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Framework Convention on Climate Change

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Subsidiary Body for Implementation
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Item 21 of the provisional agenda
Administrative, financial and institutional matters

Financial report and audited financial statements for 2024 and report of the United Nations Board of Auditors

Note by the secretariat

1. The UNFCCC financial procedures[1] require that a final audited statement of accounts for the full financial period be provided to the Conference of the Parties as soon as possible after the accounts for the financial period have been closed. They also stipulate that the accounts and financial management of all funds governed by the financial procedures shall be subject to the internal and external audit process of the United Nations.

2. The United Nations Board of Auditors has audited the financial statements for 2024. The full text of the Board's report and of the audited financial statements is included in the annex and reproduced as received, with the original pagination. The secretariat's response to the audit recommendations is contained in the addendum to this document.[2]

3. The Subsidiary Body for Implementation is invited to take note of the information contained in the audited financial statements and the report of the Board. It may also wish to recommend appropriate actions in draft decisions on administrative and financial matters for consideration and adoption by the Conference of the Parties at its thirtieth session, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its twentieth session and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its seventh session.

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[1] Decision 15/CP.1, annex I.
[2] FCCC/SBI/2025/INF.10/Add.1.

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Annex

United Nations

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

for the year ended 31 December 2024

Note

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

United Nations Framework Convention on Climate Change

Contents

Chapter I

Report of the Board of Auditors on the financial statements: Audit Opinion

Opinion

We have audited the financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) which comprise the statement of financial position (statement I) as at 31 December 2024, the statement of financial performance (statement II), the statement of changes in net assets (statement III), the cash flow statement (statement IV) and the statement of comparison of budgets to actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of UNFCCC as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and the International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of UNFCCC in accordance with the ethical requirements that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 17 to the financial statements, which describes the recognition in 2024 of $6.5 million in revenue related to prior financial periods, due to a systemic anomaly in the recognition of conditional voluntary contributions. Our opinion is not modified in respect of this matter.

Information other than the Financial Statements and Auditor's Report thereon

The UNFCCC Executive Secretary is responsible for the other information. The other information comprises the financial report for the year ended 31 December 2024 included in chapter IV, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing UNFCCC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate UNFCCC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing UNFCCC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of UNFCCC's internal control;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;

(d) Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on UNFCCC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause UNFCCC to cease to continue as a going concern; and

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of UNFCCC that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of UNFCCC and legislative authority.

In accordance with Article VII of the United Nations Financial Regulations and Rules, we have also issued a long-form report on our audit of UNFCCC.

Pierre Moscovici
First President of the French Cour des Comptes
Chair of the Board of Auditors
(Lead Auditor)

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Hou Kai
Auditor General of the People's Republic of China

Vital do Rêgo Filho
President of the Brazilian Federal Court of Accounts

23 July 2025

Chapter II

Long-form Report of the Board of Auditors

Summary

The Board of Auditors audited the financial statements and reviewed the operations of the United Nations Framework Convention on Climate Change (UNFCCC) for the year ended 31 December 2024. The audit was carried out on site, in Bonn (Germany), from 6 to 17 January 2025, 1 to 18 April 2025 and 22 April to 2 May 2025.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the operations of the UNFCCC as reported as at 31 December 2024 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

The United Nations Framework Convention on Climate Change (UNFCCC) is an international environmental treaty adopted in 1992 that entered into force in 1994. Its objective is to stabilize greenhouse gas concentrations in the atmosphere at a level that will prevent dangerous human interference with the climate system. The overall financial position of the Organization as at 31 December 2024 remained sound. The Administration needs to continue to strengthen core business processes in finance such as revenue recognition. The Board also identified areas for improvement in the coordination of climate action financing and procurement.

Key findings

Financial overview

Total revenue increased by 12.8 per cent, reaching $130.5 million. UNFCCC is mainly funded through contributions and service fees. In 2024, total contributions amounted to $115.3. million. These contributions included $40.8 million of indicative contributions and $74.5 million of voluntary contributions. The total revenue increase was mainly due to the growth of voluntary contributions, a result of UNFCCC enhanced fund-raising efforts and the recognition of $7.2 million contribution for the Santiago network for loss and damage. Following a reassessment of multi-year grants initiated in 2022, an additional cumulative amount of $6.5 million was recognized as revenue from conditional voluntary contributions. This amount represents a correction of prior-year contributions as of 31 December 2024.

Total expenses decreased by 1.6 percent, reaching $122.4 million. The total surplus noted in 2024 amounted to $8.1 million representing 6.2 per cent of total revenues received in 2024.

The 2024 financial statements were presented for audit on 31 March 2025. The Board highlighted and discussed a number of issues when reviewing the financial records of UNFCCC for the year ended 31 December 2024 that were adjusted by UNFCCC in the final financial records submitted on 3 June 2025.

Key findings

In addition to the follow up of implementation of previous recommendations and the audit of the financial statements, the Board focused on the audit of the role of the UNFCCC Secretariat in the coordination of financing climate action.

Financial management

Systemic anomaly in revenue recognition for multi-year voluntary conditional contributions

The Board identified atypical accounting entries recorded as reductions of revenue after analysing several grants, for multi-year voluntary conditional contributions.

Umoja system appeared to apply a different accounting treatment to the contracts reviewed, in contradiction with IPSAS 23. This mechanism hasd a direct impact on the annual result, which may be overstated or understated depending on the year, without any clear justification or economic rationale.

As at 31 December 2024, there was an understated revenue estimated at $6.5 million, with full retrospective calculation deemed impracticable. Consequently, UNFCCC decided to reflect the impact of anomaly in the 2024 financial statement.

Role of the UNFCCC Secretariat in the coordination of the financing of climate action

Climate finance mandates and organization of the UNFCCC Secretariat

Climate finance issues are handled by UNFCCC through a financial mechanism and the assistance provided by the Standing Committee on Finance. The Secretariat, and especially the Climate Finance subdivision, supports the intergovernmental negotiation process and the developing country Parties in accessing financing for climate finance. Since the Paris Agreement, the number of mandates on climate finance has grown exponentially and 41 per cent of the total of mandates were still active. To face the situation, the Secretariat relies heavily on additional funding to implement these activities.

The appreciation of the support given by the Secretariat on these organization matters was positive. The Secretariat relied on external consultancy, whose contractual arrangements could be reviewed to better reflect the nature of the relationship and prevent conflicts of interest.

Relationship with stakeholders to promote access to climate finance

The Secretariat was exploring ways to play a role of "catalyst" regarding climate finance. It especially counted on the Needs-based finance project that capitalizes on the convening authority of the UNFCCC Secretariat to assemble all relevant stakeholders. To pursue this goal, the Secretariat should structure more its already existing engagements with the other UN entities involved in climate action, in particular implementing agencies and formalize it. Additionally, in the context of the Article 2.1.c of the Paris Agreement, the Secretariat would benefit from strengthening its engagement with the broader finance world in the sake of promoting access to climate finance.

Role and responsibilities in procurement

The UNFCCC Secretariat is mandated to operationalize the Article 6 of the Paris Agreement, which deals with cooperation in implementing this Agreement and promoting of international transactions in support of action on climate change (market-based mechanisms). Article 6 involves rolling out a Mechanism Information System (MIS) and a centralized registries tool. The procurement process for Article 6.4 MIS raised concerns in particular on the segregation of role and responsibilities between the stakeholders in the current organization. The Headquarters Committee on Contracts concluded with a recommendation that the Assistant Secretary-General for Supply Chain

Management reject the contract award for the Article 6.4 MIS. This decision created delays and impacted the procurement of the Article 6.4 centralized registries.

Recommendations

The Board has made nine new recommendations based on its audit.

The Board recommends that the UNFCCC Secretariat:

Financial management

Systemic anomaly in revenue recognition for multi-year voluntary conditional contributions

(a) carry out a detailed analysis of its grants accounting structure to determine whether revenue recognition should be adjusted, either through modification of the automated revenue recognition parameters or through manual adjustments, in order to ensure full compliance with IPSAS 23 and avoid material cut-off misstatements in future reporting periods.

Role of the UNFCCC Secretariat in the coordination of financing climate action

(b) clarify the leadership role of the Climate Finance subdivision and formalize the coordination between this subdivision and other relevant entities;

(c) enhance communication regarding the reports produced by the Standing Committee on Finance: disseminating the reports to climate finance stakeholders, presenting them at meetings not organized by the UNFCCC (UN General Assembly, annual meetings of Multilateral Development Banks, etc.);

(d) (i) explore alternative contractual arrangements for cooperation with think tanks active in the field of climate finance; (ii) specify in those arrangements the information the think tank will share with the UNFCCC, especially regarding data and the uses to which the UNFCCC Secretariat can put this data;

(e) include in the UNFCCC Secretariat's policy on consultants and individual contractors (CIC), currently under development, specific provisions on (i) the prevention of conflicts of interest, in particular for the hiring of individuals who are likely to represent Parties in negotiations that are directly related to the delivery of services by the CIC and (ii) the re-employment of CIC as a staff member;

(f) incorporate indicators on the outcome of the Needs-based Finance project to assess its impact on the role of the Secretariat as a catalyst for climate finance;

(g) improve the communication towards negotiators on the role of the RCCs regarding delivery of support on climate finance;

(h) in a whole of agency solution seeking approach and where it adds value sign and/or update legal arrangements with the UN Agencies, Funds and Programmes — in particular with UNDP (and UNCDF), UNEP, UNCCD, UNCBD, UNDRR, etc. — to maximize the Secretariat's capacity to act as a catalyst.

Role and responsibilities in procurement

(i) conduct and formalize a lesson learnt exercise on procurement processes, taking in consideration the lens of the role and responsibilities of the

Procurement Authority, the requisitioners, and management, to ensure the consistency and the efficiency of the procurement processes.

Previous recommendations

Out of 15 outstanding recommendations at the end of 2024, 10 have been implemented (representing 67 per cent of all outstanding recommendations, compared with 65 per cent in the report for 2023), and 5 remain under implementation (33 per cent).

Key facts

$130.5 million	Revenue
$122.4 million	Expenses
$8.1 million	Surplus for the year
$280.1 million	Assets
$218.9 million	Liabilities
$61.3 million	Total net assets
442	Staff

A. Mandate, scope and methodology

1. The United Nations Framework Convention on Climate Change (UNFCCC) is an international environmental treaty that entered into force in 1994. Its objective is to stabilize greenhouse gas concentrations in the atmosphere at a level that will prevent dangerous human interference with the climate system. In 1997, the Kyoto Protocol has been concluded and established legally binding obligations for developed countries to reduce their greenhouse gas emissions. In 2015, the Paris agreement has adopted governing emission reductions as from 2020 by means of countries committing to Nationally Determined Contributions. The work of UNFCCC is facilitated by its Secretariat located in Bonn, Germany.

