United Nations

Report of the United Nations Board of Auditors on the financial statements of the United Nations Framework Convention on Climate Change

for the year ended 31 December 2022

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

Chapter III

Certification of the Financial Statements

The financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the year ending 31 December 2022 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 2022 are correct.

(Signed) Simon Stiell
Executive Secretary
XX June, 2023

Chapter IV

Financial report for the year ended 31 December 2022

A. Introduction

1. The permanent secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) was established in January 1996 for the following purposes to (a) arrange 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) compile and transmit reports submitted to it; (c) 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) prepare reports on its activities and present them to the Conference of the Parties; (e) ensure the necessary coordination with the secretariats of other relevant international bodies; (f) 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) perform other secretariat functions specified in the Convention and in any of its protocols; and (h) undertake any other functions as may be determined by the Conference of the Parties.

2. 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 Clean Development Mechanism (CDM).

3. This financial report should be read in conjunction with the UNFCCC audited financial statements for 2022, but they do not form part of the statements. The financial report is intended to provide readers of the financial results with a more holistic understanding of the meaning of the numbers and inform stakeholders about how financial resources are being managed.

B. 2022 Financial Highlights

Total revenue:

4. Revenue in 2022 totalled USD 112.7 million mainly consisting of:

(a) The indicative contributions to the core budget of USD 34.9 million and USD 0.7 million to the budget of the International transaction log;

(b) Voluntary contributions from donors totalled USD 40.2 million;

(c) Fees for the CDM and Joint Implementation mechanisms USD 32.1 million.

Total expenses:

5. Expenses in 2022 totalled USD 132.5 million mainly consisting of:

(a) Personnel expenses amounting to USD 58.5 million,

(b) Travel USD 12.4 million,

(c) Contractual services for USD 24.2 million,

(d) Operating and other expenses for USD 10.8 million.

(e) CDM Trust Fund transfer to the World Bank hosted Adaptation Fund of USD 20.0 million. It should be noted that this transfer is treated as an expense to comply with the International Public Sector Accounting Standards. In substance and form, the transfer was in fulfilment of a decision by the

Conference of Parties in 2 November 2021 and not a planned expenditure against the UNFCCC 2022 work programme.

6. **Combined Revenue** of indicative and voluntary contributions as well as fees for the Clean Development Mechanism (CDM) and the Joint Implementation (JI) saw an increase in 2022. Indicative contributions revenue decreased moderately to USD 35.6 million (USD 37.1 million in 2021) due to the indicative contributions in EUR valuing lower in USD in 2022 as compared to 2021. Voluntary contributions revenue had a significant rise to USD 40.2 million (USD 30.7 million in 2021) as a result of more effective fundraising. There was also a significant increase in CDM and JI fees to USD 32.1 million (USD 22.9 million in 2021) attributed to higher volumes of Certified Emission Reduction issuances for emission reduction projects and programmes in 2022 compared to 2021.

7. **Total Expenses** have increased to USD 132.5 million in 2022 (USD 93.6 million in 2021) mainly due to an increase of contractual services to USD 24.2 million (USD 20.7 million in 2021) and Travel to USD 12.4 million (USD 5.7 million in 2021). Both are a reflection of the increased activities and travel in 2022, increased costs for virtual meeting platforms and the in-person participation at the COP 27 held in 2022. A transfer of USD 20.0 million from the CDM Trust Fund surplus to the World Bank hosted Adaptation Fund effected in December 2022 in fulfilment of the decision in 2/CMP.16 by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol is also included in the expenses for the year.

8. **Operating result:** In 2022, there was an excess of expenditure over revenue of USD 19.8 million (compared to a deficit of USD 0.7 million in 2021). The transfer of the USD 20.0 million from the Clean Development Mechanism (CDM) Trust Fund to the Adaptation Fund contributed to the deficit resulting in an annual deficit of USD 2.5 million for the CDM fund. The deficit for the Core Trust Fund was USD 0.08 million while the deficit for the Trust fund for participation in the UNFCCC process was USD 1.4 million, deficit for the Trust fund for Supplementary activities was USD 8 million, and the deficit for the UNFCCC employee liabilities fund was USD 6.5 million.

9. **Assets**: Total assets as at 31 December 2022 decreased by USD 12.2 million to USD 264.7 million compared to the assets at 31 December 2021 of USD 276.8 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 2022
(Thousands of United States dollars)

	2022	*2021*
Cash and cash equivalents	33 515	27 236
Investments	199 576	220 766
Indicative contributions receivable	11 424	14 247
Voluntary contributions receivable	11 727	7 507
Other accounts receivable	2 223	1 012
Other assets	5 576	5 143
Property, plant, and equipment	310	444
Intangible assets	323	495
Total assets	**264 676**	**276 849**

10. The major assets at 31 December 2022 are cash, cash equivalents and investments totalling USD 233.1 million, representing 88 per cent of the total assets, outstanding indicative contributions from Parties of USD 11.4 million, (4.3 per cent) and Voluntary Contributions of USD 11.7 million representing 4.4 per cent of the total assets. The remaining assets consist of other accounts receivable of USD 2.2 million, other assets (primarily advances) of USD 5.6 million, equipment and software of USD 0.6 million.

11. **Cash, cash equivalents and investments**: Cash and cash equivalents as well as investments of USD 233. million are held in the UN Treasury main cash pool. The overall levels of these assets have decreased by USD 14.9 million compared to 31 December 2021.

12. **Accounts receivable**: There continue to be delays in paying contributions to the UNFCCC Secretariat by many Parties. In 2022 the situation improved resulting in a decrease of indicative contributions outstanding of USD 2.8 million or 19.8 per cent compared to amounts outstanding as at 31 December 2021. The decrease in indicative contributions receivable is a result of the timely payment of amounts due by some Parties and concerted effort by UNFCCC Secretariat to follow up on outstanding contributions with the Parties.

13. **Other assets** amounting to a total of USD 5.6 million mainly consist of prepayments of USD 3.5 million and education grant advances of USD 1 million.

14. **Liabilities**: Liabilities as at 31 December 2022, totalled USD 170.4 million (USD 205.8 million as at 31 December 2021) as follows.

Table 2
Summary of liabilities as at 31 December 2022
(Thousands of United States dollars)

	2022	2021
Accounts payable and accruals	7 825	5 074
Advance receipts	29 767	34 185
Employee benefit liabilities	130 915	165 812
Other liabilities	1 878	746
Total liabilities	**170 385**	**205 817**

15. The most significant liability is for 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). The ASHI liabilities total USD 119.4 million, representing 70.1 per cent of UNFCCC's total liabilities and are explained in detail in the respective note to the financial statements~~.~~

16. The other significant liability is for advance receipts mainly comprising of indicative contributions received in advance of the start of the year to which they are relating to, voluntary contribution provided by donors that contain conditions requiring the return of funds (if not spent in accordance with the terms of the agreement), and CDM fees received in advance but not yet earned by UNFCCC. The balance represents the portion of the contributions as at 31st December that have not been recognized as revenue as they are not yet earned by UNFCCC by performing the services covered by the respective agreements.

