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Administrative and financial matters

Programme budget for the biennium 2006–2007

Proposed programme budget for the biennium 2006–2007

Note by the Executive Secretary*

Summary

This document contains the programme budget of the secretariat for the biennium 2006–2007 proposed by the Executive Secretary for consideration by the Subsidiary Body for Implementation at its twenty-second session and for adoption by the Conference of the Parties at its eleventh session and endorsement by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session. It should be considered in conjunction with document FCCC/SBI/2005/8/Add.1, which provides details of the work programme and resource requirements, and with document FCCC/SBI/2005/8/Add.2, which describes the supplementary activities that the secretariat plans to undertake and details the resources required therefore.

* Submission of this document has been delayed due to the complex restructuring of the budget and the need for extensive consultations within the secretariat.

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I. Introduction

A. Mandate

1. The Conference of the Parties (COP), by its decision 11/CP.10, requested the Executive Secretary to submit for consideration by the Subsidiary Body for Implementation (SBI), at its twenty-second session (SBI 22), a proposed programme budget for the biennium 2006–2007, including:
 - (a) A contingency for conference services
 - (b) Options to protect the funds of the Convention and the Kyoto Protocol against the adverse effects of exchange rate fluctuations.¹

B. Scope of the note

2. This document contains the proposed programme budget for the biennium 2006–2007. In addition to presenting the required human and financial resources, the document outlines the thinking underlying the overall approach, paying particular attention to the implications of the entry into force of the Kyoto Protocol and the continuing challenge posed by fluctuating exchange rates. The work programme that can be delivered on the basis of the proposed resource levels is contained in document FCCC/SBI/2005/8/Add.1. Activities for which the secretariat will seek supplementary funding are presented in document FCCC/SBI/2005/8/Add.2.
3. The results of the internal review of activities of the secretariat provide important background information and context for the budgetary proposals (see FCCC/SBI/2005/6).

C. Possible action by the Subsidiary Body for Implementation

4. The COP, at its tenth session, requested the SBI at its twenty-second session:
 - (a) To recommend a programme budget for adoption by the COP at its eleventh session, and by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) at its first session;
 - (b) To authorize the Executive Secretary to notify Parties of their contributions for 2006 on the basis of the recommended budget.
5. The SBI is also invited:
 - (a) To take note of the requirements for the Trust Fund for Participation in the UNFCCC Process and the Trust Fund for Supplementary Activities;
 - (b) To make a recommendation to the COP at its eleventh session and COP/MOP at its first session on how to protect the funds of the Convention and the Kyoto Protocol against the adverse effects of exchange rate fluctuations.

¹ FCCC/CP/2004/10/Add.1, decision 11/CP.10, paragraphs 16–17. The mandate for the preparation of a programme budget also derives from the financial procedures of the Convention (FCCC/CP/1995/7/Add.1, decision 15/CP.1, annex, paras. 3–4). In accordance with Article 13, paragraph 5, of the Kyoto Protocol, these financial procedures shall be applied *mutatis mutandis* under the Kyoto Protocol.

II. Building the proposed programme budget

A. The baseline

6. The baseline for the proposed core programme budget is derived from consolidating the key components of decision 16/CP.9,² namely tables 1 (programme budget) and 2 (staffing table) for the programme budget 2004–2005, and tables 3 (expenditures) and 4 (staffing table) for the interim allocation of the Kyoto Protocol (2005), adapted to cover a biennium rather than only one year.³

Table 1: The baseline
(United States dollars)

| | Approved budget | Established posts |
|--|-------------------|-------------------|
| Core programme budget 2004–2005 | 34 807 326 | 110.5 |
| Interim allocation of the Kyoto Protocol (2005 budget converted to biennium figure) | 10 493 459 | 19.0 |
| TOTAL | 45 300 785 | 129.5 |

7. Of the 110.5 posts approved in the main programme budget staffing table, six were part of the staffing requirements for activities of the Kyoto Protocol. Because of resource shortfalls arising from the fluctuating exchange rate, 11 of the 110.5 posts were frozen. With the entry into force of the Kyoto Protocol, six of the 11 frozen posts under the main programme budget were “unfrozen”, leaving five unfunded posts in the staffing table in 2005.

B. Budgetary pressures in 2004–2005

8. The secretariat supports a dynamic and high profile intergovernmental process; the **scope and volume of activities** associated with the implementation of the Convention and its Kyoto Protocol are considerable. The entry into force of the Kyoto Protocol in 2005 has meant the launch of much new work. At present, the resources for this work come partly from the interim allocation of the Kyoto Protocol, and partly from supplementary funding. In addition, the secretariat has been requested to cover from the core budget further activities arising from decisions by the COP and conclusions of the subsidiary bodies addressing such issues as adaptation, mitigation, information systems development and maintenance, and it will undoubtedly face additional demands in the new biennium. The secretariat is confronted with an imbalance between the mandated workload and staff resources. Flexibility will be essential, within the defined budgetary parameters.

9. Against the backdrop of 11 frozen posts (see paragraph 7 above), which is equivalent to a net reduction of staff resources of about 10 per cent, the secretariat has striven to deliver the quality products that Parties expect. However, the **pressure on staff** is unsustainable. As a result of this over-stretching, there has been some slippage in deadlines, some activities have been postponed, and, most regrettably, the quality and thoroughness of outputs has in some instances not met the self-imposed standards of the secretariat. This was one of the main findings of the internal review of the activities of the secretariat, which is discussed in section II.C.

10. The decision of the COP to authorize the Executive Secretary to draw up to USD 1.5 million from unspent balances (carry-over) has helped to relieve the budgetary pressure arising from

² FCCC/CP/2003/6/Add.1.

³ The COP specified that the interim allocation of the Kyoto Protocol should be added to the programme budget for 2005 if the Kyoto Protocol enters into force by 1 January 2005, or a pro-rata amount if it enters into force later in 2005 (decision 16/CP.9, paragraph 6).

exchange rate fluctuations in the current biennium.⁴ However, the exchange rate situation continues to be difficult and presented the greatest challenges in the preparation of the proposed programme budget for the next biennium. Since the time of preparation of the budget for the present biennium, requirements that have remained unchanged in euro terms have risen by 21.4 per cent when expressed in United States dollars. Options on how to address this problem are presented in chapter IV below.

11. However, the measures designed to compensate for, and protect the funds against, the adverse effects of exchange rate fluctuations do not address the issues of increased and new demands, frozen posts, and the associated staff–workload imbalance. The situation in the area of the clean development mechanism (CDM) and registries has been particularly critical due to considerable **shortfalls in supplementary fund contributions** and **delays in the availability of resources** from the interim allocation of the Kyoto Protocol.⁵

12. The Executive Secretary is aware of the **domestic budgetary pressures** facing Parties. This and all of the above factors must be expected to persist over the next two to three years, and have therefore been included in the premises underlying the proposed programme budget for the 2006–2007 biennium.