2. The Board of Auditors (Board) has audited the financial statements of UNFCCC and reviewed its operations for the year ended 31 December 2024 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with Article VII of the Financial Regulations and Rules of the United Nations and the annex thereto and in accordance with the International Standards on Auditing (ISA) and the International Standards of Supreme Audit Institutions (ISSAI). These standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of UNFCCC as at 31 December 2024, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the bodies and whether revenue and expenses had been properly classified and recorded in accordance with the United Nations Financial Regulations and Rules and financial procedures approved by the Conference of the Parties (COP) in Decision 15/CP.1 and IPSAS. The audit included a general review of the financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to auditing accounts and financial transactions, the Board carried out reviews of the UNFCCC operations under United Nations Financial Regulation 7.5. This enables the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of UNFCCC operations. The Board focused its audit, among others, on finance, the role of the UNFCCC Secretariat in the coordination of financing climate action and procurement. The Board also followed up on its previous recommendations. These matters are addressed in the relevant sections of this report.

5. The audit was carried out at the premises, in Bonn (Germany), from 6 to 17 January 2025 for the interim and the final audit was conducted on site, in Bonn

(Germany) from 1 to 18 April 2025 and from 22 April to 2 May 2025. The UNFCCC audit included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of the Board examination.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the Conference of the Parties. The Board's observations and conclusions were discussed with the UNFCCC Secretariat whose views are appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up on previous recommendations

7. Out of 15 outstanding recommendations at the end of 2024, 10 have been implemented (representing 67 per cent of all outstanding recommendations, compared with 65 per cent in the report for 2023), and five remain under implementation (33 per cent).

8. Details of the status of implementation of the recommendations are shown in the annex to the present report.

2. Financial overview

9. The total surplus recorded in 2024 amounted to 8.1 million, representing 6.2 per cent of total revenues received in 2024, while a deficit of $8.6 million had been recorded in 2023, representing 7.5 per cent of 2023 total revenues. At year-end 2024, the net assets amounted to $61.3 million, a decrease of $17.1 million compared to 2023.

10. Following the previous recommendations, the quality check of the financial statements has been strengthened, resulting in fewer errors of all kinds. However, due to a systemic anomaly in revenue recognition for multi-year voluntary conditional contributions, a revaluation of multi-year grants launched in 2022 led to the recognition of an additional cumulative amount of $6.5 million in revenue. Consequently, the audit resulted in a substantial adjustment (3.2).

2.1. Revenue and expenses

11. Total revenue increased by 12.8 per cent, reaching $130.5 million compared to $115.7 million in 2023. UNFCCC is mainly funded through contributions and service fees. In 2024, total contributions amounted to $115.3 million compared to $88.1 million in 2023. These contributions included $40.8 million ($32.8 million in 2023) of indicative contributions[1] and $74.5 million ($55.2million in 2023) of voluntary contributions. UNFCCC collected Clean Development Mechanism (CDM) and Joint Implementation (JI) service fees of $3.4 million ($13.9 million in 2023). The total revenue increase is mainly due to the growth of voluntary contributions, as a result of UNFCCC enhanced fundraising efforts and the recognition of $7.2 million contribution to the Fund for responding to Loss and Damage (FRLD), and also due to the reassessment of multi-year grants for §6.5 million in 2024.

12. Indicative contributions increased mainly due to the Conference of the Parties approving a higher contribution based on the approval of a higher budget in 2024. There was also a significant decrease in CDM and JI fees of $10.4 million attributed to a reduced volumes of Certified Emission Reduction

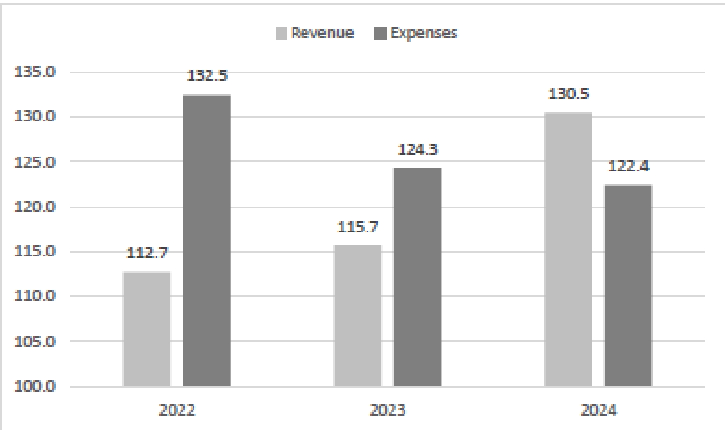
[1] Indicative contributions are preliminary, non-binding financial commitments provided by Parties to the UNFCCC to guide the Convention's budgetary and work planning processes. They are calculated based on an agreed scale of assessment.

issuances for emission reduction projects and programmes in 2024 compared to 2023.

13. Total expenses decreased by 1.6 percent, reaching $122.4 million ($124.3 million in 2023). Travel expenses reached 13.8 million ($21.9 million in 2023) following the government of Azerbaijan's assumption of hotel accommodations for Conference of the Parties attendees in Baku and cross-cutting measures taken by UNFCCC Management to reduce staff travel. The remaining expenses were globally in line with the previous year and were related to the contractual services amounting to $30.6 million ($30.5 million in 2023), the operating expenses amounting to $3.7 million ($2.7 million in 2023) and losses on foreign exchange and investments amounting to $0.5 million ($2.9 million in 2023).

14. The decrease in travel expenses was partially offset by an increase in the personnel expenditures which reached $69.3 million in 2024 compared to $62.8 million in 2023. This increase of $6.5 million was mainly due to a net increase in headcount of 10 staff members over the year 2024, including the filling of vacant higher-categories positions, such as Deputy Executive Secretary, and the full-year impact of staff who joined in 2023. (+43 staff members).

Figure II.I
Revenue and expenses
(Millions of United States Dollars)



Source: UNFCCC financial statements for 2022, 2023 and 2024

15. In 2024, the revenue-to-expenses ratio[2] improved, and reached 1.07 compared to 0.93 in 2023, primarily due to increased revenue, while total expenditures remained relatively consistent with the previous year.

[2] The ratio is calculated by dividing revenue by expenses.

Table II.1
Breakdown of expenditures by financial statements categories
(Millions of United States Dollars)

	Personnel expendi-tures	Travel	Contractual services	Operating expenses	Other expenses	Depreciation /amortisation	Return/transfer of donor/CDM TF transfer	Losses on foreign exchange and investments
2024	69.3	13.8	30.6	3.8	3.7	0.3	0.4	0.5
2023	62.8	21.9	30.5	2.7	2.7	0.3	0.4	2.9
2022	58.5	12.4	24.2	6.4	4.4	0.3	20.3	6.0
2021	56.3	5.7	20.7	2.2	4.9	0.4	0.7	2.7

Source: Board of Auditors' calculations based on the UNFCCC financial statements for 2024, 2023, 2022 and 2021.

2.2. Assets and liabilities

16. As of 31 December 2024, total assets amounted to $280.1 million compared to $273.9 million in 2023. The two main elements of the UNFCCC assets were cash and investments balances, totalling $241.8 million compared to $230.9 million in 2023, representing 86.3 per cent of the total assets, and contributions receivables of $13.8 million, compared to $22.3 million in the previous year. Contributions receivables represented amounts already due and the outstanding over the lifetime of current agreements with donors, of which an amount of $7.3 million, compared to $1.4 million in 2023, was due in more than one year.

17. The cash and investment balances are managed under a cash pooling arrangement operated by the United Nations Secretariat in New York. The returns on the UNFCCC cash balances and investments totalled $11.5 million ($9.9 million in 2023).

18. As of 31 December 2024, total liabilities amounted to $218.9 million, compared to $195.5 million in 2023. The most significant component of UNFCCC current and non-current liabilities resulted from employee benefits liabilities of $182.1 million, compared to $147.8 million in 2023. The employee benefits liabilities represented obligations incurred at year-end, the largest element of which was the estimated cost of after-service health insurance (ASHI) of $167.4 million ($133.9 million in 2023). In 2024, an independent actuarial firm estimated the UNFCCC employee benefits liability, which represents the best estimate of this liability but remains subject to a degree of uncertainty.

19. On the ASHI liability, as disclosed in note 14 to the financial statements, UNFCCC recognized a net actuarial loss[3] of $25 million in 2024 while it recognized a net actuarial loss of $6.4 million in 2023.

20. The second most significant liability of UNFCCC related to advance receipts, which amounted to $22.3 million compared to $24.7 million in 2023. The advance receipts of conditional voluntary contributions amounted to $13.5 million ($18.6 million in 2023), and the indicative contributions received in advance amounted to $5.1 million ($3.2 million in 2023) as disclosed in note 13. In accordance with IPSAS 23, the advance receipts represent agreements

[3] Net actuarial loss refers to the cumulative losses that arise from differences between the assumptions used in actuarial calculations (such as discount rates, life expectancy, or salary growth) and the experience adjustments. The actuarial gains/losses are recognised directly in net assets.

where the revenue is recognized when the conditions set out in the agreements are met in future financial periods. Seen from UNFCCC's perspective, these advance receipts represent commitments to donors for the provision of future services. The amount recognized represents the UNFCCC's best estimate of what would be required to settle the obligations defined in the conditions of the agreements.

2.3. Ratio analysis

21. The Board's analysis of capital structure ratios (Table II.2) shows that, despite the competitive environment for donor funds, the financial position of UNFCCC remained sound, with a slightly decreased asset to liabilities ratio of 1.28, compared to 1.40 in 2023. The analysis of ratios shows relative consistency over the last financial years, with a highest cash ratio at year-end of 4.63, compared to 3.6 in 2023.

Table II.2
Capital structure ratios

Description of ratio	31 December 2024	31 December 2023	31 December 2022	31 December 2021
Assets-to-liabilities ratio[a] Assets/liabilities	1.28	1.40	1.55	1.34
Current ratio[b] Current assets/current liabilities	5.41	4.41	4.65	5.61
Quick ratio[c] Cash + short-term investments + accounts receivable/current liabilities	4.83	4.06	4.53	5.49
Cash ratio[d] Cash + short-term investments/current liabilities	4.63	3.60	4.01	5.01

Source: Board of Auditors' calculations based on the UNFCCC financial statements for 2024, 2023, 2022 and 2021.

[a] A high ratio (generally at least 1) indicates an entity's ability to meet its overall obligations.

[b] A high ratio (generally at least 1) indicates an entity's ability to pay off its current liabilities.

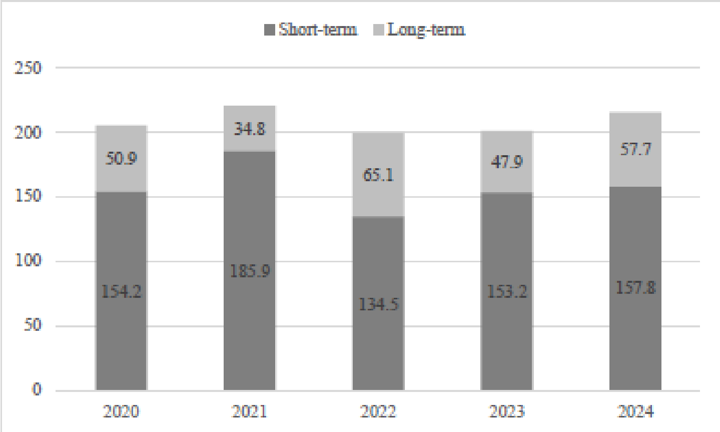
[c] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

[d] The cash ratio is an indicator of an entity's liquidity. It serves to measure the amount of cash, cash equivalents or invested funds available in current assets to cover current liabilities.