17. **Net assets:** The movements in net assets during the year shows an overall increase of USD 23.3 million, from USD 71 million in 2021 to USD 94.3 million at the end of 2022. This is mainly due to the actuarial gains of USD 43.1 million with the addition of operating surplus of USD 0.1 million. Net assets include the operating reserves which amount to USD 49.4 million at the reporting date.(see statement III)

Comparison of budgets to actual amounts

18. The Conference of the Parties (COP) approved a Core expenditure budget for 2022 in the biennium 2022–2023, amounting to EUR 31.5 million. The 2022 approved budget for the International transaction log in the biennium 2022–2023 amounted to EUR 1.9 million.

19. Total expenditure as at 31 December 2022 under the core budget in biennium 2022-2023 represented 97.0 per cent of the approved core budget. Personnel expenditure in 2022 is up by USD 2.2 million, mainly due to the retroactive salary adjustment paid in response to the International Civil Service Commission (ICSC) review. Contractual services and operating expenses are higher in 2022 by USD 3.5 million and USD 4.2 million respectively, due to the increased activity post COVID and the increase of physical meetings. Loss on foreign exchange and investments is also higher by USD 3.4 million due to strengthening of the USD against the EUR during 2022.

20. The overall expenditure rate under the Trust Fund for the International Transaction Log (ITL) was 62.1 per cent for the biennium 2022-2023 as at 31 December 2022. 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 cash basis in accordance with the UN Financial Regulations. The overall budgetary results of the 2022 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.

Impact of the COVID-19 pandemic

22. During 2022, the impact of COVID-19 pandemic on operations was reduced when compared to the previous year. COP 27 conference was attended in person as a result of relaxation of travel restrictions across the globe.

Managing (financial) risk and uncertainties

23. The secretariat's main income sources are the indicative contributions from Parties, voluntary contributions from donors as well as fee-based income from the mechanisms supported by the secretariat, mainly the Clean Development Mechanism (CDM).

24. Indicative contributions have been steadily received in the past years and there is no expectation of a significant change in the coming years. The secretariat is following up regularly on outstanding contributions and does not expect a significant change in the levels of contributions to be received. Expenditure under the core budget are controlled by the appropriations at the entity level as per the financial rules and regulations.

25. While fluctuating over time, voluntary contributions have been received at insufficient levels to cover the budgeted requirements for supplementary activities in line with the mandates given from the different bodies of the Conference of the Parties. Similar to the core budget, expenditure is limited to funding received and budgets are developed and implemented to ensure full cost recovery, taking into consideration all direct and indirect costs.

26. Although the CDM mechanism is still producing significant levels of income, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) decided at COP 26 to support the development of new mechanisms under Article 6 of the Paris Agreement. The secretariat is foreseen as the supporting entity to the new mechanism (similar to the CDM process). While the respective budgets to support the CDM mechanism have been adjusted to the necessary resource levels in biennium 2022–2023, sufficient reserves in the CDM trust fund are available to cover the needs for the remaining service period and the CMP has allocated significant resources to the development of the new mechanisms under Article 6.

27. The financing of the long-term employee benefit liabilities has been addressed by the secretariat by introducing a surcharge on the salary costs to set aside funds to cover the respective liabilities under non-core activities following the UN secretariat approach. Under the core budget, these liabilities are currently unfunded and covered under a pay-as-you-go arrangement financed from the current core budget.

28. The secretariat manages strategic, financial, operational and program delivery risks at the level of risk owners where risks are escalated to the Management Team (MT) or MT sub-committee meetings. The Organizational Development and Oversight Unit acts as the second line of defence and is responsible for ensuring a sound framework for Enterprise Risk Management and related risk identification, assessment and reporting.

29. Key risk factors for the secretariat include: (i) geopolitical situation and/or energy and economic crisis impinging on parties' commitment to urgently combating climate change; and (ii) unpredictable or insufficient financial resources to finance all relevant mandates from parties.

30. Mitigation action to address key risk factors include strengthening the positioning and relevance of the secretariat through outreach, active engagement in high-level meetings and improving the organization's approach to strategic planning and ERM. In addition, the secretariat seeks to broaden its resource base for supplementary project to non-state actors.

Strategic Plan and Objectives

31. The secretariat provides the foundation for global cooperation to address climate change. It is an authoritative, recognized UN body that empowers all actors to achieve the objective of the Convention. In doing so, it puts the well-being of humanity and sustainable development at the centre of climate action in pursuing the full implementation of the Convention, the Kyoto Protocol and the Paris Agreement.

32. The secretariat in its 2022–2023 budget proposals presented the budgetary requirements along organization-wide strategic objectives and priorities, provided a comprehensive reference for all stakeholders and a single source for departmental and divisional budgets, as well as for monitoring and evaluation. The budgets were developed from the ground up through a comprehensive and participatory secretariat-wide effort and consider all mandated work regardless of the date of adoption of the respective mandate.

33. Directors of divisions are responsible for their division's key objectives and all staff are subject to annual performance assessments. The secretariat also reports the budgetary and work programme performance to Parties annually.

34. In 2022–2023 the secretariat's work continues to be guided by the following strategic objectives:

(a) Facilitate intergovernmental engagement on responding to the threat of climate change by providing effective organizational, process, technical and substantive support for:

i. Ongoing intergovernmental oversight of established processes and negotiation of new, revised or enhanced processes, as appropriate;

ii. Operating established processes arising from the decisions of the COP, the CMP and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA);

(b) Enable the constituted bodies to fulfil their mandates, including by providing effective organizational, process, technical and substantive support;

(c) Manage a trusted repository of data and information in support of the intergovernmental response to the threat of climate change;

(d) Facilitate engagement in the UNFCCC process in order to promote action towards the achievement of the objectives and goals of the Convention, the Kyoto Protocol and the Paris Agreement;

(e) Oversee and manage the secretariat effectively.

Programme delivery highlights

35. During the reporting period, the secretariat organized SB 56 and COP 27, both of which took place in person, with a robust virtual component, with an increase in complexity and scope compared with previous sessions, as well as around 200 workshops, capacity-building sessions and meetings in and outside Bonn.

36. Work under all constituted bodies, processes and work programmes supported by the secretariat progressed in line with the respective mandates and workplans. The secretariat continued to support the intergovernmental process in relation to the current Measuring Reporting Verification (MRV) arrangements and the Enhanced Transparency Framework (ETF), including by providing technical assistance to developing countries and training to experts engaged in the reporting, review and analysis processes. It is facilitating the operationalization of the ETF and work on methodological issues, including in relation to GHG inventories, REDD+, agriculture, land use, land-use change and forestry, Intergovernmental Panel on Climate Change (IPCC) guidelines and common metrics.