C. The internal review of the activities of the secretariat

13. In accordance with decision 16/CP.9, the secretariat undertook an internal review of its activities. The secretariat invited the United Nations Office of Internal Oversight Services (OIOS) to assist with the review. The results of the review have been an important input to the preparation of the proposed programme budget.⁶ The following are some of the key findings:

- (a) The character of the work of the secretariat has evolved since COP 7 and the adoption of the Marrakesh Accords. Support to implementation by Parties has emerged as a more important component of secretariat activities and is more human-resource intensive than activities in support of the negotiation process. The entry into force of the Kyoto Protocol is raising new challenges
- (b) The secretariat is struggling to deliver all of the requested activities with the resources available. Workload imbalances are evident, most notably in areas relating to the CDM, registries, information systems management and support to developing countries. Sufficient and predictable funding is required in a number of operational areas
- (c) There are some uncertainties about the role the secretariat is expected and able to play in relation to other actors, particularly with regard to support to implementation by Parties not included in Annex I to the Convention (non-Annex I Parties) and work on adaptation
- (d) For the secretariat to be in a position to respond to the expectations of Parties, it needs to strengthen its capacities in three key areas:
 - (i) Adaptation, especially support to the intergovernmental process
 - (ii) Support to non-Annex I Parties, within agreed mandates and priorities set by Parties
 - (iii) The coherent development and implementation of the Kyoto Protocol in the areas of inventories, reviews, registries, mechanisms and compliance

⁴ FCCC/CP/2004/10/Add.1, decision 11/CP.10, paragraph 15.

⁵ By the end of March 2005, only 35 per cent of the requirements of the Trust Fund for Supplementary Activities in the 2004–2005 biennium had been covered from contributions received.

⁶ FCCC/SBI/2005/6.

- (e) Opportunities for efficiency gains, including through innovative ways to mobilize engagement by external partners, will be investigated. Even when such opportunities are used, the overall programme of work requires the setting of priorities in the light of the resources available.

D. Reinforcing key areas of work

14. Against the backdrop of the budgetary constraints, the Executive Secretary has endeavoured to consolidate resources and maximize efficiencies so that it will be possible for the secretariat to provide stronger support in the **three key areas** identified in the internal review (see paragraph 13 (d) above).

15. The secretariat's activities relating to **adaptation** and the implementation of the Buenos Aires programme of work on adaptation and response measures,⁷ including impacts, vulnerability assessments, systematic observation, adaptation planning and response measures, which are presently coordinated across different programmes, will be consolidated in one programme. This programme will also include technology, so that synergy can be maximized.

16. The focus on **support to implementation, especially in non-Annex I Parties**, needs to be sharpened. A new programme will bring together specialist support for non-Annex I Parties' national communications, including through training, capacity-building and Article 6 of the Convention, and collocate these activities with the secretariat activities relating to the financial mechanism for maximum synergy. Support to the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention (CGE) and the Least Developed Countries Expert Group (LEG) will continue to play a pivotal role. At the same time, support to developing countries is not limited to one programme, but will also be provided by other programmes, for example through their activities relating to adaptation, vulnerability, response measures, support to technology transfer and the CDM, or participation in the intergovernmental process. It is important to underline, however, that the secretariat is conscious of its mandate, and the wish of Parties, that it should not duplicate the work of the implementing agencies of the Global Environment Facility (GEF). In this context, further guidance is being sought from the SBI on the role that Parties want the secretariat to play in this important area of work.

17. The next biennium will see the full operationalization of activities to support implementation of the Kyoto Protocol – **inventories, reviews, registries, mechanisms and compliance**. Some of these activities have already been undertaken under the Convention and will continue as such. There will hence be a combination of developmental work and ongoing implementation. Adequate funding for both is essential. It has not been possible to incorporate in the proposed core programme budget all of the required work, meaning that some work will continue to depend on supplementary funding. If, however, the current trend in provision of supplementary resources continues, there will be serious negative implications for the work on key provisions of the Kyoto Protocol.

E. Programme structure

18. As outlined in the two preceding sections, the internal review of activities showed that since COP 7, when the current programme structure was put in place, other demanding areas of work have emerged in the intergovernmental process together with the three key areas that need strengthened capacity. This has reinforced the Executive Secretary's conclusion that the current programme structure no longer optimally serves the needs of the intergovernmental process. Moreover, with the given budgetary constraints, some restructuring becomes important to ensure that the maximum efficiencies are achieved; the hallmarks are consolidation, coherence, efficiency and synergy.

⁷ FCCC/CP/2004/10/Add.1, decision 1/CP.10.

19. The structure is streamlined by combining six programmes into three clusters, in addition to a small Executive Direction and Management (EDM) entity.⁸ The three clusters, each headed by a Deputy Executive Secretary at D-2 level, are:

- (a) Cluster 1 with a focus on implementation, comprising two programmes: one dealing with reporting, data and analysis, and the other with support to implementation, especially by non-Annex I Parties
- (b) Cluster 2 covering, in three programmes, adaptation, science and technology; project-based mechanisms (CDM and Joint Implementation (JI)); and compliance
- (c) Cluster 3 encompassing the secretariat services supporting intergovernmental and conference affairs, information services, and administrative services.

20. The Executive Secretary and the Deputy Executive Secretaries will constitute a core strategy group that will provide a more strategic approach to the secretariat's work in support of the Parties based on guidance provided by the COP and the COP/MOP. The group will also track implementation of the secretariat's work programme, using the results-based approach. Each of the Deputy Executive Secretaries will have overall managerial responsibility for coordinating the secretariat's cross-cluster support to: the COP and the COP/MOP; the SBI; and the Subsidiary Body for Scientific and Technological Advice (SBSTA).

21. One of the underlying aims of the new structure is to break down barriers between work units and promote synergy, founded on clear accountabilities. A more streamlined structure will also mean that the secretariat can be more flexible in responding to the evolving needs of the intergovernmental process.

22. The new programme structure is described in annex I to this document. It serves as the basis for the work programme for the 2006–2007 biennium and the accompanying determination of resource requirements (see FCCC/SBI/2005/8/Add.1).

F. Results-based approach

23. In response to trends across the United Nations generally, and to the advice of OIOS in particular, the secretariat has sharpened and formalized its results-based approach in the current budget. The objective is to provide Parties with a clearer sense of the results that are to be achieved with the resources to be expended. This will also facilitate performance reporting in the future.

24. The work programme for the 2006–2007 biennium reflects the new approach, defining objectives and expected results of the programmatic clusters. In the 2006–2007 biennium, the secretariat will introduce and examine various performance indicators; those proven feasible and meaningful will be included in the work planning, monitoring and reporting cycle starting with the following biennium (2008–2009).

III. Proposed programme budget

A. One budget – two scales

25. Article 13, paragraph 5, of the Kyoto Protocol provides that the financial procedures of the Convention shall be applied *mutatis mutandis* under the Kyoto Protocol, except as may be otherwise decided by the COP/MOP. These procedures address the preparation and approval of the budget. Based

⁸ The names used in this document for the secretariat's organizational units ("cluster", "programme", etc.) are preliminary working titles.

on elements of decisions 16/CP.9 and 11/CP.10, the Executive Secretary has elaborated the budget proposal on the understanding that the COP and the COP/MOP would need to adopt decisions approving or endorsing the budget and that there would be separate indicative scales of contributions for Convention and Protocol Parties.