22. Total investments of UNFCCC, handled by the United Nations Secretariat, increased by 7.16 per cent from $201.1 million to $215.5 million in 2024 (see Figure II.II below). Long-term investments increased by 20 per cent while short-term investments increased by only 3 per cent. Cash and cash equivalents decreased from $29.7 million to $26.3 million.

United Nations Framework Convention on Climate Change

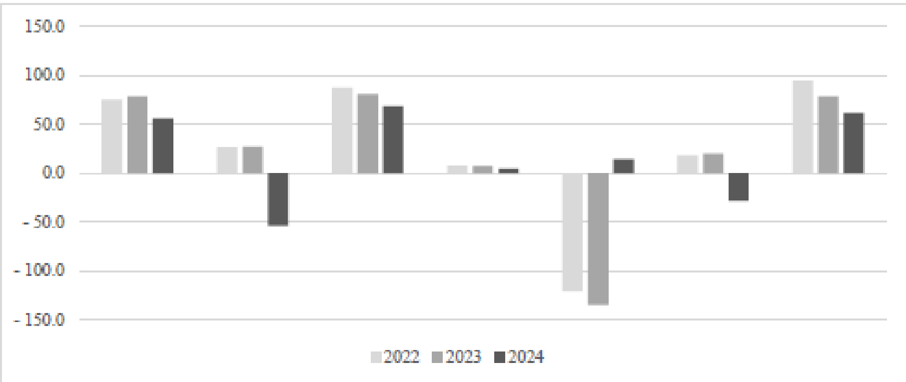
Figure II.II
Development of investments during the years 2020-2024
(Millions of United States Dollars)



Source: UNFCCC financial statements for 2020 to 2024. Accrued interests are excluded.

23. Net assets at year-end 2024 decreased by $17.1 million compared to 2023, declining from $78.4 to $61.3 million. The figure below shows that it was primarily due to the decrease of the net assets for the core budget which became negative in 2024.

Figure II.III
Net assets by fund
(Millions of United States dollars)



	TF* for the Clean development mechanism	TF for the core budget of UNFCCC	TF for Supplementary Activities	TF for the International Transaction Log	UNFCCC Employee liabilities fund	Other funds	**Total Net assets**
2022	75.1	26.7	87.5	7.6	-120.5	17.9	**94.3**
2023	78.3	27.1	80.6	7.4	-134.9	19.9	**78.4**
2024	55.6	-53.7	68.4	4;5	14.5	-28.1	**61.3**

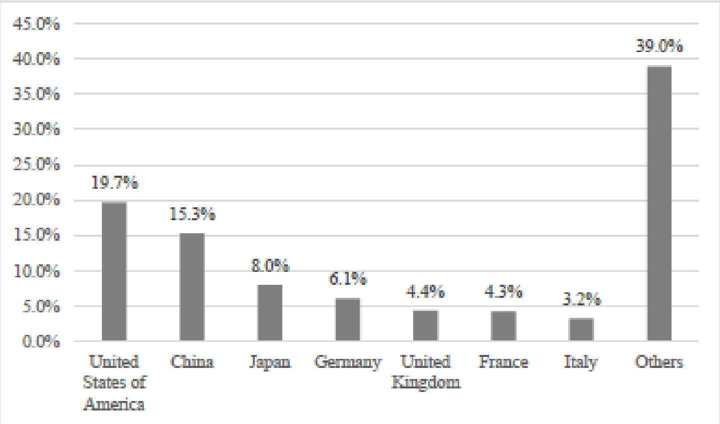
Source: UNFCCC financial statements for 2022 to 2024*TF: Trust fund.

24. The allocation of ASHI and employee benefit actuarial liabilities to each fund based on the staff members' fund assignments, effective as of 2024 and until then fully disclosed under the Employee liabilities fund, had a negative impact on the net assets of the trust fund for the core budget of –$81 million, –$23 million for the CDM fund, –$12 million for the trust fund for supplementary activities, and -$36 million on the Special account for UNFCCC programme support costs which was included in "other funds" as at 31 December 2024.

2.4. Main Parties contributing to the core budget

25. The figure below shows that the top seven States Parties provided 61 percent of total contributions to the UNFCCC core[4] budget. The shares of the United States of America (19.7 per cent), China (15.3 per cent) and Japan (8.0 per cent) accounted for almost 43 percent of the total contributions.

Figure II.IV
Main parties contributing to the core budget (percentage of total Core budget contributions)



Source: Analysis made by the Board of Auditors on the basis the UNFCCC financial statements for 2024.

2.5. Budgetary aspects

26. The budgetary performance resulted in a lower level of expenditure than the approved budget for 2024. The total approved core[5] budget for 2024 amounted to EUR 37.5 million. As the budget is approved in euros, valued in US dollars, at the exchange rate[6] set by the United Nations, the final budget amounted to $41.7 million, compared to expenditures totalling $39.0 million. For 2023, the final budget amounted to $ 33.0 million, with a total expenditures of $34.2 million.

[4] The core budget refers to the budget funded by contributions from Parties based on the indicative scale of assessments of the United Nations. It supports the essential and ongoing activities of the secretariat, including servicing the intergovernmental process, organizing sessions of the Convention's bodies, and providing administrative and logistical support.
[5] The core budget refers to the budget funded by contributions from Parties based on the indicative scale of assessments of the United Nations. It supports the essential and ongoing activities of the secretariat, including servicing the intergovernmental process, organizing sessions of the Convention's bodies, and providing administrative and logistical support.
[6] $1 = EUR 0.901.

27. For 2024, the global under expenditure of the core budget was mainly due to lower expenses regarding means of implementation, communications and engagement and legal affairs.

28. UNFCCC also had an International Transaction Log (ITL) budget, which was set at $1.8 million for 2024, compared to a lower amount of expenditures of $1.4 million, due to lower general operating expenses, which represent the costs of the ITL service providers.

3. Financial management

3.1. Adjustments during the audit

29. The Board identified some transactions that were incorrectly reflected in the financial statements, and also the need to add details to accounting policies. In addition, some mistakes were noted in the financial statements, including misstatements in total amounts and omissions of information in tables. They have all been corrected by UNFCCC.

3.2. Systemic anomaly in revenue recognition for multi-year voluntary conditional contributions

30. As part of its review of a sample of voluntary conditional contributions, the Board identified atypical accounting entries recorded as reductions of revenue.

31. By extending the analysis of one specific grant over the entire duration of the contract, the Board observed that the revenue recognition mechanism applied was irregular. Instead of recognizing the cumulative revenue progressively over the life of the grant, in proportion to the eligible expenditures incurred, as required by IPSAS 23, the Administration made reversal entries from one year to the next, effectively cancelling revenue recognized in the prior year. This anomaly was a systemic issue and resulted from the automatic reversal, on 1 January of year N+1, of cumulative deferred revenue of the previous years under multi-year voluntary conditional contribution agreements. The remaining revenue was typically recognized in the final year, upon grant closure.

32. For example, in the case of grant M1-32FRA-000214, signed in 2021 and completed in 2024 for an initial amount of $4.17 million, later revised to $4.02 million, the full amount was ultimately recognized as cumulative revenue only after 2024. However, significant year-on-year fluctuations were observed in revenue recognition throughout the grant period, including the cancellation of previously recognized revenue in 2023, followed by the recognition of a substantial amount of revenue in 2024 — resulting in a significant mismatch with the actual expenditures incurred during those years.

33. Although IPSAS 23 requires revenue from such agreements to be recognized annually in line with eligible expenses incurred, the Umoja system applies a different accounting treatment to a subset of contracts reviewed. UNFCCC was not able to identify the root cause of this deviation, which appears to have emerged in 2022, coinciding with a change in the team responsible for processing these transactions.

34. **This mechanism has a direct impact on the annual result, which may be overstated or understated depending on the year, without any clear justification or economic rationale. This inconsistent pattern undermines the reliability of year-on-year performance comparisons and the fair presentation of financial performance.**

35. To assess the overall impact of this systemic anomaly, the Board requested data on all multi-year voluntary contributions that remained open as of 31 December 2024. This population comprised 72 grant agreements, representing a total of $20.3 million in deferred revenue liabilities. The Board compared the revenue recognized between 2015 and 2024 with the actual expenditures recorded under the same agreements. Over this period, total expenditures amounted to $50.23 million, while recognized revenue reached only $44.11 million, resulting in an unexplained variance of $6.12 million, mainly impacting the 2023 and 2024 financial years.

36. The UNFCCC Finance team acknowledged that the current revenue recognition mechanism does not comply with IPSAS 23, particularly regarding the proper application of the cut-off principle.

37. This issue represented a fundamental weakness requiring immediate attention. It constituted a significant risk with potential implications for the achievement of the Organization's financial reporting objectives.

38. In response, the UNFCCC Secretariat consulted with UN headquarters in New York to obtain their methodology for accounting for conditional contributions which considers not only cumulative actual expenditures, but also commitments [7] and foreign exchange adjustments. Based on the approach shared by headquarters, a revised calculation was performed by UNFCCC, with a related population enlarged to 80 grants, resulting in a variance of $6,524,828.94.

39. This adjustment related to multiple financial periods, including 2022, 2023, and 2024. However, due to system limitations in Umoja, UNFCCC was unable to retroactively reconstruct individual grant balances as of 31 December 2024 to process the adjustments at the grant level.

40. Consequently, UNFCCC has decided to reflect the estimated impact of the anomaly in the 2024 financial statements by recognizing an additional $6.5 million in revenue, without restating financial statements for 2023. The adjustment has been recorded in 2024, without restating prior-year financial statements. It represents a correction of prior-year contributions as of 31 December 2024.

41. As a result, the nature and estimated financial impact of the prior-period anomaly are explained in Note 17 "Revenue" to the 2024 financial statements, in accordance with IPSAS 3 provisions regarding the correction of errors when full retrospective adjustment is impracticable.

42. The Board takes note of the adjustment made to the 2024 financial statements, the underlying system limitation, and the resulting accounting treatment. In light of the significance of this issue to the users' understanding of the financial statements, the Board has decided to include an Emphasis of Matter paragraph in its audit opinion.

43. The Board notes that the revenue recognition methodology applied by UN headquarters includes not only actual expenditures but also commitments (i.e., open purchase orders), regardless of whether the associated goods or services have been delivered. From an accrual accounting perspective, this treatment is subject to debate, as commitments do not represent realized expenses, except for the portion corresponding to accruals.

44. UN headquarters justified this approach on the grounds that commitments are never refunded to donors and are thus considered definitively allocated to the entity, supporting their inclusion in revenue recognition.

45. In the present situation, based on the data provided, it was not possible to distinguish commitments from accruals for the related grants population. As a

[7] Commitments were estimated at $1.6 million.

result, the amount subject to uncertainty could not be precisely quantified, although it was estimated to be below $1.6 million.