37. Furthermore, the secretariat facilitated intergovernmental engagement on areas such as climate finance flows, Article 6 of the Paris Agreement, the Sharm el-Sheikh mitigation ambition and implementation work programme, adaptation, and loss and damage, including by supporting the process to formulate and implement National Adaptation Plans (NAPs), the Nairobi Work Programme (NWP), the Warsaw International Mechanism for loss and damage

(WIM) and the Glasgow–Sharm el-Sheikh work programme on the global goal on adaptation, and managing adaptation-related data and information.

38. The secretariat also facilitated intergovernmental engagement on and implementation of established processes relating to gender, Action for Climate Empowerment (ACE), youth engagement, observer engagement and global climate action, including by preparing reports and events under the gender action plan, organizing the ACE Dialogue, and supporting the Presidency and relevant observer constituencies in organizing Gender Day and Young and Future Generations Day events, including the youth-led forum and civil society events at COP 27.

39. More information can be found at:
https://unfccc.int/sites/default/resources/sbi2023_06_adv.pdf

Chapter V

Financial statements for the year 2022

A. Statement I: Statement of Financial Position as at 31 December 2022

(Thousands of United States dollars)

	Note	*2022*	*2021*
ASSETS			
Current Assets			
Cash and cash equivalents	5	33 515	27 236
Short-term investments	5	134 463	185 961
Indicative contributions receivable	6	11 424	14 247
Voluntary contributions receivable	6	7 565	5 130
Other receivables	6	2 223	1 012
Other current assets	7	5 576	5 143
Total current assets		**194 767**	**238 729**
Non-current assets			
Voluntary contributions receivable	6	4 163	2 377
Long-term investments	5	65 112	34 804
Property, plant and equipment	8	310	444
Intangible assets	9	323	495
Total non-current assets		**69 909**	**38 119**
TOTAL ASSETS		**264 676**	**276 849**
LIABILITIES			
Current Liabilities			
Payables and accruals	10	7 825	5 074
Advance receipts	11	29 767	34 185
Employee benefits	12	2 418	2 557
Other current liabilities	14	1 878	746
Total current liabilities		**41 888**	**42 562**
Non-current liabilities			
Employee benefits	12	128 497	163 255
Total non-current liabilities		**128 497**	**163 255**
TOTAL LIABILITIES		**170 385**	**205 817**
NET ASSETS			
Accumulated surpluses/(deficits)		44 888	21 527
Reserves	17	49 403	49 504
TOTAL NET ASSETS		**94 291**	**71 032**
TOTAL LIABILITIES AND NET ASSETS/EQUITY		**264 676**	**276 849**

.*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 2022

(Thousands of United States dollars)

	Note	*2022*	*2021*
REVENUE	15		
Indicative contributions		35 618	37 076
Voluntary contributions		40 228	30 733
CDM and JI service fees		32 072	22 894
Interest Revenue		4 008	1 030
Gain on foreign exchange		-	-
Other/miscellaneous revenue		746	1 077
TOTAL REVENUE		**112 672**	**92 809**
EXPENSES	16		
Personnel expenditure		58 462	56 309
Travel		12 418	5 721
Contractual services		24 239	20 733
Operating expenses		6 393	2 159
Other expenses		4 405	4 915
Depreciation of equipment		133	110
Amortization of intangible assets		171	276
Return/transfer of donor/CDM Trust Fund Transfer		20 273[1]	664
Loss on foreign exchange and investments		6 013	2 663
TOTAL EXPENSES		**132 507**	**93 551**
SURPLUS/(DEFICIT) FOR THE PERIOD		**(19 835)**	**(742)**

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

[1] This amount includes USD 20.0 million transfer from the CDM Trust Fund to the World Bank hosted Adaptation Fund pursuant to the decision in 2/CMP.16

C. Statement III: Statement of Changes in Net Assets for the year ended 31 December 2022

(Thousands of United States dollars)

	Accumulated Surplus	*Reserves*	*Total Net Assets*
Balance as at 01 January 2022	21 527	49 504	71 032
Surplus/(Deficit) for the current period	(19 835)	–	(19,835)
Actuarial gains (losses) on employee benefits liabilities	43 094	–	43 094
Adjustment to operating reserve amounts against accumulated surplus	102	(102)	-
Balance as at 31 December 2022	**44 888**	**49 403**	**94 291**

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

D. Statement IV: Cash Flow Statement for the year ended 31 December 2022

(Thousands of United States dollars)

	2022	*2021*
Cash flows from operating activities		
Surplus/(deficit) for the period	(19 835)	(742)
Depreciation expense	133	110
Amortization of intangible assets	171	276
(Increase)/decrease in accounts receivable	(2 609)	2 360
(Increase)/decrease in other assets	(433)	(1 792)
Increase/(decrease) in payables and accruals	2 751	1 006
Increase/(decrease) in advance receipts	(4 417)	7 098
Increase/(decrease) in employee benefit liabilities	8 197	8 896
Increase/(decrease) in other liabilities	1 132	746
Net cash flows from operating activities	**(14 910)**	**17 957**
Cash flows from investing activities		
(Increase)/decrease in equipment	–	(204)
(Increase)/decrease in intangible assets	–	(28)
(Increase)/decrease in short-term investments	51 498	(31 770)
(Increase)/decrease in long-term investments	(30 308)	16 082
Net cash flows from investing activities	**21 190**	**(15 920)**
Net increase/(decrease) in cash and cash equivalents	**6 279**	**2 036**
Cash and cash equivalents at the beginning of the year	27 236	25 199
Cash and cash equivalents at the end of the year	33 515	27 236
Overall increase/(decrease)	**6 279**	**2 036**

	2021	*2020*
Cash flows from operating activities		
Surplus/(deficit) for the period	(742)	(513)
Depreciation expense	110	68
Amortization of intangible assets	276	489
(Increase)/decrease in accounts receivable	2 360	5 795
(Increase)/decrease in other assets	(1 792)	1 360
Increase/(decrease) in payables and accruals	1 006	314
Increase/(decrease) in advance receipts	7 098	(964)
Increase/(decrease) in employee benefit liabilities	8 896	9 254
Increase/(decrease) in other liabilities	746	(2)
Net cash flows from operating activities	**17 957**	**15 802**
Cash flows from investing activities		
(Increase)/decrease in equipment	(204)	(204)
(Increase)/decrease in intangible assets	(28)	0
(Increase)/Decrease in short-term investments	(31 770)	(34 702)
(Increase)/Decrease in long-term investments	16 082	(13 394)
Net cash flows from investing activities	**(15 920)**	**(48 300)**
Cash flows from financing activities	**0**	**0**

Net increase/(decrease) in cash and cash equivalents	**2 036**	**(32 498)**

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 2022 and the biennium 2022–2023

