Organize 1 AC meeting	47 260	-		
Organize 1 FWG meeting	50 740	-		
Produce a range of traditional and digital documents and communications materials to disseminate the outcomes of the UNFCCC process, as well as	240 786	1.0		The production and dissemination of traditional and digital documents and communications materials on adaptation and meeting support will

² Information on further category 2 activities not covered by the ZRG scenario is contained in annex II of FCCC/SBI/2023/2.

Overarching objective, division, activity	EUR (without PSC)	Professional level and above	GS level	Implications
provide support for increased number of meetings				have to be reduced, unless additional funding is provided.
Conference Affairs	1,209,463	1.0	2.0	
Service UNFCCC sessions, in-session meetings, and other meetings/workshops/events	1 209 463	1.0	2.0	Increased risks for the organization and conduct of UNFCCC sessions, in-session meetings, and other meetings/workshops/events; more than EUR 1 million in supplementary funding will need to be sought to ensure quality delivery
Communications and engagement	431,263	1.0	0.0	
Coordinate the enhanced engagement and participation in the UNFCCC process, and facilitate collaboration between all UNFCCC stakeholders, in relation to the Lima work programme on gender (LWPG) and its gender action plan (GAP), and gender integration in other UNFCCC thematic areas.	215 358	0.5		The implementation of the work on Action for Climate Empowerment (ACE) under the GWP on ACE and its action plan and the , LWPG and GAP will face additional challenges, in particular with regard to the integration of gender, ACE and youth engagement in other UNFCCC thematic areas (including 15 constituted bodies and various work programmes) in accordance with mandates on integration. The quality and quantity of the support the secretariat is expected to deliver to national ACE focal points and National Gender and Climate Change Focal Points in accordance with mandates on facilitating support is at risk. In addition, the work on strengthening the secretariat's organisational capacity on gender, diversity and inclusion would be further deprioritised.
Oversee, monitor and support the implementation of the work on Action for Climate Empowerment (ACE) under the Glasgow work programme (GWP) on ACE and its action plan. Coordinate the enhanced engagement and participation in the UNFCCC process, and facilitate collaboration between all UNFCCC stakeholders, in relation to ACE, and integration of ACE in other UNFCCC thematic areas.	215 905	0.5		
Transparency	2,657,492	7.0	0.0	
Organize and conduct the technical review process of BTRs under the ETF, organize and conduct simplified reviews and organize the FMCP process	2 146 356	6.0	-	20 BTR reviews (together with their NIR) will not be organized unless adequate amount of supplementary funding is received – leaving only 35 BTR reviews to be organized from core funding. The risks for implementation of the enhanced transparency framework will be high, with more than EUR 2 million needed in supplementary funding (in addition to the already significant needs of

Overarching objective, division, activity	EUR (without PSC)	Professional level and above	GS level	Implications
				supplementary funding for ETF implementation).
Organize and conduct meetings of the CGE (Consultative Group of Experts), prepare technical documents and background papers, and provide other technical inputs to the CGE (1 meeting/ biennium in suppl)	95 420	-		One CGE meeting will not be organized unless adequate amount of supplementary funding is received. The support to the CGE and the amount of the required technical work will be reduced.
Managerial oversight of internal deliverables, senior representation of the issue, external engagement	415 716	1.0		The coordination of the very complex implementation processes for the support to developing countries for implementing the ETF under the Paris Agreement and the external outreach for activities relating to transparency will be impaired unless the sufficient supplementary resources are found.
ISCP	348,888	1.0	0.0	
Coordinate all intergovernmental process activities and ensure the coherence of their delivery with other elements and work programmes	240 786	1.0		The coordination of all intergovernmental processes that have now become more complex - by the UNFCCC secretariat and organization of events, including high-level ones, will require a considerable amount of supplementary funding to ensure full delivery, and the quality of communication and coordination with Parties and Observer States will be impaired.
Maintain channels of communication and foster relationships with Parties and Observer States to facilitate their participation in meetings of the Convention process and undertake protocol-related matters and activities; Design and deliver summits and other high-level events including at ministerial level.	80 262	-		
Prepare internal strategic planning documents to ensure coherence in the secretariat's support to the negotiation processes under the governing and subsidiary bodies	27 840	-		
Legal Affairs	325,096	1.0	0.0	
Travel and logistics for one meeting of the compliance committees under the Kyoto Protocol and support to the implementation of its workplan	84 310	-		Full in-person participation of Committee Members in these meetings will become impossible without additional supplementary funding.