26. The Executive Secretary considers it very important to maintain the unity and cohesiveness of the secretariat, and to avoid fragmentation. Therefore, the budget has been developed as an integrated proposal. Work on the Convention and Kyoto Protocol cannot always be divided into separate activities. To do so rigidly would lead to duplication of work, inefficiencies and loss of economies of scale. The approach, therefore, is consistent with the one taken to determine the interim allocation of the Kyoto Protocol in the 2004–2005 programme budget: the proportion of work programme activities relating to the Kyoto Protocol in the technical units of clusters 1 and 2 is assessed and applied to the service and management units (EDM and cluster 3) to determine the ratio of contributions to the resource requirements for each of the two integral parts of the secretariat's activities. A full explanation of the derivation is provided in section III.E below.

B. Orientation

27. Parties have designed a sophisticated system aimed at facilitating and supporting the fulfilment of the principles and commitments under the Convention and its Kyoto Protocol. In developing the budget proposal, the scope and impact of the Parties' decisions in various areas have become apparent. The proposed programme budget is devised to cover the resources required for the activities which the Parties mandated the secretariat to carry out, through decisions of the COP and conclusions by the subsidiary bodies. A programme of work under the core budget that would fully respond to each and every specific mandate to everyone's satisfaction would result in a substantial increase in resource requirements. As this is clearly unrealistic given the resource constraints, activities need to be prioritized in a strategic manner in the light of the overall needs of the Convention and Protocol processes.

28. Being mindful of the budgetary constraints Parties are facing, the Executive Secretary is proposing not to expand the secretariat's core resource base. Priority is being given to seeking further efficiency gains, in particular through the restructuring of the secretariat, and an increased engagement of external partners and expertise. Also, some streamlining of certain elements of the intergovernmental process is proposed.

29. Sufficient and predictable funding through the core budget for core activities mandated by the Parties is essential for the timely delivery and high quality of these activities. Yet, the full scope of requests for activities cannot be accommodated within the limits stipulated for the core budget. It will therefore be inevitable to continue to seek financing for a considerable part of essential activities from the Trust Fund for Supplementary Activities. The list of such activities has been revisited in the light of priorities set by Parties. Although an attempt has been made to minimize the effects of unpredictable and insufficient funding on the overall work programme and on the progress of the intergovernmental process, the risk of delays, cancellations and reduced quality of outputs needs to be recognized. Resource requirements under the supplementary fund are presented in addendum 2 to this document (FCCC/SBI/2005/8/Add.2).

30. The Executive Secretary is proposing a near-zero-growth core budget: expressed in euros, in which more than 90 per cent of the secretariat's expenditures are fixed, the proposed core budget for the 2006–2007 biennium is higher than the baseline by 0.5 per cent. Table 2 shows the requirements by objects of expenditure in the 2006–2007 biennium, compared with those of the current biennium. Given the depreciation of the United States dollar against the euro over the past two years, the near-zero growth in euro terms leads, in United States dollar terms, to a nominal increase of 22.0 per cent at the time of preparation of this budget proposal (see paragraph 10 above). Chapter IV explores options for

addressing the challenge arising from currency fluctuation and contains a proposal for consideration by the SBI at its twenty-second session.

Table 2. Resource requirements for 2006–2007 by object of expenditure

| Object of expenditure ^a | 2004–2005 (baseline) | | 2006–2007 | | Change (%) | |
|--|----------------------|---------------------|-------------------|---------------------|-------------|------------|
| | (USD) | (EUR ^b) | (USD) | (EUR ^c) | in USD | in EUR |
| Staff costs | 26 622 043 | 24 332 547 | 33 128 482 | 24 945 747 | 24.4 | 2.5 |
| Consultancies | 1 868 000 | 1 707 352 | 3 056 000 | 2 301 168 | 63.6 | 34.8 |
| Travel of staff | 1 775 144 | 1 622 482 | 1 902 147 | 1 432 317 | 7.2 | -11.7 |
| Experts | 3 019 000 | 2 759 366 | 3 049 900 | 2 296 575 | 1.0 | -16.8 |
| General operating expenses | 1 512 000 | 1 381 968 | 1 913 000 | 1 440 489 | 26.5 | 4.2 |
| Supplies and materials | 420 000 | 383 880 | 584 000 | 439 752 | 39.0 | 14.6 |
| Acquisition of furniture and equipment | 1 737 680 | 1 588 240 | 1 374 000 | 1 034 622 | -20.9 | -34.9 |
| Training | 500 000 | 457 000 | 600 000 | 451 800 | 20.0 | -1.1 |
| Contributions to common services | 1 500 000 | 1 371 000 | 2 220 000 | 1 671 660 | 48.0 | 21.9 |
| Grants and contributions (IPCC) | 700 000 | 639 800 | 700 000 | 527 100 | 0.0 | -17.6 |
| Total core programme budget | 39 653 867 | 36 243 634 | 48 527 529 | 36 541 229 | 22.4 | 0.8 |
| Programme support costs | 5 155 003 | 4 711 672 | 6 308 579 | 4 750 360 | 22.4 | 0.8 |
| Working capital reserve | 491 916 | 449 611 | 415 476 | 312 853 | -15.5 | -30.4 |
| GRAND TOTAL | 45 300 785 | 41 404 918 | 55 251 584 | 41 604 443 | 22.0 | 0.5 |

^a For explanations on the objects of expenditure see annex II (Methodologies used to calculate costs) and addendum I (Work programme) to this document.

^b The exchange rate used (0.914) is the average rate for the period January–June 2003.

^c The exchange rate used (0.753) is the average rate for the period January–March 2005.

31. In a number of work areas, the new and expanded tasks assigned by the Parties require increased resources as compared to the baseline. The following section presents those areas, along with the options chosen to offset the increase in each one of them and minimize the overall growth in requirements to almost zero.

C. Balancing incremental needs and available resources

32. The Executive Secretary proposes **no new posts** in the new core programme budget (see table 3). Also, the practice of freezing posts when funds are limited will need to be maintained. In order to maintain operations at existing levels, stretched as they are, the Executive Secretary intends to reassign staff within the new secretariat structure to achieve optimum synergy, and to strengthen the priority areas such as adaptation and the project-based mechanisms. Seeking an adjustment to cover the exchange rate fluctuations and regular salary developments since the adoption of the budget for the current biennium, the calculation of standard staff costs for budgetary purposes has again been revised to rigorously reflect the actual costs to the secretariat (see annex II). The adjustment includes recruitment and separation expenses and after-service obligations, which are now calculated and shown separately as recommended by the United Nations Board of Auditors; it also reflects a 4.5 per cent increase in the United Nations General Service salary scale for Germany in 2004. As a result, the requirements in euro terms under the Staff costs items in the proposed core budget are higher by 2.5 per cent than the provision in the current budget, corresponding to an increase of 24.4 per cent in United States dollar terms.