*2022**	Original Budget (EUR)	Final Budget (EUR)	Actual (EUR)	Difference (EUR)	Original Budget (USD)	Final Budget (USD)	Actual (USD)	Difference (USD)
Executive	1 916 780	1 916 780	2 014 718	(97 938)	2 175 687	2 175 687	2 116 842	58 845
Programmes Coordination	256 940	256 940	271 266	(14 326)	291 646	291 646	285 589	6 057
Adaptation	3 255 039	3 255 039	3 584 283	(329 244)	3 694 709	3 694 709	3 753 068	(58 358)
Mitigation	1 870 091	1 870 091	1 489 552	380 539	2 122 691	2 122 691	1 567 028	555 664
Means of Implementation	3 313 247	3 313 247	2 428 796	884 451	3 760 780	3 760 780	2 553 200	1 207 579
Transparency	6 423 302	6 423 302	6 475 287	(51 985)	7 290 922	7 290 922	6 808 069	482 853
Operation Coordination	612 178	612 178	725 025	(112 847)	694 867	694 867	765 712	(70 845)
Secretariat-wide costs	1 435 293	1 435 293	1 614 069	(178 776)	1 629 163	1 629 163	1 678 620	(49 456)
AS/HR/ICT	1 877 106	1 877 106	1 661 025	216 081	2 130 654	2 130 654	1 751 304	379 350
Conference Affairs	1 300 600	1 300 600	1 474 284	(173 684)	1 476 277	1 476 277	1 556 355	(80 078)
Legal Affairs	1 186 960	1 186 960	1 177 812	9 148	1 347 287	1 347 287	1 239 986	107 301
Intergovernmental Support and Collective Progress	2 021 362	2 021 362	1 778 609	242 753	2 294 395	2 294 395	1 864 915	429 480
Communications and Engagement	2 044 839	2 044 839	2 026 408	18 431	2 321 043	2 321 043	2 146 261	174 782
IPCC	244 755	244 755	244 755	0	277 815	277 815	268 078	9 737
Total appropriation	**27 758 492**	**27 758 492**	**26 965 890**	**792 602**	**31 507 936**	**31 507 936**	**28 355 026**	**3 152 910**
Programme support costs	3 608 604	3 608 604	3 445 357	163 247	4 096 032	4 096 032	3 660 805	435 227
Adjustment to working capital reserve	103 470	103 470			117 446	117 446		
Grand TOTAL	**31 470 566**	**31 470 566**	**30 411 246**	**955 850**	**35 721 414**	**35 721 414**	**32 015 831**	**3 588 138**
Contribution from the Host Government	766 938	766 938	766 938		870 531	870 531	870 531	
Income from Indicative Contributions	30 703 626	30 703 626	30 703 626		34 850 881	34 850 881	34 850 881	
Net result (budgetary)			**1 059 318**				**3 705 581**	

2. Budget to Actual Comparison International Transaction Log Budget for the year 2022 and the biennium 2022–2023

*2022**	Original and Final Budget (EUR)	Actual (EUR)	Difference (EUR)	Original and Final Budget (USD)	Actual (USD)	Difference (USD)
Staff costs	654 740	485 643	169 097	743 178	513 479	229 699
Consultants	22 500		22 500	25 539		25 539
Travel of staff	12 036		12 036	13 662		13 662
Experts and expert groups						
Training	8 000		8 000	9 081		9 081
General operating expenses	923 956	525 734	398 222	1 048 758	545 859	502 899
Contributions to common services	97 024	50 625	46 399	110 129	58 240	51 889
TOTAL	**1 718 256**	**1 062 002**	**656 254**	**1 950 347**	**1 117 578**	**832 769**
Programme support costs (overheads)	223 373	143 513	79 860	253 545	153 139	100 405
Adjustment to working capital reserve	(15 655)			(17 769)		
Grand TOTAL	**1 925 974**	**1 205 515**	**736 114**	**2 186 123**	**1 270 717**	**933 175**
Income from indicative contributions	**1 925 974**	**1 925 974**		**2 186 123**	767 280	
Net result (budgetary)					**(503 437)**	

* Further information is contained in notes 19 and 20.

3. Budget to Actual Comparison Conference Services Contingency Budget for the year 2022

2022	*Original and Final Budget (EUR)*	*Actual (EUR)*	*Difference (EUR)*	*Original and Final Budget (USD)*	*Actual (USD)*	*Difference (USD)*
Object of expenditure						
Interpretation	1 149 094		1 149 094	1 304 306		1 304 306
Documentation						
Translation	1 014 435		1 014 435	1 151 459		1 151 459
Reproduction and distribution	779 935		779 935	885 284		885 284
Meetings service support	234 878		234 878	266 604		266 604
Subtotal	**3 178 342**		**3 178 342**	**3 607 653**		**3 607 653**
Programme support costs	413 185		413 185	468 995		468 995
Working capital reserve	298 097		298 097	338 362		338 362
Total	**3 889 624**		**3 889 624**	**4 415 010**		**4 415 010**

*Further information is contained in notes 19 and 20.

F. Notes to the Financial Statements

Note 1: The Reporting Entity

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

(a) To arrange 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.

34. 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.

35. 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.

36. 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

37. 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 2022-2023, 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.

38. In accordance with IPSAS, the 2022 financial statements are presented on an annual basis covering the period 1 January 2022 to 31 December 2022. These financial statements are certified by the Executive Secretary. The financial statements are submitted to the United Nations Board of Auditors on 31 March 2023. Sequentially, the report of the Board of Auditors together with the audited financial statements are submitted to the Conference of the Parties.

39. The cash flow statement is prepared using the indirect method.

40. 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

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

2.2 Foreign Currency Translation

42. Transactions in currencies other than United States dollar are translated into United States dollar at the prevailing United Nations Operational Rates of Exchange (UNORE) which represents the prevailing rate at the time of transaction[2]. Assets and liabilities in currencies other than United States dollar are translated into United States dollar at the UNORE year-end closing rate. Resulting net gains and losses are accounted for in the Statements of Financial Performance.

43. 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 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.

44. 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 2022 while the euro amounts for the actuals are converted to USD using the applicable monthly UNORE rate at the time of the transaction.

[2] https://treasury.un.org/operationalrates/OperationalRates.php

2.3 Materiality and the use of judgement and estimates

45. 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

46. 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

47. 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).

48. 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.

49. 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.

50. 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.

51. 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 (Parties) 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

52. UNFCCC does not maintain an inventory of tangible assets that are held for resale or consumed in the distribution in rendering of its 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

53. 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.

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

Table 3
The estimated useful life for equipment classes

Class of equipment	*Estimated useful life (in years)*
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

55. 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, sub-contractors, and consultants.

56. Amortization is provided over the estimated useful life of the intangible asset using the straight-line method.

Table 4
The estimated useful lives for intangible asset classes

Class of intangible assets	*Estimated useful life (in years)*
Software acquired externally	3 – 10
Internally developed software	3 – 10
Copyrights	Set 8 years or period of copyright, whichever is shorter

57. 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

58. 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.

59. 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.

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

3.7 Employee Benefits

61. 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.

62. 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.

63. 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.

64. 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.

65. 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.

66. 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

67. 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

68. 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

69. 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

70. **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. Provision of 50 per cent for all indicative amounts receivable for three years and 100 per cent for all amounts receivable for four or more years is provided for.

71. **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. Provision for doubtful debts is based on specific identification basis.

72. 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.