46. **The Board recommends that UNFCCC Secretariat carry out a detailed analysis of its grants accounting structure to determine whether revenue recognition should be adjusted, either through modification of the automated revenue recognition parameters or through manual adjustments, in order to ensure full compliance with IPSAS 23 and avoid material cut-off misstatements in future reporting periods.**

47. The UNFCCC Secretariat accepted this recommendation and indicated that, in 2025, the Secretariat will perform a full recalculation of revenue recognition using the revised methodology and record the cumulative adjustment in Umoja. This entry will reflect revenue attributable to eligible expenditures incurred during 2022, 2023, 2024, and 2025, ensuring alignment with IPSAS 23 and correcting the cumulative misstatements on a prospective basis.

4. The role of UNFCCC in the coordination of financing climate action

4.1. Climate finance mandates and organization of the UNFCCC Secretariat

48. With mitigation and adaptation, climate finance is a pivotal issue in the UNFCCC negotiations. Consequently, it constitutes a significant portion of the Secretariat's workload, particularly in supporting the negotiation process. However, the Secretariat is not responsible for the delivery of climate finance to developing country Parties, a task entrusted to the financial mechanism of the UNFCCC. Regarding the financial mechanism and other providers of climate finance, notably bilateral or multilateral development banks, the Secretariat plays a coordinating role or, as it characterizes it, a catalytic one.

4.1.1. Climate finance

49. According to the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat climate finance website, climate finance refers to "local, national or transnational financing — drawn from public, private and alternative sources of financing — that seeks to support mitigation and adaptation actions that will address climate change"[8].

50. To facilitate the provision of climate finance, the Convention established a financial mechanism. In 1998, the Conference of the Parties (COP) designated the Global Environment Fund (GEF) as operating entity of the financial mechanism of the Convention, which also serves the Paris Agreement. In 2001, Parties established the Special Climate Change Fund (SCCF) and the Least Developed Countries Fund (LDCF) managed by GEF. At the same COP, Parties also established the Adaptation Fund (AF). At COP 16 in 2010, the Parties established the Green Climate Fund (GCF). In 2022, the Parties established the Fund for Responding to Loss and Damage.

51. Each fund has a governing body and a secretariat, either independent or hosted by another entity. The COP and CMA provide guidance to the GEF (and the Special Climate Funds), GCF[9] and FRLD on matters relating to policies, programme priorities and eligibility criteria.

52. At COP16 in 2010, the Parties established the Standing Committee on Finance (SCF). This Committee supports the COP on matters related to the financial mechanism. Over the years, Parties have entrusted the SCF with

[8] https://unfccc.int/topics/introduction-to-climate-finance.
[9] Annual until 2024. The Parties agreed to issue biennial guidance from 2025.

numerous mandates. It organizes an annual forum on climate finance, prepares draft guidance for the COP to the operating entities, and publishes a biennial assessment report on climate finance flows, biennial reports on progress towards achieving the goal of jointly mobilizing $100 billion per year through COP 33, a quadrennial report on the determination of the needs of developing country Parties as well as other ad hoc reports such as reports on the doubling of adaptation finance and on clustering types of climate finance definitions in use in 2023.

4.1.2. Climate finance mandates

53. In 2024, the ongoing mandates in the field of climate finance represented 10 per cent of the mandates assigned to the UNFCCC Secretariat (see Figure II.V). The main mandates relate to support for the SCF, the Sharm el-Sheikh dialogue[10], the New Collective Quantified Goal on Climate Finance (NCQG)[11], the reporting activities, and the activities linked to the financial mechanism, including the operationalization of the FRLD[12].

Table II.3
Allocation of the staff of the Climate Finance subdivision in 2024

		Workforce allocated
Support for the intergovernmental negotiation process	Supporting negotiations	35%
	Drafting reports mandated by the COP	27%
	Engagement with the operating entities of the financial mechanism	25%
Support for developing country Parties in accessing financing for climate action	Needs-based finance project	7%
	Engaging with other stakeholders of climate finance	6%

Source: Board of Auditors – UNFCCC Secretariat (rounded percentages).

54. Although the first mandate on climate finance was given by the Parties to the UNFCCC Secretariat in 1997, the Paris Agreement marks a turning point in climate finance. Since then their number has grown exponentially, 57 per cent of the total number of mandates on climate finance were given between 2016

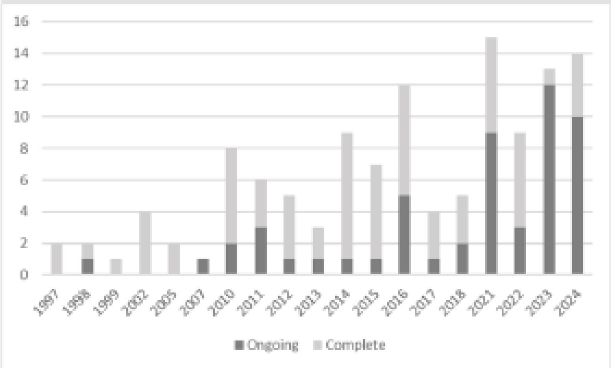
[10] The Sharm el-Sheikh dialogue between Parties, relevant organizations and stakeholders to exchange views on and enhance understanding of the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement. It aims to play a significant role in the transformation of the global financial system.

[11] The New Collective Quantified Goal on Climate Finance (NCQG) is a new global climate finance goal that the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) set from a floor of $100 billion per year. In COP 29, Parties called "*all actors to work together to scale up financing to developing countries for climate action from all public and private sources to at least $ 1.3 trillion per year by 2035.*" It sets a goal of at least $300 billion per year by 2035 for developing countries' climate action.

[12] The FRLD was established through decisions 2/CP.27 and 2/CMA.4. It is hosted by the World Bank. After a phase of prefiguration with a Transitional Committee, an interim secretariat has been established to operationalize the organization. This interim secretariat is composed of staff members of the UNFCCC Secretariat, UNDP and the GCF Secretariat.

and 2024 (see Figure II.V). It is worth mentioning that 41 per cent of the total of mandates are still active and need to be implemented by the UNFCCC Secretariat. Some are related to recurring actions such as support for the production of periodic reports or for negotiators' activities.

Figure II.V.
Evolution of the climate finance mandates assigned to the UNFCCC Secretariat from the beginning of the intergovernmental negotiation processes on climate change



Source: Board of Auditors – UNFCCC Secretariat.

4.1.3. Organization of the UNFCCC Secretariat to achieve the climate finance mandates

55. Within the UNFCCC Secretariat, activities on climate finance are almost entirely carried out by the Climate Finance subdivision, which reports to the Director of the Means of implementation division.

56. The Climate Finance subdivision activities rely in majority on supplementary funding. For the biennium 2024-2025, the voluntary contributions represent 74 per cent of the consumable ($ 11,323,141 as April 2025). 15 positions out of 22 are funded by supplementary funding. Yet, for the next biennium, the UNFCCC Secretariat aims to make the budget more sustainable by presenting in its proposed budget an increase of 54 per cent of the subdivision's core budget ($ 6,342,678.70) and, therefore, reducing the reliance on supplementary funding.

57. The Climate Finance subdivision internal workforce is composed of 22 open positions, including 17 international positions. Seven positions are sustainably funded by the core budget (32 per cent), while the other rely on the availability of supplementary funding (68 per cent). As of April 2025, six positions were vacant (27 per cent) due to funding shortcomings. These are supposed to be funded by supplementary funding. The positions are mostly in the Policy and analysis unit and in the Loss and damage finance and adaptation unit, including the position of head of unit. The head of subdivision will retire and he is currently handing-over. Continuity of activities and transfer of knowledge should be ensured. To this end, informal exchanges with his team are being held. The entire organization, and especially the next head of subdivision, would benefit if this knowledge is captured in a formalized document.

58. The UNFCCC Secretariat is under increasing pressure in the area of climate finance, as the number of related mandates continues to grow significantly. As the number of filled positions is limited and the mandates on climate finance

may overlap, staff find themselves assigned to one unit but working on the activities of several units throughout the year. The workplan definition over the last three years underscores this observation. This trend has tended to diminish since the Loss and Damage Finance and Adaptation Finance Unit was created, even though it has no head and is managed by the head of the Policy and analysis unit.

59. The climate finance issue is not limited to the Climate Finance subdivision. Other substantive entities of the UNFCCC Secretariat are mandated to conduct activities that have a climate finance component.

60. Indeed, the Adaptation division has been involved in the prefiguration of the FRLD in 2023, engages on substantive issues with the funds, in particular the AF and integrates a climate finance component when it deals with the support to the definition and the implementation of the National adaptation plans (NAPs). The Mitigation division integrates climate finance into the narrative on Nationally Determined Contributions (NDCs) to make them more investable. Also, the Capacity building subdivision of the Means of implementation division is involved in activities on climate finance. For instance, during COP 29 the Paris Committee on Capacity-building decided to work this year on climate finance and capacity-building is mentioned in the NCQG's negotiation. In 2024-2025, the Legal Affairs Division is being involved in the prefiguration and the operationalization of the FRLD by providing support on the definition of the legal arrangements and the establishment of the FRLD Board and Secretariat.

61. There is room for better coordination between the Climate Finance subdivision and the other Secretariat entities having actions on climate finance. The goals are to avoid duplication of actions, to ensure coherence in the organization and on external engagement. The Climate Finance subdivision, as the expert of the topic is the relevant entity to ensure coordination. However, in light of the level of resources allocated to the subdivision management and oversight roles, this coordination remains limited.

62. **The Board recommends that the UNFCCC Secretariat clarify the leadership role of the Climate Finance subdivision and formalize the coordination between this subdivision and other relevant entities.**

63. The UNFCCC Secretariat accepted the recommendation.

4.2. Support of negotiations

4.2.1. Climate Finance subdivision was responsible for 30 per cent of agenda items during COP 29

64. The Climate Finance subdivision plays a pivotal role in the negotiations process. In Baku, it was responsible for 18 agenda items under the governingbodies (COP/CMA[13]/CMP[14]), representing 30 per cent of the agendas. More than just the number, some agenda items are very sensitive politically and involve an extremely sustained commitment from the subdivision. On top of the agenda items, the subdivision had to organize three High-Level Ministerial Dialogues (HLMDs): on the urgent need to scale up adaptation finance, on the long-term finance and on NCQG.

65. During the COP, the Secretariat provided presiding officers with detailed briefing notes, which were highly appreciated for their precision and accuracy. The Secretariat's support during the negotiations was also commended by those co-chairing negotiations on specific agenda items. For the High-Level

[13] Conference of the Parties Serving as the Meeting of the Parties to the Paris Agreement.
[14] Conference of the Parties Serving as the Meeting of the Parties to the Kyoto Protocol.

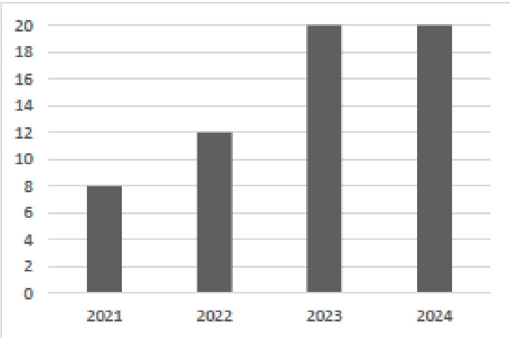
Ministerial Dialogues (HLMDs), the Secretariat provided comprehensive administrative support.