Table 3. Secretariat-wide staffing from the core budget

| | 2005 | 2006 | 2007 |
|--|--------------|--------------------------|--------------------------|
| Professional category and above | | | |
| ASG | 1 | 1 | 1 |
| D-2 | 4 | 4 | 4 |
| D-1 | 6 | 6 | 6 |
| P-5 | 9 | 10 | 10 |
| P-4 | 21 | 22 | 22 |
| P-3 | 34 | 30 | 30 |
| P-2 | 8 | 10 | 10 |
| Total Professional category and above | 83 | 83^a | 83 |
| Total General Service category | 46.5 | 46.5 | 46.5 |
| TOTAL | 129.5 | 129.5^b | 129.5^b |

^a The overall number of professional posts will remain the same; however, two P-3 positions will be downgraded to P-2, two P-3 positions will be upgraded to P-4, and one P-4 position to P-5, to reflect appropriate levels of responsibility in the new programme structure.

^b Because of resource shortfalls, one D-2, one P-5, one P-3, and one General Service category positions will be frozen.

33. In four areas, the implementation of decisions taken by Parties will lead to an increase in activities of central importance to the Convention and Protocol processes:

- (a) Support to meetings of **constituted bodies under the Kyoto Protocol**
- (b) Support to **expert groups**
- (c) Support to the **reviews** of national communications and of greenhouse gas (GHG) inventories
- (d) Development and maintenance of **information systems**.

34. Considering the additional resources required for these purposes in real terms, the Executive Secretary is also proposing a number of specific measures to keep the resulting increase in the budgetary requirements to a minimum.

35. With the entry into force of the Kyoto Protocol, the next biennium will see intensified activities of the Executive Board of the CDM and the taking up of full operations of the Article 6 (Joint Implementation (JI)) Supervisory Committee and the Compliance Committee with its two branches for facilitation and enforcement. The Kyoto Protocol interim allocation foresaw a total of five meetings per year of the JI Supervisory Committee and the CDM Executive Board. COP decisions stipulate that these **three bodies constituted under the Protocol** hold a minimum of **18 meetings** in the 2006–2007 biennium,⁹ and that arrangements be made for meetings logistics, travel of eligible board and committee members, expert support including through case-specific in-depth expertise and up to 15 meetings of the CDM Executive Board panels and working groups. The resources required therefore, and for the development and operation of the CDM registry and the CDM and JI information systems, add to the requirements under the Experts, Consultancies, and General operating expenses objects of expenditure in this core budget proposal.

⁹ A minimum of three meetings of the CDM Executive Board, two meetings of the JI Supervisory Committee, and two meetings of each of the two branches of the Compliance Committee per year.

36. The Executive Secretary proposes that all **meetings convened by the CDM Executive Board and the committees in addition** to the ones mandated by the COP and COP/MOP should be financed through supplementary funding. According to current estimates, this may include 20 additional meetings of the CDM Executive Board, the JI Supervisory Committee and the Compliance Committee, an expected 15 additional meetings of panels and working groups under the CDM, and one joint workshop for members of the Board, panels and working groups per year. Any expert bodies set up under the JI Supervisory Committee and technical workshops on JI would also require supplementary funding.

37. Income generated by **fees payable under the CDM** in the context of project registration and accreditation, and, eventually, from the share of proceeds once credits have accrued and been issued, will be used to offset some of these costs. It is proposed that they be treated as supplementary income in the biennium 2006–2007. Based on the experience gained during the coming two years, it will be possible to predict their contribution to covering the administrative expenses of the CDM when considering the programme budget for the subsequent biennium (2008–2009).

38. In order to achieve the goal of enhanced support to non-Annex I Parties, as one focus for the next biennium, the Executive Secretary proposes to consolidate the way in which **participation by members of all expert groups** is financed. As the internal review of activities revealed, funding unpredictability and shortfalls in the supplementary fund has repeatedly led to disruptions of the work of the LEG. It is envisaged that travel of its members will be funded from the core budget. Activities relating to the Expert Group on Technology Transfer (EGTT) and the CGE are already included in the core budget, so the existing practice represents an anomaly in funding arrangements for all constituted bodies, which the proposed step would rectify.

39. To minimize the increase in requirements from the Experts budget line of the core budget, it is proposed to **reduce the foreseen number of meetings** of the LEG, the EGTT and the CGE from four to three each per biennium. Apart from the budgetary effect, extended meeting intervals may prove to be beneficial to the work of the expert groups in various ways: the time available for preparation of substantive documents would increase, and more use of electronic media for communication between meetings would enhance the work and at the same time help lower costs. **The SBI may wish to review such arrangement and recommend to the COP that it revise its previous decisions on the number of mandatory meetings of the expert groups.**

40. The biennium 2006–2007 will be very intensive in terms of the **reviews** of the fourth national communications and GHG inventories provided to the secretariat by Parties included in Annex I to the Convention (Annex I Parties) in accordance with COP decisions. Twenty-four GHG inventory reviews and 18 in-depth reviews of national communications are scheduled. The costs of supporting this activity, which is central to the assessment of implementation of the Convention by Annex I Parties, are borne from the core budget, mainly under the objects of expenditure of Experts and Travel of staff. In addition, the 2006–2007 biennium will see reviews of Annex I Parties' "pre-commitment" reports and the synthesis of reports on "demonstrable progress" under the Kyoto Protocol. To compensate for the budgetary effect of the increase in mandatory reviews compared to the current biennium, the secretariat intends to streamline and better coordinate various review activities under the Convention and the Kyoto Protocol. It is expected that the outcome of Parties' consideration of the management of the review processes at SBI 23/COP 11¹⁰ will enable the secretariat to organize these processes in the most cost-effective manner.

41. The development of integrated **information systems** for the reviews and other areas adds considerably to the budgetary provisions made in the budget proposal under the Consultancies line item. The secretariat seeks to optimize coherence and synergy between its information systems. It intends to

¹⁰ See SBI conclusions on item 3 of the SBI 22 agenda (FCCC/SBI/2004/19, para. 19).

use common information systems and management procedures for the national communications and GHG inventory review processes in an integrated and coordinated way. It plans to include links to other key accounting and review systems for the implementation of the Convention and the Kyoto Protocol that are under development, such as national registry systems, the international transaction log and the compliance records management system, including the corresponding web sites and interfaces. By avoiding duplication of activities and resources this will result, in the mid-term, in reduced costs to Parties.

42. As in the biennium 2004–2005, the costs associated with the organization of **all workshops** are included in the **supplementary** resource requirements. The potential negative impact of shortfalls in funds, or their unpredictability, has had to be accepted as a compromise to avoid additional burdens on the budgetary provisions for travel of Experts and General operating expenses for workshop facilities and technical support.

43. The filling of vacant positions funded from the interim allocation of the Kyoto Protocol, and the need to meet considerably enhanced United Nations security requirements, leads to a considerable increase in the **Contributions to common services** object of expenditure. To partly offset this increase, the provisions made for other **secretariat-wide costs** under General operating expenses, Acquisition of furniture and equipment and Supplies and materials have been revisited and reduced.

D. Conclusions

44. The proposed overall budgetary requirements for the 2006–2007 biennium are presented in table 4. The increase in euro terms amounts to 0.5 per cent of the baseline requirements, despite increased demands emanating from the mandates adopted by the COP and expected to be adopted by the COP and COP/MOP. Expressed in terms of United States dollars, however, the requirements are 22 per cent above the baseline, the bulk of which is required to cover the change of exchange rate since the adoption of the present budget.