Overarching objective, division, activity	EUR (without PSC)	Professional level and above	GS level	Implications
Provide basic general legal institutional support and capacity-building, including on legal arrangements	240 786	1.0		The timeliness and quality of legal support to secretariat's operations will not be at the level required unless supplementary resources are found. The ability to deliver will be severely compromised.
Mitigation	240,786	1.0	0.0	
Effective implementation of the workplan of the Katowice Committee of Experts on the Impacts of the Implementation of Response Measures (KCI)	240 786	1.0		Effective and full implementation of the workplan of the Katowice Committee of Experts on the Impacts of the Implementation of Response Measures (KCI) will become impossible without additional supplementary funding.
Means of Implementation	401,386	1.0	0.0	
Facilitate and support the organization of 1 meeting of the SCF	42 050	-		The organization of these meetings and implementation of the workplan of the TEC will be not possible without raising a significant additional amount of supplementary funding.
Facilitate and support the organization of 1 meeting of the Technology Executive Committee (TEC); Support the implementation of the TEC's work plan and the joint work programme of the Technology Mechanism, including joint activities and other collaborations between the TEC and the CTCN, and implementation of the technology framework. Provide support for increased number of meetings	359 336	1.0		
Operations	254,200	-	0.0	
1. Maintain, protect and preserve records and archives of the intergovernmental process and the secretariat; 2. Deliver audio visual recording and archiving services; 3. Provide access to records and archives for both internal and external clients; 4. Provide advice on records management policy and	254 200	-		The maintenance of records and archives cannot be maintained at the level required without additional supplementary funding.

Overarching objective, division, activity	EUR (without PSC)	Professional level and above	GS level	Implications
procedure guidance as well as best practices; 5. Undertake archival outreach programmes and foster internal and public engagement with UNFCCC archives				
AS/HR/ICT	397,194	1.0	0.0	
Provide full-time and dedicated capacity to coordinate management of secretariat cyber security functions. Operate conference and workshop services including virtual conferencing and messaging.	397,194	1.0	0.0	If supplementary funds are not available there is an unacceptable risk to UNFCCC managed ICT services. Risks include possible unauthorized access to systems, manipulation of Party provided data, unavailability of UNFCCC ICT services including registration for SBs and COPs Increased risks for the stability and performance of information systems supporting the UNFCCC process.
SWC	271,766	0.0	0.0	
Ensure secure, properly managed office space and facilities used by the secretariat; Implement the secretariat's environmental management system sustainability, expand disability inclusion and accessibility measures;	271,766	0.0	0.0	If supplementary funds are not available there will be a risk of inadequate security and facilities for personnel; risk to implementing environmental management system; risk to implementing inclusion and accessibility measures.
EXECUTIVE	404,756	1.0	0.0	
Engagement in external events in support of the climate change process	103 710	-		Costs for external engagement will be kept at levels budgeted during the pandemic which will be inadequate to address the many opportunities and demands to attend events in support of the UNFCCC process outside of Bonn.
Provide organizational change and cultural development activities to UNFCCC	301 046	1.0		Implementation of organizational change and cultural development activities at the UNFCCC will not be fit for purpose if the only core funded position in ODO remains to be the Manager.
Grand Total	7 568 426	16.0	2.0	

8. Request: We would like to have more clarity on the 19% to understand the increase as it seems to be higher than the level of current inflation. Furthermore, additional clarity is required for 7% adjustment for inflation. How the "unavoidable costs" was calculated? We asked this question because the information contains in the document FCCC/SBI/2023/2, annex I, section B was unclear, but your answer just repeated the sentence in the document. This is not enough at all. Can you explain details about the "comprehensive review" for 19%? For 7% inflation rate, which statistics and economic models were used to estimate the number? Are there authorized methodologies across UN agencies? We do not have enough reassurance and we cannot say in confidence to our respective governments what is behind the increased numbers. Formulation of 7% inflation should be addressed not to set a precedence for other UN entities.

