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Administrative, financial and institutional matters

Programme budget for the biennium 2010–2011

Proposed programme budget for the biennium 2010–2011

Note by the Executive Secretary

Addendum

Trust Fund for the International Transaction Log

Summary

This document contains the proposed budget for the international transaction log for the biennium 2010–2011, for consideration by the Subsidiary Body for Implementation at its thirtieth session and for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its fifth session.

* Reissued for technical reasons.

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I. Introduction

A. Mandate

1. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), by its decision 8/CMP.4, requested the Executive Secretary to submit, for consideration by the Subsidiary Body for Implementation (SBI) at its thirtieth session, a proposed programme budget for the biennium 2010–2011, which includes the budget for the international transaction log (ITL).
2. The CMP also requested the SBI to recommend, at its thirtieth session, a programme budget for adoption by the Conference of the Parties at its fifteenth session, and by the CMP at its fifth session.

B. Scope of the note

3. This document contains the proposed budget for the ITL for the biennium 2010–2011. In addition to presenting the required human and financial resources, it details the proposed work programme of the ITL administrator for the biennium. The document is complemented by the submissions from Parties¹ on the approach to be taken by the Executive Secretary with regard to the collection of fees for the ITL.

C. Possible action by the Subsidiary Body for Implementation

4. The SBI is expected:
 - (a) To recommend a fee-based budget for the ITL for adoption by the CMP at its fifth session;
 - (b) To authorize the Executive Secretary to notify Parties of their fees for 2010 based on the recommended budget referred to in paragraph 4 (a) above;
 - (c) To consider an approach to be taken by the Executive Secretary with regard to the collection of ITL fees, with a view to ensuring sufficient and stable functioning of the ITL;
 - (d) To take note of the resource requirements in the contingency budget for the ITL outlined in chapter V below.

II. Key areas of work

5. The CMP, by its decision 13/CMP.1, requested the secretariat to establish and maintain the ITL to verify the validity of transactions undertaken by registries established under decisions 3/CMP.1 and 13/CMP.1. In addition, the secretariat was assigned the role of ITL administrator with the responsibility of, inter alia, ensuring the proper functioning of this critical system, which is an essential component of the settlement infrastructure for emissions trading under the Kyoto Protocol.
6. The secretariat, as the ITL administrator, is required to maintain and operate the ITL in order to verify the validity of transactions undertaken by national registries of Parties to the Convention that are also Parties to the Kyoto Protocol with a commitment inscribed in Annex B to the Kyoto Protocol (Annex B Parties) and by the clean development mechanism (CDM) registry. The ITL administrator organizes meetings of the Registry System Administrators Forum (RSA Forum), with the aim of

¹ FCCC/SBI/2009/MISC.3.

enhancing cooperation between administrators of registries and to implement the common operational procedures for registry systems established by the RSA Forum in accordance with decision 16/CP.10.

7. At the request of the CMP by its decision 11/CMP.3, the Trust Fund for the International Transaction Log was established in the biennium 2008–2009 for the receipt of fees to cover the resource requirements of activities relating to the ITL administrator.

III. Work programme

8. In the biennium 2010–2011, there will be a refocus of activities from implementing registry systems to ensuring that they continue to operate reliably, and for that purpose the ITL administrator plans to perform the following key activities:

- (a) Provide technical services through the ITL to enable Annex B Parties to perform transactions and to implement accounting of assigned amounts under the Kyoto Protocol and activities under emissions trading, the CDM and joint implementation (JI);
- (b) Verify the validity of transactions performed by national registries to ensure their conformity with requirements established by the relevant decisions;
- (c) Provide reliable hosting for the ITL and the required technical support to ensure its continuous operation;
- (d) Provide support to national registries, the CDM registry, the Community Independent Transaction Log, the JI information system and the compilation and accounting database in order to maintain their connections and operations with the ITL;
- (e) Provide an annual upgrade of ITL software and hardware in response to changes in technical requirements and operational procedures;
- (f) Maintain electronic systems to support the analysis and reporting of transaction data and facilitate the annual review process of national registries;
- (g) Facilitate collaboration among the registry system administrators (RSAs) and the execution of common operational procedures established by the RSA Forum in order to ensure that registry systems are accurate, efficient and secure.

IV. Proposed budget

9. The proposed ITL budget has been focused on the resources required to ensure the continued reliable operation of the ITL after consideration of measures to optimize the resource requirements.

10. Table 1 presents the proposed budget of the ITL for the biennium 2010–2011 and compares it with the budget for the ITL in the biennium 2008–2009, as recognized by the CMP in decision 11/CMP.3, in both euros and United States dollars.