Table 4. Proposed core programme budget for 2006–2007 by cluster

| | 2006 | 2007 | Total 2006–2007 | |
|--|-------------------|-------------------|-------------------|---------------------|
| | (USD) | (USD) | (USD) | (EUR ^a) |
| EDM | 1 167 400 | 1 167 399 | 2 334 799 | 1 758 104 |
| Cluster 1 | 7 436 263 | 7 439 763 | 14 876 026 | 11 201 648 |
| Cluster 2 | 7 145 853 | 7 184 353 | 14 330 206 | 10 790 645 |
| Cluster 3 | 8 555 749 | 8 430 749 | 16 986 498 | 12 790 833 |
| A - Core programme expenditures | 24 305 265 | 24 222 264 | 48 527 529 | 36 541 230 |
| B - Programme support costs | 3 159 684 | 3 148 894 | 6 308 578 | 4 750 360 |
| C - Working capital reserve | 415 476 | - | 415 476 | 312 853 |
| TOTAL (A + B + C) | 27 880 425 | 27 371 158 | 55 251 583 | 41 604 443 |
| Income: | | | | |
| Contribution from the host Government | 1 018 510 | 1 018 510 | 2 037 020 | 1 533 876 |
| Indicative contributions | 26 861 915 | 26 352 648 | 53 214 563 | 40 070 567 |
| TOTAL INCOME | 27 880 425 | 27 371 158 | 55 251 583 | 41 604 443 |

^a The exchange rate used (0.753) represents the average rate for the period January–March 2005.

45. The Executive Secretary has made every effort to economize, as outlined in the preceding sections, guided by the firm intention not to request from Parties an increase of contributions in euro terms. It must be acknowledged, however, that as a consequence a number of activities of central importance to the intergovernmental process have not been included in the core budget proposal but are foreseen to be financed from supplementary funds, with all the associated uncertainties regarding

predictability and sufficiency, and the resulting delivery risks. Any failure to approve core funding along the lines requested would inevitably have unacceptable programmatic implications.

46. On the other hand, equipping essential activities with sufficient means from the core budget instead of supplementary funding would considerably enhance the implementation of the Convention and its Protocol and the secretariat's support to it. Under this budget proposal, the following are foreseen to be financed from the supplementary funds:

- Half of the meetings of the bodies established under the Kyoto Protocol
- Half of the meetings of the CDM Executive Board panels and working groups and all of their equivalents under the JI Supervisory Committee
- All of the meetings relating to registries and the international transaction log
- Part of the investments necessary for the development and maintenance of the secretariat's information systems
- All workshops including those foreseen under the Buenos Aires programme of work on adaptation and response measures
- Any special meeting of the three expert groups under the Convention.

47. More than half of the staff positions supporting the work of the CDM Executive Board and JI Supervisory Committee still rely on extra-budgetary sources. The delivery of the work programme would benefit immensely if Parties would choose to render the funding sufficient and predictable by including the respective activities in the core budget.

E. Ratio of contributions towards core budget requirements under the Kyoto Protocol and under the Convention

48. The interim allocation of the Kyoto Protocol in the current biennium budget was intended to cover the start-up costs immediately upon entry into force of the Protocol. Now that the Protocol is in force, the next biennium will see the mechanisms, procedures and modalities designed by the Parties unfold and grow to full size. The provisions of the interim allocation for 2005 are not adequate to reflect this growth and support the work required.

49. The entry into force of the Kyoto Protocol, and the fact that not all Parties to the Convention are also Parties to the Protocol, necessitate some differentiation in the contribution regime. The proposed budget addresses this within the context of an integrated whole, as follows:

- (a) Elements of the work programme in direct support of the Kyoto Protocol are identified in document FCCC/SBI/2005/8/Add.1. They are mainly derived from the interim allocation of the Kyoto Protocol in the 2004–2005 programme budget, and cover specific technical areas of work carried out in the programmes dealing with implementation, adaptation, technology and science, the project-based mechanisms and compliance (clusters 1 and 2 of the new programme structure described in section II.E and annex I). The required resources that can be directly attributed to the Kyoto Protocol are shown in table 5; they amount to 36.8 per cent of the total requirements of clusters 1 and 2;
- (b) Secretariat activities in the area of management and services do not lend themselves to such direct attribution to either the Convention or the Protocol. The work undertaken in the services cluster (cluster 3 of the new programme structure) and by EDM, as well as the programme support costs and working capital reserve, are in support of both the Convention and the Protocol. The shares of resource requirements relating to the Protocol versus the Convention can therefore only be pro-rated;

- (c) The share of resources required for activities directly relating to the Convention and the Kyoto Protocol as identified in paragraph 49 (a) has been used to pro-rate the contributions to the resource requirements of the management and service programmes and the secretariat-wide costs specified in paragraph 49 (b). The resulting total amounts can be seen in table 6.

Table 5. Ratio of work programme activities and core budget requirements in 2006–2007 under the Convention and under the Kyoto Protocol in clusters 1 and 2
(United States dollars)

| | Convention | Kyoto Protocol | Total |
|----------------------------|-------------------|-----------------------|-------------------|
| Cluster 1 | 11 363 512 | 3 512 514 | 14 876 026 |
| Cluster 2 | 7 089 252 | 7 240 954 | 14 330 206 |
| Total | 18 452 764 | 10 753 468 | 29 206 232 |
| Percentage of total | 63.2 | 36.8 | 100.0 |

Table 6. Ratio of contributions towards core budget requirements in 2006–2007 under the Convention and under the Kyoto Protocol
(United States dollars)

| | Total | Convention | Kyoto Protocol |
|---|-------------------|-------------------|-----------------------|
| Percentage (see table 5) | 100.0 | 63.2 | 36.8 |
| Clusters 1 and 2 (attributable) | 29 206 232 | 18 452 764 | 10 753 468 |
| EDM, Cluster 3, Programme support costs and Working capital reserve (pro-rated) | 26 045 351 | 16 455 691 | 9 589 660 |
| TOTAL | 55 251 583 | 34 908 455 | 20 343 128 |
| Income: | | | |
| Contribution from the host Government | 2 037 020 | 1 287 008 | 750 112 |
| Indicative contribution | 53 214 563 | 33 621 447 | 19 593 116 |
| TOTAL INCOME | 55 251 583 | 34 908 455 | 20 343 128 |

50. Whereas the interim allocation of the Kyoto Protocol constituted 23.2 per cent of the baseline budget, in the 2006–2007 core budget 36.8 per cent of the projected contributions relate to the Kyoto Protocol; accordingly, the Convention share will go down from 76.8 per cent in 2005 to 63.2 per cent in 2006–2007.

51. Based on this approach, the expenditures will be funded from two sources of income with two indicative scales of contributions applied – one for Convention Parties and one for Protocol Parties. Parties to the Protocol will contribute to both, whereas those Parties that have not ratified the Protocol will contribute to the Convention only.

IV. Options for dealing with exchange rate fluctuations

52. Following the COP request to protect the budget from adverse effects of exchange rate fluctuations,¹¹ the secretariat has consulted other international organizations on measures taken to that end. All organizations whose expenditures, like those of the secretariat, are predominantly incurred in local currency experience problems arising from exchange rate fluctuations. Generally, three approaches are being considered or taken.