➤ **Response:**

A great level of detail on the 19 % cost increases already realized by the end of February 2023 and on the 7 % adjustment for future inflation is contained in the response to the following request made on 7th June: *We would like to ask you to provide further clarification on the 19% unavoidable costs. What exactly do they entail?*

Inflation rates are usually provided on a year-to-date basis. The 19 percent cost increase relates to a period that is slightly more than two years long. Furthermore, the 19 percent relates to specific costs that the UNFCCC secretariat needs to cover for specific resources, products and services. Official inflation rates usually relate to a basket of goods and services representative for an average consumer or other group.

The 7 % adjustment for future inflation is based on the assumption that staff and non-staff costs will continue to increase in the period March 2023 to December 2025. These future cost increases are not covered by the 19 % increase already realised by the end of 2023. Current inflation in Germany continues to be significantly higher than the long-term yearly average of 2.7 percent. The 7 % adjustment is not in itself an inflation rate and it does not reflect an attempt to predict future inflation. As such, it does not set any precedence. However, in times of high inflation, in the absence of evidence that costs will decrease it is prudent to assume that costs will continue to increase and factor this into the development of the core budget. If future cost increases are not built into the core budget, a certain share of mandated activities will not be undertaken as soon as actual costs increase beyond the cost increases already realized by February 2023. To mitigate this risk, a conservative 7% adjustment, informed by global and local economic factors was considered reasonable.

9. Request: What vacancy rates are you aiming to achieve by the end of the year as a result of a series of improvements?

➤ **Response:**

In the current biennium, the vacancy rate in the secretariat, across all funding sources, is averaging 25%. The staff attrition rate, due to separations and retirements, is averaging 13%. To address significant unplanned and unbudgeted increases in staff costs in the current biennium, the requirement effectively calibrates vacancies to ensure an efficient recruitment process with sufficient funding for filled positions. Therefore, given the uncertainty of future staff cost increases that need to be absorbed in the existing budget, a target vacancy rate cannot be established for this year.

10. Request: The number of posts in the ZRG was the same as the number of posts in the core budget we agreed two years ago. It may be a coincidence, but what is the relationship between that and the explanation of a 19% increase?

➤ **Response:**

The ZRG scenario for the biennium 2024-2025, by definition, is expected to reflect unavoidable increases in staff and non-staff costs as compared to the approved core budget for the biennium 2022-2023. All 181 posts approved in the core budget of the current biennium will be required to undertake category 1 and 2 activities in the biennium 2024-2025. Related staff costs have increased significantly since the 2022-2023 biennium budget was developed. Non-staff costs have also increased significantly and the overall cost increase under the ZRG scenario is 19 percent. Detailed information in this regard is contained in FCCC/SBI/2023/2 and in written responses given to other requests made in the contact group.

11. Request: Provide an update on standard costs for workshops, events, reports.

➤ **Response:**

The secretariat undertook a review of methods applied in the past to determine standard costs for workshops. The methods were found to be inappropriate to reflect the large variety of different cases in terms of cost and requirements. This is due to the high number of variable factors which influence costs, including for example, location, availability of venues, security considerations and numbers of participants. Therefore the application of any standard costs in this area may lead to significantly under- or overestimating actual costs. Secretariat divisions responsible for making arrangements for workshops are therefore preparing estimates based on planned requirements for specific arrangements. The same applies to events. The secretariat is considering options to further enhance the timely provision of clear, realistic and updated costing information at the time that new mandates are considered by Parties so these can be factored into the decision.