73. **Goods in kind** are recognised at their fair value, measured as of the date the donated assets are received or acquired. **Services in kind** are not recognized on the face of the financial statements but instead disclosing the nature and type of services in-kind in the notes.

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

3.12 Exchange revenue

75. 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, considering the effective yield.

3.13 Expenses

76. 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

77. 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.

78. UNFCCC classifies all projects, operations, and activities into the following 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.

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

80. 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

81. UNFCCC's budget is prepared on a modified cash basis as per the applicable financial regulations and rules whereas the financial statements are prepared on a full accrual basis. Under the modified cash basis, expenses are 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 . On the other hand, the budget expenses does not include costs related to changes in provisions for employee benefits liabilities. Income is recognized as per para 70 also for statement V.

82. 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.

83. 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.

84. 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.

85. 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

86. 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 by the United Nations Secretariat Treasury which manages the UNFCCC cash pool and investments. UNFCCC will implement the changes provided by the United Nations Secretariat.

87. IPSAS 42: Social benefits was issued in 2020 with an effective date of 1 January 2022 which was postposed to 1 January 2023 due to the Covid-19 pandemic. The standard is not applicable to UNFCCC in the foreseeable future.

88. IPSAS 43 (Leases) was issued in January 2022 with an effective date of 1 January 2025. Its impact on the financial statements of UNFCCC upon adoption is currently being

assessed. The IPSAS board indicated that entities will benefit from a further assessment following the implementation of IPSAS 41 and also finalisation of other IPSAS currently under development, including revenue, which may result in further amendments to IPSAS 43. Therefore, UNFCCC aims to complete its initial assessment subsequent to the implementation of IPSAS 41 and plans to adopt IPSAS 43 effect 1 January 2025.

Note 4: Financial Risks

4.1 Financial risk factors

89. 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

90. 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.

91. As at 31 December 2022, 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 1 million higher/lower due to the change in the asset value of receivables denominated in euro.

Price risk

92. 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

93. 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

94. 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

95. Voluntary contributions from governments representing the Parties 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

96. 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

97. 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.

98. 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.

99. As at 31 December 2022, the cash pools and the total assets of USD 11,873.8 million (2021: USD 11,799.7 million), of which USD 233.0 million was due to the Organization (2021: $248.0 million), and its share of revenue from cash pools in 2022 was USD 1.29 million (2021: $0.234 million).

Table 5
Summary of assets and liabilities of the Cash Pools
(Thousands of United States dollars)

	as at 31 December 2022	*as at 31 December 2021*
Fair value through the surplus or deficit		
Short-term investments	6 789 427	8 839 722
Long-term investments	3 316 889	1 654 439
Total fair value through the surplus or deficit investments	**10 106 316**	**10 494 161**
Loans and receivables		
Cash and cash equivalents	1 707 288	1 294 660
Accrued investment revenue	60 265	10 903
Total loans and receivables	**1 767 553**	**1 305 563**
Total carrying amount of financial assets	**11 873 869**	**11 799 724**
Cash pool liabilities		
Payable to UNFCCC	233 091	248 231
Payable to other cash pool participants	11 640 778	11 551 493
Total liabilities	**11,873,869**	**11 799 724**
Net assets	**-**	**–**

Table 6
Summary of revenue and expenses of the Cash Pools
(Thousands of United States dollars)

	For the year ended 31 December 2022	*For the year ended 31 December 2021*
Investment revenue	178 646	46 322
Unrealized gains / (losses)	(137 034)	(37 495)
Investment revenue from main pool	**41 612**	**8 827**
Foreign exchange gains / (losses)	(7 670)	(1 626)
Bank fees	(772)	(1 805)
Operating gains (losses) from main pool	**(8 442)**	**(3 431)**
Revenue and expenses from main pool	**33 170**	**5 396**

Financial risk management

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

101. 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.

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

Financial risk management: credit risk

103. 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.

104. 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.

105. 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
Investments of the cash pools by credit ratings as at 31 December
(Percentage)

Main pool	*Ratings as at 31 December 2022*					*Ratings as at 31 December 2021*			
Bonds (long-term ratings)					**Bonds (long-term ratings)**				
	AAA/AAAu	*AA+u/AA+/AA*	*A+*	*NA*		*AAA*	*AA+/AA/AA-*	*A+*	*Not rated/WD*
S&P	33.8	65.9%		0.3%	S&P	47.8%	48.1%	0.4%	3.7%
	AAA	*AA+/AA/AA-*		*NA/NR*	Fitch	61.3%	15.7%		23.0%
Fitch	61.9%	22.5%	0.4%	15.4%					
	Aaa	*Aa1/Aa2/Aa3*	*A1*	*NA*		*Aaa*	*Aa1/Aa2/Aa3*	*A1*	
Moody's	66.7%	30.9%		2.4%	Moody's	61.1%	34.9%	0.4%	3.6%
Commercial papers/certificates of deposit (short-term ratings)					**Commercial papers/certificates of deposit (short-term ratings)**				
	A-1+/A-1					*A-1+/A-1*			
S&P	100.0%				S&P	100.0%			
	F1+/F1			*NR*		*F1+/F1*			*NR*
Fitch	97.7%			2.3%	Fitch	96.7%			3.3%
	P-1/P2					*P-1*			
Moody's	100.0%				Moody's	100.0%			
Term deposits/demand deposit account (Fitch viability ratings)					**Term deposits demand deposit account (Fitch viability ratings)**				
	aa/aa-	*a+/a/a-*		*NA*		*aa/aa-*	*a+/a/a--*	*a+/a*	
Fitch	35.9%	64.1%			Fitch	34.1%	65.9%		

106. 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

107. The cash 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 cash pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

108. The cash 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 (2021: three years). The average duration of the main pool on 31 December 2022 was 0.77 years (2021: 0.49 years), which is considered to be an indicator of low risk.

Cash Pool interest rate risk sensitivity analysis

109. 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. Given that the investments are 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 2022

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars):									
Main pool total	168.98	126.73	84.48	42.24		(42.23)	(84.46)	(126.69)	(168.91)

Table 9
Cash Pools interest rate risk sensitivity analysis as at 31 December 2021

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars):									
Main pool total	113.63	85.22	56.81	28.40	0	(28.40)	(56.80)	(85.19)	(113.58)

Other market price risk

110. 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

111. 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.

112. 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).

113. 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.

114. 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.

