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Administrative, financial and institutional matters

Budgetary matters

Efforts to further improve the efficiency and transparency of the UNFCCC budget process

Note by the secretariat

Summary

This document provides an update on measures taken by the secretariat to further improve the efficiency and transparency of the UNFCCC budget process and documentation, including in relation to the mandates in decisions 18/CP.24, 18/CP.25 and 23/CP.26. It consolidates and builds upon the information contained in previous documents on this matter.



I. Introduction

A. Mandate

1. At its twenty-fifth session the Conference of the Parties (COP) requested the secretariat to report, for consideration at the first regular session of the Subsidiary Body for Implementation (SBI) each year, on its efforts to further improve the efficiency and transparency of the UNFCCC budget process and documentation, including on its implementation of decision 18/CP.25, and on the provisions on other budgetary matters contained in decision 18/CP.24.¹
2. COP 26 welcomed the proposed measures for improving the efficiency and transparency of the UNFCCC budget process² and requested the secretariat to report on the implementation of those measures in this document.³

B. Background

3. Since requesting the secretariat to prepare an information document to elaborate on options for improving the efficiency and transparency of the UNFCCC budget process,⁴ the SBI has regularly considered such options.⁵

C. Possible action by the Subsidiary Body for Implementation

4. The SBI may wish to consider the information provided in this document as part of its consideration of the relevant agenda sub-item and to provide guidance on next steps, as appropriate.

II. Improving the efficiency and transparency of the UNFCCC budget process and documentation

5. The secretariat continues to implement measures to enhance the efficiency and transparency of the UNFCCC budget process and documentation, including in the areas of budget formulation, approval, execution and oversight.

A. Budget formulation

1. Measures for improving efficiency

6. In formulating the proposed programme budget for the biennium 2024–2025, the Executive Secretary continued to seek maximum efficiency gains across activities and funding sources. The proposed budget was developed from the ground up through a comprehensive and participatory secretariat-wide effort that commenced in August 2022. Each division took stock of its functions and activities and assessed opportunities for efficiency gains. The first proposal underwent a rigorous peer review to avoid duplication of and redundancies in activities and thus minimize inefficiencies.

¹ Decision 18/CP.25, para. 19.

² See document FCCC/SBI/2020/INF.2, paras. 30, 31 and 33.

³ Decision 23/CP.26, paras. 21–22.

⁴ FCCC/SBI/2016/8, para. 175.

⁵ A summary of the matters considered since SBI 44 up to and including SBI 51, including relevant measures taken or proposed by the secretariat, can be found in document FCCC/SBI/2020/INF.2, chap. I.B.

7. In addition, the secretariat conducted a thorough review of the activities intended to be funded from supplementary resources, which resulted in a small and focused set of projects, enabling synergies and maximizing efficient use of resources.

2. Measures for improving transparency

8. Furthermore, in formulating the 2024–2025 programme budget proposal, the secretariat continued to improve the transparency of the process by enhancing dialogue and early engagement with Parties, including by publishing briefing materials on the proposed budget on the UNFCCC website and notifying Parties accordingly; and inviting Parties to submit any questions relating to the proposed budget and answering them during two virtual sessions, each covering the same content but organized to accommodate Parties in different time zones.

9. The secretariat continued to apply the enhanced approach and methodology that had been adopted for formulating the programme budget for the biennium 2020–2021,⁶ including categorizing activities according to the mandates they support as:

- (a) Essential activities;
- (b) Recurring or long-term activities;
- (c) Temporary or short-term activities;
- (d) Complementary activities beneficial to achieving the objectives and goals of the Convention, the Kyoto Protocol and the Paris Agreement.

10. Activities categorized as essential, or recurring or long-term are considered core activities, for which sufficient, predictable and timely resources are of the utmost importance, and hence were included in the actual needs scenario for the core budget. Activities categorized as temporary, or short-term or complementary are project-specific or time-bound activities that were proposed to be funded from the supplementary portion of the proposed budget.

11. To ensure transparent allocation of core resources for activities across workstreams, a consistent approach continued to be applied to allocating staff and non-staff resources. For example, each workstream mandated by Parties was assigned a manager (P-5 staff)⁷ to support the intergovernmental process; each constituted body was assigned a team lead (P-4 staff) to support its (co-)chairs and implementation of its work programme; and established processes such as forums and work programmes were assigned programme officers (P-3 or P-2 staff).

12. Likewise, the development of budget scenarios continued to be more transparent thanks to the enhanced budget methodology. In addition to the proposed budget, the secretariat produced the mandated zero nominal growth scenario.⁸ As the resource implications of essential and recurring or long-term activities exceeded the previously agreed core resources, the following principles were applied in determining which activities were to be funded from the core budget:

- (a) Ensuring balanced resource allocation across thematic areas (adaptation, mitigation, support, transparency, etc.);
- (b) Keeping key staff assigned to critical workstreams;
- (c) Maintaining the ratio between staff and non-staff costs, thereby ensuring that at least a minimum level of non-staff costs is maintained to ensure the provision of basic support for all workstreams;
- (d) Giving due consideration to all mandated work regardless of the date of adoption of the respective mandate and the overarching instrument (the Convention, the Kyoto Protocol or the Paris Agreement) so as to ensure consistency in budgeting for similar activities.

⁶ See document FCCC/SBI/2020/INF.2, para. 20.

⁷ P = Professional level.

⁸ Pursuant to decision 22/CP.21, para. 22.