¹¹ FCCC/CP/2004/10/Add.1, decision 11/CP.10, paragraph 17.

53. The first option is to **re-adjust contributions** in United States dollars in the course of the financial period. Paragraph 21 of decision 16/CP.9 requests the Executive Secretary “to report to the Conference of the Parties at its tenth session on income and budget performance, and to propose any adjustments that might be needed in the programme budget for the biennium 2004–2005”. In line with this request, cost adjustments, including currency adjustments, during the biennium could be made, and Parties would be requested to adjust the level of contribution for the current financial period. As the proposed adjustments would be calculated based on actual past expenditures and not on exchange rate speculations, the required amount would be accurate. However, contributions could only be adjusted to offset higher expenditures post factum, which may create cash-flow problems both before and after the time of request given the low working capital. Also, Parties would have to accept one or several revisions of their annual contributions during the financial period.

54. The second option would be to **introduce a contingency** amount that can be drawn only if the United States dollar falls below the exchange rate applied in the preparation of the approved budget. Under this option, the secretariat would have secured the provision at the beginning of the financial period rather than retroactively, so cash-flow problems could be avoided. On the other hand, the estimate of the amount required would have to be speculative. In the present situation, based on the previous trend, the required amount would be considerable. However, if the trend does not continue, or reverses, Parties may be requested to pay contributions which would never be needed.

55. In the third option, although the accounts must be kept in United States dollars, the budget could be prepared in both United States dollars and euros at the rate of exchange prevailing at the time of preparation of the budget. Parties could be asked to agree that annual **contributions be fixed in euros** and the equivalent of the euro amount be paid in any convertible currency. As more than 90 per cent of the secretariat’s expenditures are based on the value of the euro, budget projections in euros will be accurate over the entire financial period and protected against exchange rate fluctuations. Parties would know their obligations in advance and would not need to review their contributions in the middle of a financial period.

56. Given the above analysis and the lessons learned by similarly situated organizations, fixing contributions in euros (option 3) appears to be most appropriate to solve the problem of fluctuating exchange rates. **The SBI may wish to make a recommendation to this effect, for endorsement by the COP and COP/MOP.**

V. Contingencies

A. Conference services

57. To date, the costs of conference services (mainly interpretation at meetings, translation, reproduction and distribution of documents, and related services) to the Convention bodies have been met by the United Nations Office at Geneva (UNOG), financed from the regular budget of the United Nations adopted by the General Assembly. As in recent years, a contingency provision has been made in the proposed budget to cover the cost of such services in the event the General Assembly does not maintain its past practice.

58. The methodology used to calculate the costs of the conference services contingency is the same as in the 2004–2005 budget proposal. It is based on the assumption that the annual calendar of meetings of Convention bodies will include two sessional periods of two weeks each (one of which would be a COP and COP/MOP hosted by a government), and uses standard cost figures employed by UNOG for conference services. It is further envisaged that full conference services will be sought from the United Nations on a reimbursable basis so as to maintain the quality of translation and interpretation services. This means that no additional secretariat staff are requested. The contingency is also based on the

assumption that sessions of the COP, COP/MOP and subsidiary bodies would be accommodated within the conference services envelope of services and costs prevailing in past years.

59. The contingency for conference services would amount to USD 6.6 million for interpretation, documentation and meetings services support requirements, making a total of USD 7.8 million including programme support costs and working capital reserve. The increase compared to previous years' contingencies (31.4 per cent above the estimate for the 2004–2005 biennium) has four reasons: the depreciation of the United States dollar against the Swiss franc, which accounts for half of the increase; the use of updated standard cost figures; the larger volume of documentation for translation, reproduction and distribution arising from the upcoming reviews (see paragraph 40) and from the increase in activities of the bodies established under the Kyoto Protocol (see paragraph 35); and the requirement by which a limited number of documents that previously were published on the web only must now be printed in hard copy.

60. The COP and COP/MOP rely on their Parties to extend hospitality to the sessions of the COP and COP/MOP. In the event that no Party offers to host the COP and COP/MOP, rule 3 of the draft rules of procedure being applied foresees that the session would take place at the seat of the secretariat. To date, it has been good practice among governments to offer hospitality to COP sessions, taking on the portion of costs that exceeds those covered from secretariat funds, including the Bonn Fund, and those borne by the United Nations as outlined above. The secretariat suggests not to collect contributions for a contingency that, thanks to governments' good practice, is unlikely to arise.

Table 7. Resource requirements for the conference services contingency
(thousands of United States dollars)

| Object of expenditure | 2006 | 2007 | Total 2006–2007 |
|--|----------------|----------------|------------------------|
| Interpretation ^a | 1 012.7 | 1 043.1 | 2 055.8 |
| Documentation ^b | | | |
| Translation | 1 545.3 | 1 591.7 | 3 137.0 |
| Reproduction and distribution | 478.2 | 492.5 | 970.7 |
| Meetings services support ^c | 238.6 | 245.8 | 484.4 |
| Subtotal | 3 274.9 | 3 373.1 | 6 648.0 |
| Programme support costs | 425.7 | 438.5 | 864.2 |
| Working capital reserve | 307.2 | 9.2 | 316.4 |
| TOTAL | 4 007.8 | 3 820.8 | 7 828.6 |

Assumptions used for calculating the conference services contingency budget include the following:

- The expected number of meetings with interpretation does not exceed 40 per session
- The expected documentation volume is based on average output in the period 1997–2004 and on projections for the additional reporting requirements arising in 2006–2007, assuming about 1,600 pages annually for translation and revision, and a total of about 5,100 pages annually for reproduction and distribution; the number of copies produced per page is assumed to be about 2,000 for general and about 100 for limited distribution
- Meetings services support includes staff normally provided by UNOG conference services for the in-session coordination and support of interpretation, translation and reproduction services
- Overall, the figures used are conservative and have been applied on the assumption that there will be no major increase in requirements during the biennium.

^a Includes salaries, travel and daily subsistence allowance for interpreters.

^b Includes all costs relating to the processing of pre-, in- and post-session documentation; translation costs include revision and typing of documents.

^c Includes salaries, travel and daily subsistence allowance for meetings services support staff and costs for shipment and telecommunications.

B. Other contingencies

61. The move to the permanent accommodation for the offices of the United Nations agencies located in Bonn (the “United Nations Campus”) may entail additional expenditures in 2006 or 2007 to cover the costs of relocation, furniture, fixtures and fittings. It may also entail recurrent costs relating to the management of larger facilities. The secretariat will continue to negotiate with the host government in determining the costs and how they should be met. Depending on the outcome, the Executive Secretary may propose a slight amendment to the expenditures in 2006.

VI. Trust Fund for Participation in the UNFCCC Process

62. The financial procedures stipulate that in addition to contributions to the core budget, the resources of the COP shall comprise, inter alia, “contributions to support the participation of the representatives of developing country Parties and of other Parties with economies in transition in the Conference of the Parties and its subsidiary bodies” (see decision 15/CP.1, annex I, paragraph 7 (c)). Table 8 shows resource requirements for the Trust Fund for Participation in the UNFCCC Process for the biennium 2006–2007.