115. 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 2022			*31 December 2021*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	65 200	–	65 200	29 997	–	29 997
Bonds – non-United States agencies	1 974 662	–	1 974 662	1 595 405	–	1 595 405
Bonds – supranational	789 587	–	789 587	812 539	–	812 539
Bonds – United States treasuries	1 348 056	–	1 348 056	197 390	–	197 390
Bonds – non-United States sovereigns	96 713	–	96 713	90 163	–	90 163
Main pool – commercial papers	–	1 747 461	1 747 461	–	3 033 880	3 033 880
Main pool – certificates of deposit	–	2 654 637	2 654 637	–	2 824 787	2 824 787
Main pool – term deposits	–	1 430 000	1 430 000	–	1 910 000	1 910 000
Total	**4 274 218**	**5 832 098**	10 106 316	**2 725 494**	**7 768 667**	**10 494 161**

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

	31 December 2022	*31 December 2021*
Cash and cash equivalents	33 515	27 236
Short-term investments	134 463	185 961
Long-term investments	65 112	34 804
Accounts receivable	25 375	22 766
Accounts payable	(2 755)	(1 347)
Total financial instruments	**255 711**	**269 420**

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

	Indicative Contributions	*Voluntary Contributions*
EUR and other currencies	11 289	10 986
USD	135	3 391
Total contributions receivable as at 31 December 2022	**11 424**	**14 337**

Table 13
Net indicative contributions past due as at 31 December 2022
(Thousands of United States dollars)

Indicative contributions past due	*Indicative Contributions*
Up to 1 year	8 133
1 to 2 year	1 434
2 to 3 years	1 555
Above 3 years	302
Total net indicative contributions past due as at 31 December 2022	**11 424**

Table 14
Provision for impaired indicative receivables as at 31 December 2022
(Thousands of United States dollars)

Provision for impaired receivables	*Indicative Contributions*
As at 1 Jan 2022	2 457
Increase in provision during 2022	(267)
Total as at 31 December 2022	**2 190**

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 2022	*31 December 2021*
Cash held in cash pools	33 515	27 236
Total cash and cash equivalents	**33 515**	**27 236**

Table 16
Breakdown of short-term and long-term investments
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Short-term investments (cash pool)	134 463	185 961
Long-term investments (cash pool)	65 112	34 804
Total investments	**199 576**	**220 765**

116. 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.

117. UNFCCC cash and investments include USD 29.8 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)

Accounts receivable	*31 December 2022*	*31 December 2021*
Indicative contributions due from Parties to the Convention, the Kyoto Protocol and the International transaction log		
Current	13 614	16 705
Less provision for doubtful debts	(2 190)	(2 457)
Subtotal for indicative contributions	**11 424**	**14 247**
Voluntary contributions		
Current	7 565	5 130
Non-current	4 163	2 377
Subtotal voluntary contributions	**11 727**	**7 507**
Other receivables (current)	2 223	1 012
Total accounts receivable	**25 375**	**22 766**

118. Indicative contributions reflect the contributions receivable from Parties to the Convention, the Kyoto Protocol and the Paris Agreement to fund the core budget and the International Transactions log in accordance with the Financial Procedures adopted by the COP. Current voluntary contributions receivables are confirmed contributions that are due within twelve months from the reporting date. Other receivables represent amounts invoiced to Parties, 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.

119. 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

120. Other current assets consist of the following:

Table 18
Other current assets
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Prepayments	3 456	3 222
Project Clearing	854	654
Travel Advances	234	190
Education Grant Advances	1 032	1 077
Total	**5 576**	**5 143**

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

122. 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)

	Vehicles	*Communication and IT equipment*	*Furniture and machinery*	*Total*
Cost				
At 1 January 2022	77	3 488	45	3 610
Additions	–	–	–	0
Disposal	–	–	(38.83)	(38.83)
At 31 December 2022	**77**	**3 488**	**6**	**3 571**
Accumulated depreciation				
At 1 January 2022	34	3 088	45	3 167
Depreciation during the year	8	126	–	133
Disposal	–	–	(38.83)	(38.83)
At 31 December 2022	**42**	**3 213**	**6**	**3 261**
Net Book Value				
At 31 December 2022	36	275	–	310
At 31 December 2021	43	400	1	444

123. Assets are reviewed annually to determine if there is any indication that assets may be impaired in their value. During 2022 there was no indication for any equipment being impaired.

Note 9: Intangible assets

Table 20
Intangible assets
(Thousands of United States dollars)

	Internally developed software
Opening balance 1 Jan 2022	**3 156**
Additions	–
Disposal (see note in para 124 below)	2 319
Total as at 31 Dec 2022	**837**
Accumulated Amortization 1 Jan 2022	2 662
Amortization during the year	171
Disposal (see note in para 124 below)	2 319
Total as at 31 Dec 2022	**514**
Net Book Value	
Net book Value 31 Dec 2022	323
Net book Value 31 Dec 2021	495

124. The decommissioning of fully amortized and no longer used intangible assets of USD 2.32 million will be completed during 2023.

125. 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)

	31 December 2022	*31 December 2021*
Vendor payables	1 439	625
Other payables	1 317	722
Accruals for goods and services	5 070	3 727
Total payables and accruals	**7 825**	**5 074**

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

127. 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)

	31 December 2022	*31 December 2021*
Conditional voluntary contributions	19 280	18 208
Indicative contributions received in advance	2 946	9 097
CDM fees received in advance	7 542	6 879
Total	**29 767**	**34 185**

128. 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.

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

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

Note 12: Employee Benefits

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

Table 23
Employee benefit liabilities
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Current employee benefit liabilities		
After service health insurance	605	492
Repatriation grant	608	772
Annual leave	341	451
Home leave travel	715	801
US tax reimbursement	149	41

	31 December 2022	*31 December 2021*
Total current employee benefit liabilities	**2 418**	**2 557**
After service health insurance	119 441	152 387
Repatriation grant	5 366	6 373
Annual leave	3 642	4 474
Home leave travel	48	21
Total non-current employee benefit liabilities	**128 497**	**163 255**
Total employee benefit liabilities	**130 915**	**165 812**

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

133. 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.

134. 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.

135. 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.

136. 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.

137. **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.

138. **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.

139. **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.

140. **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.

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

142. An actuarial valuation as at 31 December 2022 carried out in 2023 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 2022, the actuarial study was conducted as a roll-forward of the actuarial valuation of the End-of-Service schemes as at 31 December 2021.

143. 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.

144. The following assumptions and methods have been used to determine the value of after-service medical care liabilities for the UNFCCC at 31 December 2022.

Table 24
Key financial assumptions

	ASHI	*Repatriation Grant & Travel*	*Annual Leave*
Discount rate at beginning of period	0.19%	2.68%	2.70%
Discount rate at end of period	2.06%	5.09%	5.10%
General inflation rate at beginning of period		2.20%	
General inflation rate at end of period		2.20%	
Salary increases 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	3.75% decreasing to 3.75% no downturn		
Healthcare cost trend rate at end of period	5.20% decreasing to 4.15% in eleven years		

145. The following assumptions were utilized by the actuary in determining the maturity profile of the defined benefit obligations at 31 December 2021:

146. 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.

147. 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.

148. 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.