66. The Standing Committee on Finance meets three times a year, with a trend in 2024–25 to hold more meetings in Bonn. The Secretariat provides support to the SCF. This responsibility falls under the Climate Finance subdivision.

67. Overall, the number of mandated events has substantially increased over the past few years, having more than doubled between COP 26 and COP 29. While in 2021 the subdivision was tasked with organizing only eight mandated events, it was subsequently requested by the COP to organize 20 events in both 2023 and 2024.

Figure II.VI.

Number of climate finance mandated events requested by the Parties and organized by the UNFCCC Secretariat between 2021 and 2024



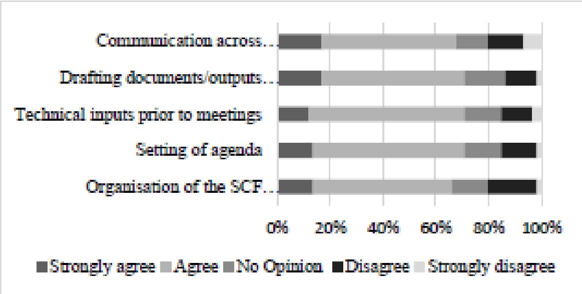
Source: UNFCCC Secretariat.

68. The Board conducted a survey to assess the appreciation of the support provided by the Secretariat for the COP negotiations and the SCF[15]. Despite the increasing number of mandated events, the feedback was positive, with satisfaction levels exceeding 60 per cent for each item.

[15] The survey was open from 17 February 2025 to 14 March 2025. It targeted the members of the SCF, the group on the NCQG, the group on the guidance to the GCF and the GEF, the group on the guidance to the long-term finance. 59 individuals responded to the survey, coming from 49 different negotiation participants (8 Parties part of Annex I out of 43, 24 Parties part of G-77 out of 134, 12 Parties of Least Developed Countries group out of 45, 7 Parties of Small Island Developing States group out of 39).

Figure II.VII.

Response to the question "do you consider the UNFCCC Secretariat's support for the SCF / COP negotiations to be sufficient?" in the survey conducted by the Board



Source: Board of Auditors.

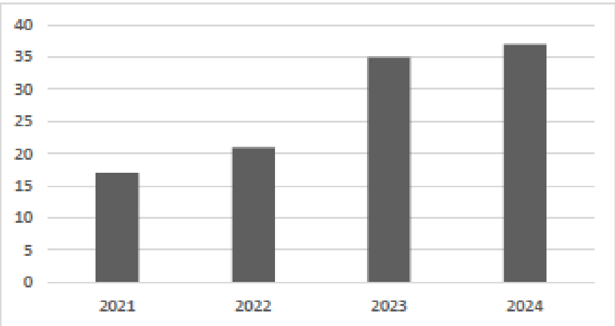
69. However, certain areas were identified by Parties where the support provided by the Secretariat could be enhanced. Notably, communication among stakeholders was highlighted as an area for improvement. Some Parties suggested that the Secretariat could play a more active role by organizing additional pre-COP preparatory meetings for countries, ensuring the full participation of all Parties in the process and facilitating understanding of the discussions for all attendees, including newcomers.

4.2.2. A growing number of mandated reports for which the drafting process relies heavily on external consultancy

70. The number of reports mandated by Parties on climate finance, as recorded by the Secretariat[16], has doubled from 17 in 2021 to 37 in 2024. It should nevertheless be noted that the workload generated by these reports can vary considerably.

Figure II.VIII

Number of mandated reports on climate finance requested by Parties



Source: Board of Auditors – UNFCCC Secretariat.

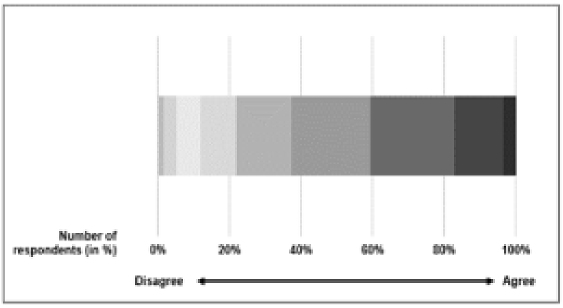
71. In drafting of these reports, the UNFCCC Secretariat relies heavily on affiliated workforce including consultants, individual contractors and interns.

[16] For example, the BA Report is counted as two separate reports, consisting a synthesis report and a technical one.

72. The feedback from the Parties that responded to the Board's survey is highly positive regarding the support provided by the Secretariat in producing climate finance reports (see Figure II.IX). However, the co-facilitators' assessment[17] is more nuanced, with some noting that the finalization of the reports required substantial engagement on their part due to the limited analytical contributions provided by both the Secretariat and the consultants.

Figure II.IX.

Response to the questions "do you consider the UNFCCC Secretariat's efforts adequate in ensuring transparency? Do you consider the support provided by the secretariat (including consultancy) in producing climate finance reports mandated by the COP as adequate?" in the survey conducted by the Board



Gradation	Number of respondents
Zero (Disagree)	0
One	0
Two	1
Three	2
Four	4
Five	6
Six	9
Seven	13
Eight	14
Nine	8
Ten (Agree)	2

Source: Board of Auditors.

73. Indeed, consultants sometimes possess a background similar to that of Secretariat staff, with expertise in negotiations. However, some Parties have expressed regret that certain consultants hired lacked quantitative and statistical expertise.

74. Furthermore, various stakeholders have identified communication regarding the reports as an area for improvement for the Secretariat. Due to resource constraints, the Secretariat focuses primarily on the publication of the reports, often neglecting the necessary communication of the reports' findings and results. However, effective communication in this regard would be crucial to consolidate the positioning of the UNFCCC Secretariat as a catalyst for climate finance. It would be particularly important to disseminate this work to financial institutions beyond those directly serving the Convention.

75. **The Board recommends that the UNFCCC Secretariat enhance communication regarding the reports produced by the Standing Committee on Finance: disseminating the reports to climate finance stakeholders, presenting them at meetings not organized by the UNFCCC (UN General Assembly, annual meetings of Multilateral Development Banks, etc.).**

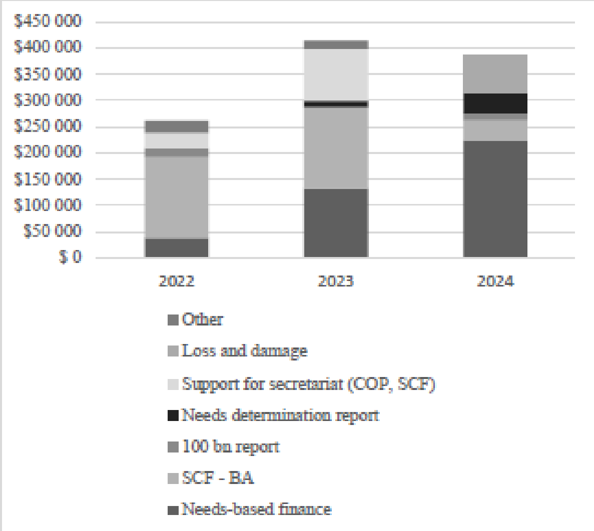
76. The UNFCCC Secretariat accepted the recommendation.

4.2.3. Focus on the use of consultancy by the Climate Finance subdivision

77. Given the significance of the workload in 2023–2024 and the uncertainties due to the high reliance on short-term supplementary funding, there has been an increasing reliance on consultants for the Climate Finance subdivision, with an increase in consultancy expenditures from $261,817 in 2022 to $413,845 in 2023 and $384,210 in 2024. This represents a 52 per cent increase in 2023–2024 compared to 2022.

78. The Needs-based finance project (as detailed below) played an important role in this increase, accounting for 58 per cent of the consultancy expenditures of the Climate Finance subdivision for 2024.

Figure II.X
Consultancies expenditure for the Climate Finance subdivision
(United States dollars)



Source: Board of Auditors – UNFCCC Secretariat

79. This figure shows the three main activities for which the Secretariat utilizes consultancy services:

- The drafting of reports mandated by Parties, which accounted for 65 per cent of the consultancy expenditures in 2022, but only 24 per cent in 2024;
- The needs-based finance project, which increased from 15 per cent of the consultancy expenditures in 2022 to 58 per cent in 2024;
- The support for the Secretariat's regular activities, particularly during sessions of the COP or of the Standing Committee on Finance.

80. The Board considers that the use of consultancy contracts is not always reflect adequately the nature of the relationship between the consultants and the Secretariat.

Relationship between the UNFCCC Secretariat and think tanks

81. Some consultants are active within think tanks that produce and publish research on the same topics for which they are hired by the Secretariat. These consultancy contracts provide access to their expertise, but also to their databases, and even to their staff. The use of think tank staff without the prior approval of the Secretariat does not appear to be in line with §7 of the General Conditions of Contracts for the Services of Consultants and Individual Contractors, which are annexed to the contracts concluded by the UNFCCC. Substantively, it can put the Secretariat in a difficult situation, given that the same individuals are publishing reports on the same issue in the name of their other organization. Another contractual engagement could be sought directly with the think tanks active in the field of climate finance, acknowledging the use of their work in the official UNFCCC report where appropriate.

82. The Board recommends that the UNFCCC Secretariat: i) explore alternative contractual arrangements for cooperation with think tanks active in the field of climate finance; ii) specify in those arrangements the information the think tank will share with the UNFCCC, especially regarding data and the uses to which the UNFCCC Secretariat can put this data.

83. The UNFCCC Secretariat accepted the recommendation.

A policy on consultants and individual contractors that should be improved

84. Similar difficulties may arise when the Secretariat contracts individuals representing Parties during the UNFCCC negotiations. Specifically, hiring a consultant to draft a report that must later be endorsed at a COP — where the same individual is representing a party—could raise concerns about the report's impartiality and, by extension, of the impartiality of the Secretariat's. Parties interviewed during the audit expressed doubts about the appropriateness of hiring negotiators to draft reports, particularly since these reports are later reviewed by the SCF and potentially adjusted by the negotiators. In their view, consultants should provide expertise that the Secretariat lacks, especially in areas requiring quantitative and statistical skills. Instruction ST/AI/2013/4 does not contain any provisions pertaining to the engagement of individuals representing Parties in negotiations. It solely establishes rules on former and retired staff members (3.7. and following) or staff members on special leave (3.14).

85. Some consultants reinforce the Secretariat's staff for short periods (typically during COPs), with these contracts in one case serving as a bridge to permanent integration into the UNFCCC staff. The Board considers that these individuals do not have "special skills or knowledge not normally possessed by the regular staff of the Organization and for which there is no continuing need in the Secretariat" (§2), as foreseen by the UN Secretariat administrative instruction ST/AI/2013/4 on consultant and individual contractors. Indeed, these individuals perform tasks that are typical of the Secretariat's work and are engaged during periods of particularly heavy workload—a situation not envisaged by the instruction.