Table 8. Resource requirements for the Trust Fund for Participation in the UNFCCC Process
(thousands of United States dollars)

| Object of expenditure | 2006 | 2007 |
|---|----------------|----------------|
| Support for one delegate from each eligible Party to participate in two two-week sessions per year ^a | 1 700.0 | 1 700.0 |
| Support for a second delegate from each least developed country and each small island developing State to participate in two two-week sessions per year ^{a, b} | 800.0 | 800.0 |
| Subtotal | 2 500.0 | 2 500.0 |
| Programme support costs | 325.0 | 325.0 |
| TOTAL | 2 825.0 | 2 825.0 |

^a One two-week session of the subsidiary bodies and one two-week session of the COP, COP/MOP and subsidiary bodies.

^b Support to participation of least developed countries and small island developing States in accordance with decision 16/CP.9, paragraph 18.

VII. Trust Fund for Supplementary Activities

63. Preliminary indications of resource requirements for supplementary activities in 2006–2007 are provided in document FCCC/SBI/2005/8/Add.2. The information provided would enable Parties to see all the additional activities and resources required by the secretariat in order to fully implement the work programme for the biennium. As discussed in sections III.B, C and D above, a large part of the resources required for essential activities of the secretariat in support of the intergovernmental process and of the fulfilment of the objective of the Convention and the Kyoto Protocol has had to be included under the supplementary funding rather than under the core budget. It is expected that the outcome of the deliberations on the programme budget at SBI 22, as well as other deliberations at the twenty-second and twenty-third sessions of the subsidiary bodies, will influence the requirements from the Trust Fund for Supplementary Activities in 2006–2007.

VIII. Overhead charge and its use

64. In accordance with the financial procedures (decision 15/CP.1), the Convention budget is required to provide for a 13 per cent overhead charge to the United Nations to cover the costs of the

administrative services which the United Nations provides to the Convention. As indicated in document FCCC/SBI/2005/8/Add.1, the resource requirements for the administrative services of the secretariat are funded from the overheads payable on all UNFCCC trust funds.

65. Through its Administrative Services programme, the secretariat has taken full responsibility for the preparation of its operational budget and related allotments, the procurement of goods and services, the arrangements for travel of staff and participants, and the recruitment and administration of staff and consultants. The United Nations returns a substantial portion of the overhead funds to the secretariat for the above purposes. The remainder covers the cost of the provision of audit, payroll, investment, and treasury and accounting services by UNOG. The staffing and resource requirements, funded from overheads, are shown in tables 9 and 10, respectively. At this stage, the number of posts and the level of resources are indicative. The Executive Secretary will approve expenditures based on the actual income.

Table 9. Staffing requirements funded from overhead charges

| | 2005 | 2006 | 2007 |
|--|-----------|-----------|-----------|
| Professional category and above | | | |
| D-1 | 1 | 1 | 1 |
| P-5 | 1 | 1 | 1 |
| P-4 – P-2 | 8 | 12 | 13 |
| Total Professional category and above | 10 | 14 | 15 |
| Total General Service category | 21 | 22 | 22 |
| TOTAL | 31 | 36 | 37 |

Table 10. Proposed resource requirements funded from overhead charges

(thousands of United States dollars)

| Object of expenditure | 2005 | 2006 | 2007 |
|---|----------------|----------------|----------------|
| Secretariat staff costs | 2 829.6 | 3 811.7 | 3 948.0 |
| Secretariat non-staff costs | 86.0 | 37.0 | 37.0 |
| Total secretariat costs | 2 915.6 | 3 848.7 | 3 985.0 |
| Services rendered by the United Nations | 530.0 | 420.0 | 420.0 |
| TOTAL | 3 445.6 | 4 268.7 | 4 405.0 |

Annex I**Programme structure**

1. The work programme of the secretariat will be carried out through three clusters of programmes, whose overall responsibilities are described in the following paragraphs.¹ The objectives, expected results and activities planned for each cluster in the 2006–2007 biennium are presented in addendum 1 to this document. The new structure will also allow sufficient flexibility to attend to new or cross-cutting issues at short notice, by pulling together resources from across the programmes.

2. Cluster 1 on **implementation** provides overall support on issues relating to the implementation of the Convention and the Kyoto Protocol, in the two programmes described below. The head of the Implementation cluster supports the Chair and the Bureau of the Subsidiary Body for Implementation (SBI), and coordinates the secretariat's support to the sessions of the SBI.

- (a) **Reporting, Data and Analysis (RDA)** brings together in one place the secretariat's substantive work relating to receiving, processing, compiling, reviewing, analysing and presenting data and information provided by Parties on their implementation of the Convention and the Kyoto Protocol. RDA compiles and synthesizes the national communications, and maintains the greenhouse gas inventory information system, fully respecting the different responsibilities of Parties included and not included in Annex I to the Convention (Annex I and non-Annex I Parties, respectively). It organizes the reviews of national communications and inventories from Annex I Parties, which are required by decisions of the Conference of the Parties (COP) and conclusions of the subsidiary bodies. It operates the compilation and accounting database and the international transaction log, and ensures proper links with emissions trading and registry systems. RDA also compiles, reviews, analyses and makes available information on policy instruments used by Parties in fulfilling their commitments under the Convention and the Kyoto Protocol.
- (b) **Support to Implementation (SIMP)** focuses on supporting the efforts undertaken by non-Annex I Parties, fostering the integration of sustainable development and climate change priorities. In this, it mobilizes expertise from across the secretariat. It supports the work of the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention (CGE) and training of non-Annex I Parties' national climate change coordinators. It also provides technical and substantive support to the work of the Least Developed Countries Expert Group (LEG) and the implementation of the least developed countries work programme, including through fund-raising. It cooperates with the Global Environment Facility (GEF) to ensure that guidance by the COP and the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) is followed, and monitors the effectiveness of the financial mechanism and the management of funds established under the Convention and the Kyoto Protocol. It engages other organizations and institutions in activities relating to climate change, in particular activities that aim at building capacity in non-Annex I Parties, and implementing the New Delhi work programme on Article 6 of the Convention.

¹ The names used in this document for the secretariat's organizational units ("cluster", "programme", etc.) are preliminary working titles.

3. Cluster 2 on **adaptation, technology, science, project-based mechanisms and compliance** consolidates the secretariat's contribution to Parties' work on adaptation to climate change and on the development and transfer of technologies, and to the flow of scientific information into the intergovernmental process, including on methodologies. It is further responsible for support to the project-based cooperative mechanisms and compliance under the Kyoto Protocol. The head of the cluster supports the Chair and the Bureau of the Subsidiary Body for Scientific and Technological Advice (SBSTA), and coordinates the secretariat's support to the sessions of the SBSTA. Senior staff members serve as secretaries of the constituted bodies of mechanisms established under the Kyoto Protocol.