149. 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)

	Change	*After service health insurance*
On total defined benefit obligation	0.50%	20 913
	(0.50)%	(17 601)
On current service cost and interest cost component of liability	0.50%	1 728
	(0.50)%	(1 432)

Table 26
Impact of change in discount rates assumptions and duration
(Thousands of United States dollars)

	ASHI		Repatriation Grant		Annual Leave	
	Liability change	Change in %	Liability change	Change in %	Liability change	Change in %
Increase of discount rate by 0.5%	(11 745)	(12)	(234)	(4)	(160)	(4)
Decrease of discount rate by 0.5%	13 370	13	245	4	167	4
Duration	25		9		9	

150. The liabilities established for defined benefit obligations and the net service costs for 2021 are as follows:

Table 27
Liabilities established for defined benefit obligations and the net service costs for 2022
(Thousands of United States dollars)

	ASHI	*Repatriation Grant & Travel*	*Annual Leave*
Reconciliation of defined benefit obligation			
Defined benefit obligation, beginning of year	152 879	7 010	4 925
Current service cost	8 297	578	272
Interest cost	287	179	127
Benefits paid (net of participant contribution)	(493)	(654)	(463)
Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets	(40 924)	(1 292)	(878)
Total liability recognized on Statement of Financial Position	**120 046**	**5 821**	**3 983**
Annual expense for calendar year			
Current service cost	8 297	578	272
Interest cost	287	179	127
Benefits paid (net of participant contribution)	(493)	(654)	(463)
Total charge/(credit) recognized on statement of financial performance	**8 091**	**103**	**(64)**
Estimated benefit payments net of participant contributions payable in 2022	606	467	350

Cumulative amount of actuarial (gain)/loss recognized in net assets

	ASHI	*Repatriation Grant & Travel*	*Annual Leave*
Liability (gain)/loss due to actuarial assumptions and experience recognised in net assets	40 924	1 292	878
Total portion of cumulative liability recognized in net assets at end of year	**40 924**	**1 292**	**878**

151. 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.

152. Under IPSAS 39: Employee benefit, 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.

153. 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.

154. 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.

155. During 2022, UNFCCC accrued USD 0.7 million for repatriation grant and travel and USD 1.36 million for ASHI from all funds except the core budget and the international transaction log budget. 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 120 million and USD 5.8 million for repatriation grant and the overall accrued amounts of USD 6.5 million for ASHI and USD 3.1 million for repatriation, the current funding ratio amounts to 5.7 per cent for the ASHI and 53 per cent for repatriation grant liability. For 2022, the estimated amounts for accrual under ASHI and repatriation are USD 1.3 million and USD 0.5 million respectively.

156. Based on the staffing ratio as at 31 Dec 2022, 37.3 per cent of the total ASHI and repatriation liability equalling USD 47.0 million relates to core budget funded positions while 62.6 per cent of the ASHI and repatriation liability corresponding to USD 78.8 million relates to non-core funded positions .

United Nations Joint Staff Pension Fund (UNJSPF)

157. 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.

158. 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.

159. 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.

160. 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.

161. The latest actuarial valuation for the Fund was completed as at 31 December 2021, and a roll forward of the participation data as at 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements.

162. The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0% (107.1% in the 2019 valuation). The funded ratio was 158.2% (144.4 % in the 2019 valuation) when the current system of pension adjustments was not taken into account.

163. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2021, 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.

164. 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 (2019, 2020 and 2021) amounted to USD 8,505.27 million, of which 0.28 per cent was contributed by UNFCCC.

165. During 2022, UNFCCC's contributions paid to UNJSPF amounted to USD 8.5 million (2021 USD 7.9 million). Expected contributions due in 2023 are USD 8.5 million.

166. 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.

167. 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)

	31 December 2022	31 December 2021
Provision for legal cases	0	0
Total	**0**	**0**

168. 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)

	31 December 2022	31 December 2021
Other Liabilities	1 878	746
Total	**1 878**	**746**

Note 15: Revenue

169. Indicative contributions are contributions received from Parties to the Convention, the Kyoto Protocol and the Paris Agreement to fund 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)

	2022	2021
Core budget to the convention	34 851	35 781
International transaction log	767	1 295
Total	**35 618**	**37 076**

170. The below table shows the top ten contributors to the indicative contributions including working capital adjustments requested from the parties.

Table 31
Top ten parties contributing to the core budget
(Thousands of United States dollars)

	2022	Per cent
United States of America	9 284	25.99
China	4 226	11.83
Germany	3 002	8.46
Japan	3 015	8.44
United Kingdom of Great Britain and NI	1 608	4.50
France	1 558	4.36
Russian Federation	1 344	3.76
Italy	1 165	3.26
Republic of Korea	930	2.60
European Union	872	2.44

171. 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 32

Voluntary contributions
(Thousands of United States dollars)

	2022	2021
Voluntary contribution to the core budget	871	1 002
Participation trust fund	1 982	3 509
Trust fund for supplementary activities	29 506	19 138
Special annual contribution from the host country	2 031	2 196
Special account for activities for conferences	5 838	4 888
Total	**40 228**	**30 733**

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

Table 33
Fee Income
(Thousands of United States dollars)

	2022	2021
CDM fees	32 072	22 894
Total	**32 072**	**22 894**

173. From 2021, income to finance the administration of CDM processes consists of accreditation fees and fees to be charged at issuance of certified emission reductions (CERs) (share of proceeds) to cover administrative expenses:

(a) The accreditation fee for the application for accreditation or reaccreditation of an entity is USD 15,000;

(b) The share of proceeds to cover administrative expenses are:

(i) USD 0.10 per CER issued for the first 15 000 tonnes of CO2 equivalent for which issuance is requested in a given calendar 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 calendar year;

(iii) No share of proceeds are required for activities hosted in least developed countries.

Table 34
Interest revenue

	31 December 2022	31 December 2021
Investment income – Interest earned	4 008	1 030
Total	**4 008**	**1 030**

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

175. 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 35
Expenses
(Thousands of United States dollars)

	2022	2021
Personnel expenditure	58 462	56 309
Travel	12 418	5 721

	2022	2021
Contractual services	24 239	20 733
Operating expenses	6 393	2 159
Other expenses	4 405	4 915
Depreciation of equipment	133	110
Amortization of intangible assets	171	276
Return/transfer of donor funding	20 273	664
Loss on foreign exchange and investments	6 013	2 663
Total	**132 507**	**93 551**

176. 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 36
Personnel expenditure
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Salary and wages	34 414	33 909
Pension and insurance benefits	18 719	18 284
Other benefits	5 328	4 116
Total	**58 462**	**56 309**

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

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

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

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

181. Pursuant to rule 106.7(a) of the financial Regulations of the United Nations, write-off cases totalling USD 8 890 were processed for the year 2022 for long outstanding travel related advances paid to participants to UNFCCC events for prior years. These advances were deemed uncollectible and subsequently written off.

182. 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

183. 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 49.4 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 37
Reserves as at 31 December 2022

	Thousand USD
Reserves for core budget and ITL	2 927
CDM trust fund reserve	45 000
Reserve for Appendix D	1 476

	Thousand USD
Total reserves	**49 403**

Note 18: Fund Accounting and Segment Reporting

184. 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.

185. 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.

186. 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.