**Table 1. Proposed budget for the international transaction log for 2010–2011
by object of expenditure**

Object of expenditure	2008–2009		2010–2011 ^a		Change (%)	
	(EUR)	(USD) ^b	(EUR)	(USD) ^c	(EUR)	(USD)
Staff costs	1 424 979	1 870 000	1 412 000	2 019 160	–0.9	8.0
Temporary assistance and overtime	76 202	100 000	69 930	100 000	–8.2	0.0
Contractors and consultancies	3 989 179	5 235 000	3 406 184	4 870 843	–14.6	–7.0
Travel of staff	45 721	60 000	27 972	40 000	–38.8	–33.3
Experts and expert groups	64 010	84 000	48 951	70 000	–23.5	–16.7
General operating expenses	335 289	440 000	97 902	140 000	–70.8	–68.2
Contributions to common services	193 810	254 336	163 200	233 376	–15.8	–8.2
Total budget	6 129 190	8 043 336	5 226 139	7 473 379	–14.7	–7.1
Programme support costs	796 795	1 045 634	679 398	971 539	–14.7	–7.1
Operating reserve ^d	--	--	245 080	350 464	100.0	100.0
GRAND TOTAL	6 925 985	9 088 970	6 150 617	8 795 382	–11.2	–3.2

^a The budget is apportioned as EUR 3,075,308 for 2010 and EUR 3,075,309 for 2011.

^b The exchange rate used (EUR 1 = USD 1.3123) is the average rate for the period January–March 2007.

^c The exchange rate used (EUR 1 = USD 1.430) is the average rate for the period January 2008–March 2009.

^d The operating reserve has been set at 8.3 per cent of estimated expenditure for one year.

11. Mindful of the budgetary constraints that Parties are facing, the Executive Secretary has taken measures to reduce the resource requirements by decreasing the scope of the development activities and streamlining the required activities, without affecting the quality of the ITL operations. This has resulted in a reduction of 14.7 per cent in the ITL budget for 2010–2011 in euro terms in comparison with the 2008–2009 budget, achieved through the following:

- (a) Optimizing the cost of the ITL infrastructure without compromising the availability, performance or security of the infrastructure;
- (b) Limiting future releases of the ITL to one release per year. If more significant or more frequent releases are required, the ITL administrator will seek additional funding through the established common operating procedures, using appropriate change management;
- (c) Reducing the number of staff to reflect the change in focus from development and registry systems to maintenance and operations. The staff resource requirement in the 2010–2011 biennium will be reduced to three P-4 and two P-3 Professional staff and two full-time General Service staff, which is adequate to maintain the level of services provided by the ITL administrator;
- (d) Reducing the travel of staff and experts through the further use of telecommunications and virtual collaboration facilities. This reduction also decreases the carbon footprint of the ITL;
- (e) Engaging the RSAs to execute some of the common operating procedures in order to reduce contractual expenditure and raise skill levels among the RSAs;
- (f) Further enhancing the registry systems, the exchange standards and the common operational procedures in order to reduce the support and service costs of the ITL.

12. Contractors and consultants are the largest single object of expenditure in the ITL budget, and the vast majority of the obligations are made in euros. The measures to be introduced by the secretariat as described in paragraph 11 above will lead to a cost saving on contractors and consultants of 14.6 per cent in euro terms in comparison with the 2008–2009 budget.

13. The budget for the ITL also includes a provision for an operating reserve at the level of 8.3 per cent of the estimated expenditure for 2010, representing one month of approved expenditure, to cover unforeseen shortfalls and uneven cash flows. This approach is the same as that taken for the Trust Fund for the Core Budget of the UNFCCC. The SBI may wish to recommend an appropriate level for this reserve for the biennium 2010–2011.

V. Contingency budget

14. Possible outcomes from the United Nations Climate Change Conference in Copenhagen in December 2009 may lead to significant changes being introduced to the ITL as a result of an expansion or modification of the current flexibility mechanisms. In order to ensure that adequate resources are available to implement such modifications, the secretariat has prepared a contingency budget to cover possible additional activities, such as:

- (a) Providing support to the development of the detailed decisions and requirements needed to implement modifications;
- (b) Developing modified information technology systems specification, architecture and exchange standards in collaboration with the RSA Forum;
- (c) Developing a request for proposals and selecting vendors for the implementation of a modified system;
- (d) Completing the first phase of implementation of a modified ITL;
- (e) Assessing any additional budgetary requirements.

15. Table 2 presents the resource requirements for the contingency budget by object of expenditure.

Table 2. Contingency budget for the international transaction log for 2010–2011 by object of expenditure

Object of expenditure	2010–2011	
	(EUR)	(USD) ^a
Staff costs ^b	532 000	760 760
Temporary assistance and overtime	150 000	214 500
Contractors and consultancies	200 000	286 000
Travel of staff	15 000	21 450
Experts and expert groups	20 000	28 600
General operating expenses	15 000	21 450
Contributions to common services	46 628	66 678
Total budget	978 628	1 399 438
Programme support costs	127 222	181 927
Operating reserve ^c	45 893	65 627
GRAND TOTAL	1 151 743	1 646 992

^a The exchange rate used (EUR 1 = USD 1.430) is the average rate for the period January 2008–March 2009.

^b Two Professional posts.

^c The operating reserve has been set at 8.3 per cent of estimated expenditure for one year.

16. Funding for any such additional activities will be sought from voluntary contributions. The SBI may wish to consider the information contained in this chapter and recommend that the CMP take note of the resource requirements of these additional activities. The SBI may also wish to authorize the Executive Secretary to collect voluntary contributions for this purpose, in the event that the outcomes of the fifth session of the CMP lead to significant changes in the functions and architecture of the ITL.