86. The same instruction states that consultants may not be engaged as "*a means of applying a probationary period to candidates prior to offering them a staff appointment*" (3.4). Also, the instruction put restrictions on reemployment of consultant as a staff member: a period of at least six months need to have elapsed between the end of an individual contract and the same individual applying for a position in the Secretariat (3.15). Since 2021, the Secretariat has waived this rule on the basis of an email from the then Officer-in-Charge of the AS/HR/ICT division. This waiver has been applied since 2021, despite the email clearly stated that it was solely intended for the year 2021[18]. This approach has been applied as an interim measure, pending the implementation of UNFCCC's own policy on consultants and contractors, which is currently in the final stages of development.

87. The Board recommends that the UNFCCC Secretariat's policy on consultants and individual contractors (CICs), currently under development, include specific provisions on; (i) the prevention of conflicts of interest, in particular for the hiring of individuals who are likely to represent Parties in negotiations that are directly related to the delivery of services by the CIC, and (ii) the re-employment of CICs as a staff member.

88. The UNFCCC Secretariat accepted the recommendation.

[18] Extract of the Email sent to the HR subdivision on 17 February 2021: *"With that in mind and until we implement and complete our recruitment plan for the year 2021, I would confirm the need to remain flexible and agile, therefore we would not apply this provision of the six months quoted below"*.

89. The UN Secretariat administrative instruction recommends that the selection process be based on the use of a roster (4.1) and a competitive selection procedure (4.3). A roster has been established, listing 312 consultants specializing in climate finance. Additionally, a selection procedure is in place that requires the substantive division to list at least three candidates when requesting external expertise. Furthermore, despite the roster's importance, two individuals were hired for three consecutive years and with one of them assigned to significantly different tasks. This observation raises concerns about the effective implementation of the roster system and the competitive selection procedure.

4.3. Management of the financial mechanism

4.3.1. Relationship with the operating entities of the financial mechanism[19]

90. The relationship between the UNFCCC Secretariat and the operating entities, Council of the GEF, GCF, SCCF, AF, and SCCF and LDCF both operating by the GEF, is perceived to be smooth and appropriate by the stakeholders. However, the framework of collaboration ties is not systematically formalized, and where it exists, remains broad. Both the UNFCCC Secretariat and the operating entities would benefit from clarifying areas of cooperation, formalizing the key shared objectives and updating them regularly.

91. The UNFCCC Secretariat is working with the funds on two fronts: governance aspects and substantive aspects.

92. The Climate Finance subdivision takes the lead on the governance aspects and is the dedicated focal point for the fund bodies. The participation of the UNFCCC Secretariat in the Boards and Council meetings of the operating entities is recognized as valuable. The UNFCCC Secretariat has a status of observer during these events. However, it remains available for any additional information on the negotiation process and for clarification on the guidance. The subdivision is also supporting the AF Board organization on logistics matters, as it is incorporated in Bonn. During the sessions of the Subsidiary Bodies (SBs) and COPs, it contributes to ensure the organization of side events for the benefit of operating entities.

93. The UNFCCC Secretariat, through its divisions, is more extensively engaging in substantive fund issues, especially the Adaptation division. Currently, the two key areas of discussion with the operating entities are the common work to support the country Parties achieving their Nationally Determined Contributions (NDCs) and the implementation of priorities defined in National Adaptation Programmes of Action (NAPAs), and National Adaptation Plans (NAPs). The entities should continue to explore these areas of cooperation and should strengthen their common engagement. With regard to the call for complementary and coherence between the funds, the UNFCCC Secretariat is not involved. This work is led by the Parties and the funds themselves.

94. The UNFCCC Secretariat intends to organize retreats with the members of the GCF and GEF Secretariats to exchange views on the current issues and their strategic priorities. It contributes to creating an environment conducive to collaboration. The successful organization of new retreats in 2025 could be beneficial for UNFCCC, as this is a replenishment year for GEF, and that

[19] For the record, the operating entities are the Global Environment Facility, the Green Climate Fund, the Adaptation Fund, the Special Climate Change Fund, the Least Developed Countries Fund and the Fund for Responding to Loss and Damage.

discussions on the NCQG are due to take place with GCF. The Board notes that no retreats have been held with the AF Secretariat.

4.3.2. Secondment of staff

95. The UNFCCC Secretariat and the GCF signed a Letter of Understanding (LoU) on 6 October 2023, proposing to strengthen their cooperation and relationship through exchange of staff. It renewed a LoU signed in August 2018. The LoU states that "*either Party may therefore consider the possibility of sending members of its staff to work for a period of time at the headquarters or the decentralized offices or hubs of the other Party*"[20]. To date, the LoU has not been yet implemented. The UNFCCC Secretariat has not hosted GCF staff and the reverse is also true.

96. The GCF has recently undergone a restructuring which has delayed the discussions. A draft terms of reference was defined between the stakeholders. Follow-up of these discussions is required. In a context where the UNFCCC Secretariat tries to strengthen its role of support to the developing country Parties accessing funding to climate action, it is relevant, as the GCF staff have expertise in engagement with the private sector.

97. The Board considers that this LoU between the UNFCCC Secretariat and the GCF should materialize as soon as possible, to allow the strengthening of cooperation. This practice should be promoted with other funds such as the AF and the FRLD, once they are fully operational.

4.3.3. Prefiguration and operationalization of the Fund for responding to Loss and Damage

98. The Parties requested the UNFCCC Secretariat to play a key role in the establishment of the Fund for Responding to Loss and Damage. The related missions were shared between the Adaptation division and the Climate Finance subdivision within the Means of Implementation division.

99. In 2022, during COP 27, the Parties established new funding arrangements and a fund for assisting developing country Parties that are particularly vulnerable to the adverse effects of climate change, in responding to loss and damage. A Transitional Committee on the operationalization of the new funding arrangements and fund was established to make recommendations for COP 28. The Adaptation division was tasked to support the carrying out of a set of workshops and consultations throughout 2023. The activities were conducted thanks to a voluntary contribution of $2,759,684.

100. The years 2024 and 2025 are characterized by the operationalization of the FRLD. To this end, an interim secretariat has been created. It is composed of staff from the UNFCCC and the GCF Secretariats, and from UNDP. This project is a good example of cooperation between the UNFCCC and an operating entity.

101. The UNFCCC Secretariat received a grant of $10,000,000 early in the year 2024 to conduct this activity. The interim Secretariat proposed the following budget for operationalization for the year 2024:

[20] OED/0GA/2023/034.

Table II.4.
2024 proposed budget for the operationalization of the Fund for responding to Loss and Damage
(United States dollars)

Budget category	Amount
UNFCCC Secretariat costs (including staff costs)	836,804
GCF Secretariat costs (including staff costs)	828,253
UNDP costs (including staff costs)	962,120
Board of the FRLD	162,168
Contingencies for expenditures required for the Board, and interim secretariat relevant contingent items	914,262
Total	**3,703,607**

Source: Memorandum of understanding between the UNFCCC and the GCF Secretariat on the administrative and logistical support provided to the fund for responding to loss and damage.

102. As of May 2025, $3,536,581 had been consumed. The GCF Secretariat and UNDP agreed to receive their contributions via cost recovery facilitated by the UNFCCC Secretariat[21]. Once the FRLD secretariat is fully operational, the unspent funds will be transferred to it.

103. The Climate Finance subdivision is the main contributing entity in the UNFCCC Secretariat. In 2024, 1.60 full-time equivalents (FTEs) of the subdivision were dedicated to the operationalization of the FRLD, including 40 per cent of the workload of the head of subdivision. As mandated, staff members of the subdivision attended the four meetings of the Board[22].

104. In addition to the Adaptation division mentioned above, the Legal Affairs division is also supporting the establishment of the FRLD. It has advised the governing bodies on the determination of the legal framework during the prefiguration phase and is working on the legal arrangements during the operationalization phase, such as the definition of the MoU with the Government of the Philippines, which hosts the Board.

105. The Secretariat of the Fund will be hosted by the World Bank. Its staffing table is still under development by the Fund management and approval by the Fund Board. The final organizational chart is expected by the last quarter of the year 2025.

4.4. Relationship with stakeholders to promote access to climate finance

4.4.1. A role of the secretariat as a "catalyst[23]" that still needs to be developed

(a) *A flagship project: the Needs-based Finance project*

106. Since 2017, the Conference of the Parties has directed the Secretariat, in cooperation with the operating entities of the Financial Mechanism, United Nations agencies, and bilateral, regional, and other multilateral channels, to explore methods and ways to support developing country Parties in assessing their needs and priorities through a country-driven approach—including technology and capacity-building needs—and in translating climate finance requirements into actionable plans. In accordance with these COP mandates,

[21] Memorandum of Understanding between the UNFCCC and the GCF Secretariats dated July 2024; UN to UN transfer agreement between the UNFCCC Secretariat and UNDP dated December 2024.

[22] First meeting of the board: 30 April – 2 May 2024, Abu Dhabi, UAE | Second meeting of the Board: 9–12 July 2024, Songdo, Korea | Third meeting of the board: 18–20 September 2024, Baku, Azerbaijan | Fourth meeting of the board: 2–5 December 2024, Manila, Philippines.

[23] In the words of the Secretariat.

the UN Climate Change Secretariat launched the Needs-based Finance (NBF) project in 2017.

107. The NBF project is being implemented at the regional or national level of countries. The approach consists of three phases:

Figure II.XI.
Phased approach of the Needs-based Finance Project

Source: UNFCCC Secretariat.

108. The first phase consists of desk-based research, and concludes with a technical assessment. These assessments undergo review and validation by regional or national workshops (Phase 2), which also formulate a climate finance mobilization and access strategy and a project pipeline. During phase 3, the Secretariat facilitates the development of project concept notes and organizes training workshops.

109. This project has been implemented across 11 subregions, covering 112 countries. 14 technical assessments have been published, 23 technical workshops were facilitated (Phase 2), nine regional climate finance strategies were finalized, and eight training workshops (Phase 3) were organized.

110. NBF has a budget of $6.28 million for 2017-25. It relies entirely on voluntary contributions. The list of donors includes the European Union, Germany, Norway, Russia, Spain, Sweden and Citibank, and the largest single contribution originates from the Ministry of Economy and Finance of the Republic of Korea (MOEF). The MOEF requested the Secretariat to conduct an independent review of this project. This independent review was carried out in January 2024.

111. The review determined that the NBF project is of significant relevance to the mandates of the UNFCCC Secretariat and the project's implementing partners. Similarly, the project is complementary and additional to other work being delivered on access to climate finance. The NBF project is distinguished from related initiatives in several ways, notably by its robust regional focus, the country-led process of collaboratively identifying and prioritizing needs, and the practical workshops that convene countries with operating entities of the UNFCCC Financial Mechanism. The utilization of RCC-based climate finance experts (through consultants' contracts) to support regional work was seen as highly appropriate.