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

Table 38
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*	*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*	***TOTAL***
ASSETS											
Current Assets											
Cash and cash equivalents	12 158	2 673	628	27	13 555	1 109	255	1 335	431	1 345	33 515
Short-term investments	48 779	10 723	2 521	107	54 382	4 449	1 022	5 354	1 730	5 396	134 463
Indicative contributions receivable		11 363				62					11 424
Voluntary contributions receivable			5		7 560						7 565
Other receivables	445	285		35	720	36	468	51	184		2 223
Other current assets	511	674	(4)	9	2 575	61	99	1 546	105		5 576
Total current assets	61 894	25 717	3 150	177	78 791	5 717	1 843	8 286	2 450	6 742	194 767
Non-current assets											
Other receivables					4 163						4 163
Long-term investments	23 621	5 192	1 221	52	26 334	2 154	495	2 593	838	2 613	65 112
Property, plant and equipment		42		95	28		109	36			310
Intangible assets					310		13				323
Total non-current assets	23 621	5 234	1 221	147	30 835	2 154	617	2 629	838	2 613	69 909
TOTAL ASSETS	**85 515**	**30 951**	**4 371**	**325**	**109 626**	**7 871**	**2 460**	**10 915**	**3 288**	**9 355**	**264 676**
LIABILITIES											
Current Liabilities											
Payables and accruals	2 648	996	903	3	1 665	90	840	122	558		7 825
Advance receipts	7 542	2 774	865		18 414	172					29 767
Employee benefits	186	503		5	123	12		127	60	1 401	2 418
Provisions											0
Other current liabilities					1 878						1 878
Total current liabilities	10 375	4 273	1 768	8	22 081	274	840	249	618	1 401	41 888
Non-current liabilities											
Employee benefits	4	20			19			4		128 449	128 497
Advance receipts											
Total non-current liabilities	4	20			19			4		128 449	128 497
TOTAL LIABILITIES	**10 379**	**4 293**	**1 768**	**8**	**22 100**	**274**	**840**	**253**	**618**	**129 850**	**170 385**
NET ASSETS											
Accumulated surpluses/(deficits)	30 135	22 426	2 603	316	87 526	7 425	1 620	10 662	2 670	(120 495)	44 888
Reserves	45 000	4 231				171					49 403
TOTAL NET ASSETS	75 135	26 658	2 603	316	87 526	7 597	1 620	10 662	2 670	(120 495)	94 291
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**85 515**	**30 951**	**4 371**	**325**	**109 626**	**7 871**	**2 460**	**10 915**	**3 288**	**9 355**	**264 676**

Table 39
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		34 851				767						35 618
Voluntary contributions		871	1 982	2 031	29 506		5 838					40 228
CDM and JI service fees	32 072											32 072
Interest Revenue	1 553	322	76	14	1 570	126	56	118	48	126		4 008
Gain on foreign exchange												
Other/miscellaneous revenue		5	705	4	(6)		(6)	3	7 192	1 857	(9 009)	746
Programme support income								10 059			(10 058)	1
TOTAL REVENUE	**33 626**	**36 048**	**2 763**	**2 049**	**31 070**	**893**	**5 888**	**10 180**	**7 240**	**1 983**	**(19 066)**	**112 672**
EXPENSES												
Personnel expenditure	8 139	21 382	73	786	9 200	501	156	8 764	3 143	8 175	(1 857)	58 462
Travel	774	1 887	3 497	50	4 078	4	2 084	39	6			12 418
Contractual services	1 316	4 233	3	705	14 957	587	2 242	503	3 263	160	(3 730)	24 239
Operating expenses	46	1 096		10	4 100	2	236	40	862			6 393
Other expenses	3 106	595	29	262	1 435	54	834	1 459	55	1	(3 422)	4 405
Depreciation of equipment		17		32	10		65	9				133
Amortization of intangible assets					162		9					171
Return/transfer of donor/CDM Trust Fund	20 000				273							20 273
Loss on foreign exchange	1 199	3 254	113	41	987	118	53	113	27	109		6 013
Programme support	1 496	3 661	420	229	3 828	153	271				(10 058)	0
TOTAL EXPENSES	**36 075**	**36 124**	**4 134**	**2 115**	**39 030**	**1 419**	**5 951**	**10 927**	**7 354**	**8 445**	**(19 066)**	**132 507**
TOTAL SURPLUS/(DEFICIT)	**(2 449)**	**(76)**	**(1 371)**	**(66)**	**(7 960)**	**(526)**	**(63)**	**(747)**	**(114)**	**(6 463)**		**(19 835)**

Note 19: Budget Comparison and Reconciliation

188. UNFCCC's budget is prepared on a modified cash 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.

189. 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 40. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

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

191. 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.

192. 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.

193. 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 40
Reconciliation of net result on budgetary and IPSAS basis

Reconciliation of net result on budgetary and IPSAS basis	*Thousand USD*
Actual net result on the Statement of budgets to actual comparison	
Statement V-A Core Budget	3 706
Statement V-B International Transaction Log	(503)
Statement V-C Contingent budget of conference services	
Actual net result on budgetary basis	**3 202**
Basis differences	
Additional income components under IPSAS	452
Exchange gains/losses	(3 366)
Conversion of unliquidated obligations to delivery principle	(297)
Capitalization of equipment & intangible assets	(17)
Changes in provision for doubtful debts	(577)
Sub-total basis differences	**(3 804)**
Entity differences on IPSAS Basis	
Trust fund for participation in UNFCCC process	(1 371)
Trust fund for supplementary activities	(7 960)
Trust fund for the Clean development mechanism	(2 449)
Trust fund for the Special Annual Contribution from the Government of Germany	(66)
Special account for conferences and other recoverable costs	(63)
Special account for UNFCCC programme support costs	(747)

Reconciliation of net result on budgetary and IPSAS basis	*Thousand USD*
Cost Recovery	(114)
UNFCCC employee liabilities fund	(6 463)
Sub-total entity differences	**(19 233)**
Actual net result on the Statement of Financial Performance	**(19 835)**

Note 20: Budget to Actual variance analysis

194. Explanations of material differences between the original budget and final budget and the actual amounts are presented in the budget performance report for biennium 2022–2023 by the Executive Secretary accompanying these statements. See paragraph 16-19 for further details.

Note 21: Related Parties

195. 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.

196. 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.

197. 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.

198. 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 41
Summary of senior management and related compensation

Number of individuals	*Aggregate remuneration (in thousands of USD)*	*Outstanding advances at 31 Dec 2022 (in thousands of USD)*
14	2 848	191

199. During 2022, two individuals of senior management left the organization and two joined.

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

201. 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

202. Commitments relating to acquisition of goods and services contracted for, but not delivered as at 31 December 2022 amount to 4.5 USD million (USD 6.3 million in 2021). Details are shown in the table below.

Table 42
Contractual Commitments by Category
(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Goods and services	4 051	5 590

	31 December 2022	*31 December 2021*
Travel related commitments	498	712
Total	**4 549**	**6 302**

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

204. 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

205. UNFCCC's reporting date is 31 December 2022. The financial statements were authorized for issue on 31 March 2023, 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

206. 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.