13. In addition, the secretariat continued to provide detailed justification and rationale for the programme budget proposal, as well as further details on the work programme of the secretariat and corresponding resource requirements,⁹ and on the budget of the international transaction log.¹⁰ Additional supporting data and information were made available on the UNFCCC website.¹¹

14. The Executive Secretary continued to present a fully integrated budget outlining the core budget and supplementary and other resources required to deliver the results expected by Parties.

15. The secretariat further enhanced the transparency of budget documentation by including in the work programme a breakdown of staff per objective and output¹² and published a proposal on the programme budget for the biennium 2024–2025 well in advance of the start of SBI 58.¹³

B. Budget approval

16. With regard to the previously proposed measures for improving the efficiency and transparency of the UNFCCC budget process referred to in paragraph 2 above, the secretariat has already implemented most of the measures in the context of preparing and considering the programme budget for 2024–2025, including by:

(a) Providing Party representatives with background information relevant to consideration of the budget;

(b) Holding virtual briefing sessions for Parties on the budget sufficiently in advance of its formal consideration by the SBI, including question and answer sessions.¹⁴

17. Furthermore, the secretariat has updated its work programme for 2022–2023, for consideration at SBI 58, to serve as a transparent baseline against which to assess future budget performance.

C. Budget execution

1. Measures for improving efficiency

18. Several measures for enhancing the efficiency of collecting core and supplementary resources have been considered.

19. COP 27 expressed concern regarding the high level of outstanding contributions to the core budget for the current and previous bienniums, which has resulted in difficulties with cash flow and the effective implementation of activities, and requested the Executive Secretary to take further measures to reduce Parties' outstanding contributions.¹⁵

20. As at 1 April 2023, there were 148 Parties with outstanding contributions, of which 19 had outstanding contributions from 2010 and previous years. It is worth noting that the 10 Parties with the largest outstanding contributions account for the majority (83 per cent) of the total outstanding contributions. The secretariat is making efforts to ensure that it receives

⁹ FCCC/SBI/2023/2/Add.1.

¹⁰ FCCC/SBI/2023/2/Add.2.

¹¹ <https://unfccc.int/about-us/budget/2425-budget-preparation-process>.

¹² Pursuant to decision 22/CP.26, para. 22.

¹³ The advance English version of document FCCC/SBI/2023/2 was published on 22 March 2023; it was published in all six official languages of the United Nations on 12 April 2023. Document FCCC/SBI/2023/2/Add.1 was published on 6 April 2023 and document FCCC/SBI/2023/2/Add.2 on 22 March 2023.

¹⁴ The virtual briefing and question and answer sessions were held on 12 and 13 April 2023, with another briefing session planned to take place shortly before the start of SBI 58.

¹⁵ Decision 27/CP.27, paras. 9 and 14.

indicative contributions from Parties in a timely manner and to settle, wherever possible, outstanding ones.¹⁶

21. The secretariat has continued to send a notification letter to each Party, at least 90 days before payment is due, informing it of its indicative contribution for the following year. Pursuant to the UNFCCC financial procedures, which state that each Party shall, prior to 1 January of each year, inform the secretariat of the contribution it intends to make that year and of the projected timing of that contribution, the notification also informs the Party of the need for the timely payment of the annual contribution.¹⁷ Any outstanding contributions payable by the Party are also indicated in the notification. The secretariat has also continued to follow up and communicate with individual Parties on their outstanding contributions during bilateral meetings.

22. Parties are welcome to voluntarily enter into multi-year payment plans to address arrears and demonstrate their commitment to meeting their financial obligations. To date, no Party has expressed its intention to enter into a multi-year payment plan.

23. The secretariat has continued to seek voluntary contributions from Parties to the Trust Fund for Supplementary Activities, including unearmarked contributions for more flexible use.

2. Measures for improving transparency

24. The secretariat has continued to enhance its reporting on the collection of resources. Detailed reports on contributions to the Trust Fund for the Core Budget of the UNFCCC, the Trust Fund for the International Transaction Log, the Trust Fund for Supplementary Activities and the Trust Fund for Participation in the UNFCCC Process are updated on a monthly basis.¹⁸

D. Budget oversight

25. The basis for internal budget oversight is transparency of budget status. To provide this transparency, the secretariat has continued to prepare automatic periodic budget overview reports for its divisions, which provide an overview of budgetary status and the information required for detailed expenditure analysis. In addition, the secretariat has continued to monitor and follow up in a timely manner on any external audit recommendations related to the UNFCCC budget process.

26. As mandated,¹⁹ the secretariat has established a web page on standard costs that is updated as relevant.²⁰

27. As mandated,²¹ the secretariat continues to prepare and publish annual reports on its activities in the preceding year, programme delivery highlights and financial performance.²²

28. As mandated,²³ a report on budget performance for the biennium 2022–2023 has been prepared for consideration at SBI 58.²⁴

¹⁶ Further information is available at https://unfccc.int/files/secretariat/budget/funding_at_the_unfccc/application/pdf/outstanding_indicative_contributions.pdf.

¹⁷ Decision 15/CP.1, annex, para. 8.

¹⁸ Available at <https://unfccc.int/about-us/budget/status-of-contributions>.

¹⁹ Decision 23/CP.26, paras. 18–20.

²⁰ <https://unfccc.int/about-us/budget/financial-and-budgetary-matters>.

²¹ Decision 21/CP.23, para. 18.

²² FCCC/SBI/2022/9.

²³ Decision 17/CP.25, para. 23.

²⁴ FCCC/SBI/2023/6 and Add.1.