112. Several stakeholders identified possible improvements for NBF's internal and external communications: Secretariat staff and consultants would welcome more opportunities for internal peer-to-peer and cross-regional learning, there were some concerns around limited communication from regional implementing partners, and operating entities have requested more frequent updates on the progress of NBF-facilitated project concepts.

113. Furthermore, while the Secretariat has been able to deliver most of the outputs that were foreseen, especially regional climate finance strategies, the independent review noted that the outcomes were less evident. In particular, the extent to which national and regional technical capacities for accessing climate finance have been developed, with minimal evidence indicating whether the workshops and broader NBF processes have contributed to stronger

institutional capacities. It is also noteworthy that the monitoring of the project focused on the outputs of the NBF project with no indicators on the number of projects financed through the NBF -project. The introduction of such an indicator would be beneficial for Phase 2 of this project.

114. The Ministry of Economy and Finance of the Republic of Korea has consented to a new contribution of 1 billion South Korean Won[24] per year from 2025 to 2029. This budget reinforces the visibility of the Secretariat. It will enable the Secretariat to continue this project, implementing the recommendations issued by the mid-term review.

115. **The Board recommends that the UNFCCC Secretariat incorporate indicators on the outcome of the Needs-based Finance project to assess its impact on the role of the Secretariat as a catalyst for climate finance.**

116. The UNFCCC Secretariat accepted the recommendation.

117. This initiative serves as a pertinent example of the Secretariat playing a catalytic role regarding climate finance. It is based on a mandate conferred by the Parties. It capitalizes on the convening authority of the UNFCCC Secretariat to assemble all relevant stakeholders and on its in-depth knowledge of the needs of the Parties expressed in their NDCs and NAPs. It is regionally and country-led, which distinguishes it from the coordination efforts pursued by the funds at the global level. Should the results of this initiative be sustained and improved, it could signify the emergence of the Secretariat as a facilitator in the implementation of climate actions within the realm of climate finance, in addition to facilitating intergovernmental negotiations.

(b) *A role of the RCCs in the field of climate finance that need to be strengthened and better communicated*

118. The Board reviewed the work plans of the Regional Collaboration Centres (RCCs), for the period 2022–2023. Regarding climate finance, four out of the six work plans were identical, indicating that the RCCs merely replicated the template provided by headquarters. Only the RCCs for the Caribbean and for the Middle East, North Africa, and South Asia adapted this template to specify the workforce it could devote to finance (Caribbean) or select the workstreams in which they would be involved (MENA). Although this was not mentioned in its work plan, the RCC for Asia and the Pacific appears to have been notably active in this field, particularly in relation to financing adaptation projects and accessing Global Environment Facility funding (with the support of the United Nations Environment Programme).

119. The survey conducted by the Board confirms that the RCCs could be strengthened to increase delivery of support on climate finance or, at the very least, that there is a need for improved communication of the RCCs' actions on climate finance to UNFCCC stakeholders. In fact, only seven out of the fifty-nine respondents to the survey had the opportunity to engage with the RCCs on climate finance issues. While this may be partly explained by the different audiences surveyed and engaged in translating climate finance needs into action, making increased use of regional presence to support countries should be explored.

120. **The Board recommends that the UNFCCC Secretariat improve the communication towards negotiators on the role of the RCCs regarding delivery of support on climate finance.**

121. The UNFCCC Secretariat accepted the recommendation.

[24] As of May 2025, $ 6,978,367 (UN Treasury - UN Operational Rates of Exchange).

4.4.2. An engagement with the UN system needing to be more structured and formalized

122. For climate finance, exchanges with others UN entities do exist, but these are limited to specific scopes and actions, notably with UNDP and UNEP. The strongest relationship is with UNEP. UNEP is involved in needs-based climate finance projects. An MoU with UNEP exists and was renewed in Baku. This MoU permits the implementation of international cooperation on the UNFCCC Article 6 (education, training and public awareness). UNEP develops outreach campaign, workshops and survey about climate change in the context of the scope of the current MoU.

123. Links also exist with both UNEP and UNDP for a joint programme. Indeed, they have created a global support programme for NAPs, in response to a mandate given at the COP17 in Durban. This mandate calls for support to NAPs. This work serves, among others, to finance initiatives, bringing together the perspectives of central banks, private banks, and financial institutions.

124. UNOPS and UNDRR participate in the Santiago Network, established in 2019 at the COP25. The Santiago Network for Loss and Damage aims to catalyze technical assistance and strengthen the capacity of vulnerable developing countries to effectively manage climate-related loss and damage. Following the adoption of a decision of UN General Assembly to formalize the implementation of the Santiago Network, the UNDRR and UNOPS signed in 2023 a Memorandum of Understanding with the UNFCCC Executive Secretary to co-host the network's secretariat[25] – marking a significant milestone towards the network's full operationalization. The network will operate in coordination with the Loss and Damage Fund – established during COP28 in Dubai. These initiatives should deliver the necessary policy, finance, and technical assistance for vulnerable developing countries to enhance their capacity to cope with climate-related loss and damage.

125. To strengthen cohesion with other actors in the UN system, UNFCCC should establish closer collaborations, particularly with UNCBD and UNCCD, based in Bonn. The Secretariat already works closely with the UNCCD. Its representatives participate in UNCCD events and co-finance related activities. This collaboration proceeds without the administrative burden of a formal agreement—an overhead that many partners are eager to avoid. So, fixing the agreement process is needed. Strengthen relationships involves drafting MoUs that define the shared objectives and expectations of these collaborations, in terms of climate finance, as well as the vision of the leadership. These become increasingly important due to the complexity of climate finance issues and the structural changes within the UN, with the UN80 initiative. In this way, UNFCCC could maximize cooperation in order to achieve climate finance objectives relying on Agencies, Funds and Programmes (AFPs), acting as a catalyst.

126. The topic of NDCs could strengthen these links. Indeed, the year 2025 marks the update of NDCs by the Parties. Actors in the UN system must be able to support the Parties in drafting these NDCs, which go beyond the sole framework of the UNFCCC and have systemic effects, for example, on development perspectives or disaster risk management. Thus, the UNFCCC could reinforce relationships with entities, particularly by relying on the existing interagency group, to support it the NDCs process.

127. **The Board recommends that the UNFCCC Secretariat in a whole of agency solution seeking approach and where it adds value sign and/or**

[25] Memorandum of understanding between the Conference of the Parties to the United Nations Framework Convention on Climate Change and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, on the one hand, and the United Nations Office for Disaster Risk Reduction and the United Nations Office for Project Services, on the other, regarding the hosting of the Santiago network Secretariat.

update legal arrangements with the UN Agencies, Funds and Programmes — in particular with UNDP (and UNCDF), UNEP, UNCCD, UNCBD, UNDRR, etc. — to maximize the Secretariat's capacity to act as a catalyst.

128. The UNFCCC Secretariat accepted the recommendation.

4.4.3. An engagement with the broader finance world that needs to be strengthened in the context of art. 2.1.c of the Paris Agreement

129. Article 2.1.c of the Paris Agreement sets the goal of "making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development." The Secretariat is encouraged not only to engage with the financial mechanism of the Convention but also to reach out to all stakeholders involved in finance. These stakeholders include the Bretton Woods institutions, ministries of finance, regulators, banks, insurance companies, and asset managers, among others.

130. This transformational goal was translated, among other initiatives, through the Sharm el-Sheikh dialogue to facilitate exchanges between relevant organizations and stakeholders. The goal is to enhance understanding of the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9. In practice, this initiative has introduced a new process supported by the Secretariat. Specifically, "enhancing collective understanding in relation to Article 2.1(c) in the context of the Sharm el-Sheikh dialogue" is one of the areas of work for the "policy and analysis unit" within the Climate Finance subdivision. The objectives of this unit in this area are closely linked to the negotiations and the work includes organizing workshops, supporting co-chairs, and providing assistance to the intergovernmental process.

131. The Board estimates that only 7 per cent of the Climate Finance subdivision's staff in 2024 were allocated to engaging with climate finance stakeholders, excluding time dedicated to organizing workshops or other negotiation-related events. The unit responsible for this engagement has identified several risks associated with the current engagement strategy, beyond the issue of inadequate resource allocation, in particular an inadequate representation of stakeholders and inadequate engagement strategies.

132. The Board identifies a risk related to the disproportion between the staff dedicated to this task (approximately one individual) and the number of initiatives that could be of interest to the UNFCCC. This disparity hinders regular and in-depth engagement with the most promising initiatives, as well as the identification of new ones. A potential solution involves, on the basis of a mapping of current finance initiatives, engaging with a selected number of them. Furthermore, this technical engagement should be more effectively coordinated with the political engagement at the Executive Secretary level.

133. Although the resources allocated to this area by the Climate Finance subdivision are limited, other divisions within the organization are also responsible for engaging with these actors. The transparency division is developing an IT tool to collect and track their engagements. It is noteworthy that, following the report of the High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities[26], established by the UN Secretary-General in 2022, the UNFCCC Secretariat has considered the recommendations made in its report. Specifically, the group recommended that "non-state actors report in a standardized, open format and through public platforms that feed into the UNFCCC Global Climate Action Portal to address data gaps, inconsistencies, and inaccessibility that hinder climate action." The

[26] https://www.un.org/en/climatechange/high-level-expert-group.

redevelopment of the Global Climate Action Portal (NAZCA[27]) in 2025 will be based on a "Net Zero Recognition Framework (NRF)" in line with these recommendations.

134. Overall, the organization of the Secretariat reflects the processes initiated by the Conferences of the Parties over the years. The dedicated units collaborate effectively, as they deal with the same interlocutors depending on the process. The designation of focal points for the various initiatives could further enhance the Secretariat's impact. In addition, the Secretariat often engages bilaterally with financial institutions, particularly multilateral development banks, but could benefit from engaging with them as a group. Finally, engagement with financial regulators, such as the Financial Stability Board, is currently limited and could be strengthened.

5. Role and responsibilities in procurement

135. The UNFCCC Secretariat is mandated to operationalize the article 6 of the Paris Agreement, which deals with cooperation in implementing the agreement and promoting of international transactions in support of action on climate change (market-based mechanisms). The mechanism introduced on the Article 6, paragraph 4[28] is supposed to take over from the Clean Development Mechanism (CDM) developed to implement the Kyoto Protocol. It involves rolling out a Mechanism Information System (MIS) and a centralized registries tools to implement the Article 6, paragraph 4. The competent entity Requisitioner[29], meaning the Information and communication technology (ICT) subdivision decided that it would be preferable to launch new solicitation processes for this purpose. The Procurement Authority, meaning the Procurement team, the competent entity requisitioner and the second requisitioner, namely the Mitigation division, defined together the solicitation package and the timeline.

136. The process, the technical evaluation, and the financial evaluation raised concerns among the members of the Joint Local Committee on Contracts (JLCoC) and of the Headquarters Committee on Contracts (HCC). The HCC questioned the segregation of responsibilities between the stakeholders in the current organization, including the Procurement Authority. The latter has had difficulties in fully ensuring the consistency and efficiency of the process.