- (a) **Adaptation, Technology and Science (ATS)** supports Parties' work on adaptation and response measures, as outlined in decision 1/CP.10, in cooperation with a wide range of intergovernmental organizations (IGOs). It cooperates with the Intergovernmental Panel on Climate Change, other conventions, and related organizations engaged in climate change impact assessment, systematic observation and mitigation of climate change. It facilitates the development of methods to assess climate change impacts and vulnerability. It provides methodological input on mitigation of climate change, land use, land-use change and forestry, fuels used in international aviation and maritime transport and emission projections. It supports the Expert Group on Technology Transfer (EGTT), further develops the technology information clearing house (TT:CLEAR) and mobilizes the engagement of IGOs and the private sector in the promotion of technology development and transfer.
- (b) **Project-based Mechanisms (PBM)** assists Parties in implementing project-based mechanisms as a means to achieve global benefits in a cost-effective manner. This includes activities implemented jointly (AIJ) in the context of the Convention, and clean development mechanism (CDM) and Article 6 (Joint Implementation (JI)) projects under the Kyoto Protocol. Support is provided to the CDM Executive Board, its panels and working groups, and the JI Supervisory Committee. PBM operates and maintains the CDM registry as well as the CDM and JI information systems, through which Parties, project participants, operational entities, interested actors and the general public obtain procedural and operational information to build capacity and to engage in these mechanisms. Part of the administrative costs for the CDM is recovered through fees for user-specific services such as those relating to registration under the CDM.
- (c) **Compliance** supports the implementation of the procedures and mechanisms relating to compliance under the Kyoto Protocol. It provides Parties with information on these new procedures so as to facilitate a smooth start. It services the Compliance Committee, and works on the development of the compliance information system, including its records management system and web site.

4. Cluster 3 on **Services** encompasses three programmes providing the procedural, legal, logistical, informational and administrative infrastructure required for the efficient work of Parties and the secretariat. The head of the Services cluster coordinates the secretariat's support to the COP and COP/MOP.

- (a) **Intergovernmental and Conference Affairs (ICA)** coordinates the secretariat's support to the intergovernmental process. The head of ICA acts as Secretary of the COP and COP/MOP; the programme assists the President in the planning and organization of sessions of the COP and COP/MOP, meetings of the Bureau, and informal high-level consultations. ICA provides legal advice to presiding officers and members of constituted bodies and groups, Parties, and the secretariat on administrative, procedural

and institutional matters. It liaises with Parties, observer States and organizations, facilitates participation of eligible Parties, conducts the registration of participants to sessions of Convention and Protocol bodies and coordinates special events. It is responsible for conference facilities and services for all sessions of the intergovernmental bodies, assists other programmes in arrangements for workshops, and also plans, edits and coordinates the production of all official documents.

- (b) **Information Services (IS)** ensures that information and communications technology, information management, and public information services such as the UNFCCC web site are in place to assist Parties in communicating and accessing the information they require. IS puts in place, at the secretariat and at conferences and workshops, Internet access and computer networks with appropriate security measures to safeguard communication and data. It archives all official documents, develops and maintains the web site, and supports databases, information services and systems that facilitate participation and exchange of information by Parties, non-governmental organizations, press and media, and the general public. Press and media accreditation and liaison are also provided by IS.
- (c) **Administrative Services (AS)** is responsible for the overall administration of the secretariat, and in that capacity develops and manages the implementation of policies and systems in the areas of finance, budget, human resources, procurement, and general services. In cooperation with the other programmes, it ensures standard implementation of, and compliance with, policies, rules and regulations, and procedures governing the administrative areas of work. Administrative actions, information and financial data are managed in the Integrated Management Information System (IMIS) of the United Nations, which provides the secretariat with the necessary information to report to Parties on its operations and performance. AS manages secretariat-wide operating costs from the core budget. Staffing and related costs of AS are funded from overheads.

5. **Executive Direction and Management (EDM)** comprises the functions and staff of the Executive Secretary, who has the responsibility for the overall management of the secretariat, for providing guidance on strategic issues and for high-level representation. EDM promotes coherence in the secretariat's work, ensures internal communications, and ensures responsiveness to the needs of the Parties; the Executive Secretary chairs internal coordination processes that advance these aims and promote the collegial management of the secretariat. The Executive Secretary provides advice and support to the President and the Bureau of the COP and the COP/MOP, and to other presiding officers. EDM maintains liaison with Parties, observers, United Nations bodies and IGOs and coordinates the secretariat's representational and outreach activities.

Annex II**Methodologies used to calculate costs****A. Staff costs**

1. **Salary and common staff costs:** The standard costs (in United States dollars) applied in determining staff costs in the proposed budget are based on actual salary costs for the first three months of 2005, and adjusted for step increments in 2006–2007.

Standard salary costs
(United States dollars per year)

| Level | 2002–2003 | 2004–2005 | 2006–2007 |
|-------|-----------|-----------|----------------|
| ASG | 168 900 | 185 000 | 212 000 |
| D-2 | 150 600 | 180 000 | 210 000 |
| D-1 | 142 500 | 175 000 | 205 000 |
| P-5 | 131 200 | 155 000 | 179 000 |
| P-4 | 115 500 | 130 000 | 158 000 |
| P-3 | 96 100 | 110 000 | 135 000 |
| P-2 | 77 800 | 90 000 | 109 000 |
| GS | 55 100 | 60 000 | 80 000 |

2. **General Temporary Assistance (GTA)** has been calculated at 1 per cent of the total salary cost. In addition, under Conference Affairs Services, USD 418,070 has been included to cover the hiring of temporary staff during sessions.

3. **Overtime** has been calculated at 20 per cent of one month's standard salary for each general service post per year.

B. Non-staff costs

4. **Consultancies** include institutional and individual contracts for services that require specialized expertise not available in the secretariat. Costs are estimated on the basis of actual requirements and past expenditures on similar activities.

5. **Experts** encompass costs of experts' travel, participation in meetings and work on reviews. Costs are estimated on the basis of actual requirements and past expenditures.

6. **General operating expenses** represent costs of rental and maintenance of premises and equipment, communications, shipping and other contractual services required for meetings as well as the operations of the secretariat. Cost projections are based on historical data.

7. **Secretariat-wide operational costs** cover acquisition of furniture and equipment, printing, staff training and contributions to common services of the United Nations in Bonn. Projections are based on historical data and adjusted to actual needs.

C. Programme support costs (overhead charge) and working capital reserve

8. In accordance with the financial procedures (decision 15/CP.1), the Convention budget is required to provide for 13 per cent of the programme expenditures as overhead charge, and to maintain a working capital reserve of 8.3 per cent of the Convention budget (one month of operating requirements).

D. Exchange rate

9. All costs have been calculated on the basis of actual expenditures. The exchange rate fluctuation between euro and the United States dollar has been factored into these costs.

Exchange rate: euro to United States dollar

| | Jan | Feb | Mar | Apr | May | June | July | Aug | Sep | Oct | Nov | Dec | Average |
|-------------|------------|------------|------------|------------|------------|-------------|-------------|------------|------------|------------|------------|------------|----------------|
| 2003 | 0.958 | 0.931 | 0.929 | 0.929 | 0.890 | 0.849 | 0.875 | 0.877 | 0.922 | 0.875 | 0.852 | 0.842 | 0.894 |
| 2004 | 0.801 | 0.804 | 0.804 | 0.820 | 0.844 | 0.816 | 0.821 | 0.831 | 0.831 | 0.812 | 0.786 | 0.754 | 0.810 |
| 2005 | 0.737 | 0.765 | 0.757 | | | | | | | | | | 0.753 |
