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Administrative, financial and institutional 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 and planned 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 builds on the information contained in previous documents on this matter, including document FCCC/SBI/2020/INF.2.



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 as part of the reporting referred to in paragraph 1 above.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 Most recently, COP 28 took note⁶ of the information contained in the previous document prepared by the secretariat on efforts to further improve the efficiency and transparency of the UNFCCC budget process.⁷

C. Possible action by the Subsidiary Body for Implementation

4. The SBI may wish to consider the information provided herein as part of its consideration of the relevant agenda 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 identify and implement measures to enhance the efficiency and transparency of the UNFCCC budget process and documentation, including in the areas of budget formulation and execution. It is awaiting the final recommendations of the Board of Auditors from the 2024 performance management audit aimed at examining the effectiveness, efficiency and economy of the UNFCCC fit-for-purpose approach and budget management. The audit covers the entire budget cycle, from planning to implementation and reporting.

6. Meanwhile, the Board of Auditors has identified in its findings the need for earlier consultation with Parties and greater alignment of mandate time frames, the secretariat's work programme and the budget process. In the light of these findings the secretariat intends to present to SBI 61 proposals for enhancing the current budgetary framework and methodology.

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.

⁶ Decision 19/CP.28, para. 38.

⁷ FCCC/SBI/2023/INF.3.

A. Budget formulation

7. In formulating the proposed programme budget for the biennium 2026–2027, the Executive Secretary will seek to ensure that activities included in the core budget are based on decisions taken by Parties, and that Parties are actively engaged throughout the budget preparation process.
8. In preparing the core budget scenarios, the secretariat will continue to:
 - (a) Ensure balanced resource allocation across thematic areas (adaptation, mitigation, support, transparency, etc.);
 - (b) Keep key staff assigned to critical workstreams;
 - (c) Maintain 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) Give due consideration to all mandated work.
9. In addition, the secretariat will continue 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, and on the budget of the international transaction log.

B. Budget execution

10. For the 2024 budget execution, the Executive Secretary established a working group in the first quarter of 2024, which undertook a comprehensive review of the budgetary requirements for supplementary activities in order to ensure that a reasonable and justified request would be made in the fundraising letter to be sent to Parties. The review included the following elements:
 - (a) Implementing mandates more economically than previously estimated;
 - (b) Recategorizing long-term or recurring, and short-term or temporary activities as complementary activities beneficial to achieving the objectives and goals of the Convention, the Kyoto Protocol and the Paris Agreement.
11. The review ensured that the limited funding available is prioritized for activities that are essential for implementing mandates from the governing and subsidiary bodies. As a result, in the fundraising letter sent to Parties in March 2024 funds were requested for a significantly reduced set of requirements relating to supplementary long-term or recurring, and short-term or temporary activities.
12. Complementary activities beneficial to achieving the objectives and goals of the Convention, the Kyoto Protocol and the Paris Agreement will continue to be undertaken if and when sufficient funding is provided by Party and non-Party donors for this purpose.
13. COP 28 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.⁸
14. As at 24 April 2024, there were 149 Parties with outstanding contributions, of which 18 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 (79.5 per cent) of the total outstanding contributions. The secretariat is making efforts to ensure that it receives indicative contributions from Parties in a timely manner and to settle, wherever possible, outstanding ones.⁹

⁸ Decision 18/CP.28, paras. 10 and 15.

⁹ Further information is available at https://unfccc.int/files/secretariat/budget/funding_at_the_unfccc/application/pdf/outstanding_indicative_contributions.pdf.

15. The secretariat has continued to send a core budget 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.¹⁰ 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.

16. 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.

17. The secretariat has continued to seek voluntary contributions from Parties to the trust fund for supplementary activities and the trust fund for participation in the UNFCCC process, including unearmarked contributions for more flexible use. The Executive Secretary, members of senior management and the Resource Mobilization and Partnerships subdivision enhanced their fundraising efforts in 2023–2024, informing Parties from all regional groups during bilateral and multilateral meetings of the dire funding situation, which, if not urgently addressed, could increase the risk that:

- (a) Mandated activities will need to be cancelled or postponed;
- (b) Mandated outputs will have to be delivered in such manner as to meet minimum requirements, thereby reducing their potential impact;
- (c) There will be less or no capacity to provide funding, under the trust fund for participation in the UNFCCC process, to representatives of eligible Parties for participating in sessions of the governing and subsidiary bodies.

¹⁰ Decision 15/CP.1, annex, para. 8.