137. The JLCoC met twice to discuss this procurement[30]. Regarding the procedure, during the first JLCoC, the members noted that the Source Selection Plan[31] (SSP) had been formally signed after the process had already begun[32], meaning on 29 February 2024. Indeed, the UN Procurement manual mentions that "the Procurement Official and the Requisitioner are jointly responsible for contributing to, preparing, finalizing, and obtaining any required approvals for the SSP before the solicitation documents are issued. The Procurement Official must ensure that the SSP is approved prior to the issuance of any solicitation"[33].

[27] NAZCA for Non-state Actor Zone for Climate Action was a portal launched by the UNFCCC in 2014, following an initiative of the COP20 Presidency.

[28] Article 6, paragraph 4 of the Paris Agreement is one of three approaches for Parties to voluntarily cooperate in achieving their emission reduction targets and adaptation aims set out in their national climate action plans (Nationally Determined Contributions).

[29] "*A Requisitioner is an individual who initiates a request for a requisition/shopping cart in Umoja, the UN's Enterprise Resource Planning (ERP) system, i.e., a request for goods and/or services. A Requisitioner has primary responsibility for capturing demand data, consolidating needs from end-users and stakeholders, defining generic and clear specifications, and managing resources.*", UN Procurement Manual.

[30] On 11 March 2024 and on 8 April 2024.

[31] « *Planning for a single procurement exercise, formal or informal, should be reflected in the corresponding Source Selection Plan (SSP). The SSP describes critical components of the sourcing process and provides justification for sourcing decisions in order to achieve Best Value for Money. It also provides an objective approach to the methodology of selecting the best source to fulfil the established need.*", UN Procurement manual, section 4.3.

[32] On 12 October 2023.

[33] Section 4.3.

Internal disagreements on the expected timeline seem to be at the origin of this shortcoming. Nevertheless, the Procurement Authority succeeded to demonstrate to the JLCoC that all the elements of the SSP were already in place prior the commencement of the process and had not changed during the process.

138. During this first meeting, the JLCoC also questioned the technical evaluation clarity (see detailed information below) and the financial approach of the procurement, insofar as the contract has a Not-To-Exceed (NTE) amount significantly above the available budget approved by the Parties of $5,750,000. Upon their request, further clarifications were provided during the second meeting. The JLCoC agreed on the award and the case was referred to the HCC.

139. The HCC discussed the case on 21 August 2024 and concluded to recommend that the Assistant Secretary-General for Supply Chain Management reject the solicitation. The members highlighted the two main following concerns:

- The technical evaluation criteria, defined by the two Requisitioners, were "*not objectively defined and scored, and there was no clarity on how the percentage weightings were applied to each criterion*"[34]
- The financial structure of the procurement was not giving to the bidders "*the opportunity to price out for those increments or establish the level of effort they believed necessary to perform the increments.*"[35] The HCC also asserted that "*there was also a potential issue of segregation of responsibilities between procurement and requisitioning office in this instance given that the commercial evaluation had principally been performed by the requisitioning office.*"[36]

140. On the recommendation and with the approval of the UN Secretariat, the alternative of relying on a contractual agreement with the Procurement division of the UN Secretariat to develop the Article 6.4 MIS was chosen. In the meantime, to minimize delays, interim solutions were rolled out to register the projects needing to transition from the CDM to the Article 6.4.

141. The difficulties encountered with the procurement of the Article 6.4 MIS had consequences on the procurement of the article 6.4 centralized registries. Despite the JLCoC recommended the award and the Executive Secretary approved it, the decision was made by the Deputy Executive Secretary to cancel the tendering procedure to reissue it after modification considering that the methodology proposed for the technical evaluation was similar with the one for the Article 6.4 MIS. It was decided to give the lead to UNDP Copenhagen, which offers its procurement services to the UN system, with the objective of shortening the duration of the procedure. At the time the Board conducted its final audit, the tender was not open to solicitation as the two requisitioners, namely the ICT subdivision and the Mitigation division, had different views on the interoperability requirements of the solutions[37].

142. **The Board recommends that the UNFCCC Secretariat conduct and formalize a lesson learnt exercise on procurement processes, taking in consideration the lens of the role and responsibilities of the Procurement Authority, the requisitioners, and management, to ensure the consistency and the efficiency of the procurement processes.**

143. The UNFCCC Secretariat accepted the recommendation.

[34] Minutes of the meeting n°HCC/24/58, 12 August 2024 – Agenda Item 02.
[35] Ibid.
[36] Ibid.
[37] The initial SSP planned a launch of the solutions implementation by May 2024.

C. Transmission of information by management

1. Write-off of losses of cash, receivables and non-expendable property

144. In accordance with Regulation 6.5 of the Financial Regulations and Rules of the United Nations, the Management may, after full investigation, authorize the writing-off of losses of assets, including cash, inventories and property plant and equipment, provided that a statement of all such amounts written off is submitted to the Board with the annual financial statements submitted as required by regulation 6.1.

145. UNFCCC reported that there were no write-offs of cash, receivables and assets during 2024.

2. Ex gratia payments

146. Regulation 5.11 of the Financial Regulations and Rules of the United Nations states that the Management may make ex gratia payments as they are deemed to be necessary in the interest of the Organization, provided that a statement of such payments shall be submitted to the Board with the financial statements.

147. UNFCCC stated that ex gratia payments were not made in 2024.

3. Cases of fraud and presumptive fraud

148. In accordance with the additional terms of reference to the Financial Regulations and Rules of the United Nations (Annex-6-c-i), fraud cases are included in the matters that should be reported the Board. The External Auditor's role is not to investigate fraud or provide assurance on the matter. The primary responsibility for preventing and detecting fraud rests with management. Nevertheless, in accordance with International Standards on Auditing 240 the Board plans its audits of the financial statements so that it has a reasonable assurance of identifying material misstatements, including those resulting from fraud.

149. UNFCCC stated that there was no case of fraud or presumptive fraud for the financial year ended 31 December 2024.

D. Acknowledgement

150. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Secretary and staff members of her office.

Pierre Moscovici
First President of the French Cour des comptes
(Lead Auditor)
Chair of the Board of Auditors

Hou Kai
Auditor General of the People's Republic of China

Vital do Rêgo Filho
President of the Brazilian Federal Court of Accounts

23 July 2025

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2023

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	2019	FCCC/SBI/2020/INF.9 chap. II, para. 188	The Board recommends that UNFCCC address the risks it is exposed to through an up-to-date enterprise risk management that includes owners and due dates and a documentation;	The ERM SOP and enterprise risk register have been developed and were formally endorsed in April 2025.	The enterprise risk management SOP is effective since 1 May 2025. The risk register was promulgated on 25 April 2025. The Board considered the recommendation is implemented.	X			
2	2020	FCCC/SBI/2021/INF.4 chap. II, para.81	The Board recommends that UNFCCC comply with the Procurement Manual in further low value acquisition processes. * *Indicate UNFCCC secretariats margin of maneuver for deviation from the Procurement Manual in the new DoA that is to be issued to the ES*	The Executive Secretary's new DoA is under discussion with the UN Secretariat, with a draft having been prepared. This is currently under review by the UN Secretariat.	This topic is still under review by the UN Secretariat. The Board considered the recommendation under implementation.		X		
3	2021	FCCC/SBI/2022/INF.10/chap.II, para.65	The Board recommends that UNFCCC have a catalogue of all rules, including those rules to which applicable rules refer, irrespective of whether they are UNFCCC's own rules or United Nations rules. This catalogue would need to be maintained on a regular basis.	The UNFCCC Policy Portal, accessible via the secretariat's intranet, provides staff with up-to-date access to all current secretariat policies as well as applicable policies from the UN Secretariat. As new policies are developed and come into force they are regularly uploaded and maintained in the Portal to ensure continuous accuracy and relevance.	As the UNFCCC Policy Portal has been made available to all staff and continues to be maintained on a regular basis, this recommendation is considered as having been implemented in March 2025 HR AI, following UN rules. UNFCCC will have to update all policies included in the recommendations,	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
4	2021	FCCC/SBI/2022/INF.10/chap.II, para.69	In addition, the Board recommends that UNFCCC eliminate all shortcomings in UNFCCC policies that were identified in the policy review as soon as possible. **see Policy Gaps tab*	Remaining shortcomings of policies are addressed and relevant policies are in various stages of completion.	UNFCCC continues to develop and update its policy framework, including to address the identified Policy Gaps, on a priority basis		X		
5	2021	FCCC/SBI/2022/INF.10/chap.II, para.40	The Board recommends that UNFCCC reconsider introducing a SIC based on the SIC signed by the Secretary-General in 2021.	The IC self-assessment questionnaire was developed based on best practices in the UN and shared with divisions for their feedback. On this basis, the UNFCCC's first Statement of Internal Control has been finalized and signed by the Executive Secretary.	The IC assessment questionnaire and the statement on internal control for 2024 were shared. The Board considered the recommendation is implemented.	X			
6	2022	FCCC/SBI/2023/INF.9 Para. 224	The Board recommends the UNFCCC Secretariat better prevent the risks of fraud, corruption and misconduct by enhancing and updating detection and treatment systems;	ODO has reviewed the possibility of enhancing the secretariat's ethics function; further work on enhanced approach to detecting and treating fraud, corruption and misconduct, and making this better accessible to staff is ongoing.	The Secretariat is working on enhancing ethic functions to prevent fraud. This recommendation is still under implementation.		X		
7	2022	FCCC/SBI/2023/INF.9 Para. 163	The Board recommends the UNFCCC Secretariat identify, assess and mitigate in a systemic manner critical risks of a strategic nature, including those concerning financial resources, partnerships and the legal environment;	The ERM SOP and the enterprise risk register were developed and formally endorsed in April 2025.	The enterprise risk management SOP is effective since 1 May 2025. The risk register was promulgated on 25 April 2025. The Board considered recommendation is implemented.	X			
31	2023	FCCC/2024/INF.X/ chap. II, para.57	The Board recommends that the UNFCCC Secretariat inform and consult the Parties far ahead of the budget appropriation process on the main elements and scenarios of the next budget	The consultation with Parties was done in November 2024 during COP29 in Baku, plus two sessions with Heads of Delegations on 6 March 2025. Further consultations included: 1. Briefing with SBI Chair 2. Briefing to Parties	The Secretariat informed and consulted the Parties for the budget, with on line meeting with the key groups, regional groups and bilateral	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*Management's response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			cycle, to better take into account their concerns.	3. Bilateral consultations with key Groups and Parties 4. Briefing to COP 29 Presidency and incoming COP 30 Presidency 5. 3rd round of consultations with key Groups and Parties during SB 62 pre-sessional week	consultations. The presentations were presented to the Board. The Board considered the recommendation is implemented				
32	2023	FCCC/2024/INF. X/ chap. II, para.83	The Board recommends that the UNFCCC Secretariat develop a harmonized monitoring tool on budget implementation, enhance budget management oversight, and provide appropriate justification for any core budget reallocation.	Harmonized monitoring is now conducted using the new tool, Umoja Analytics. FRMU has developed standardized financial reports and dashboards within Umoja Analytics to enable real-time tracking of budget performance, tailored to specific reporting requirements. The terms of reference for the Management Team Sub-committee on Financial Management were reviewed and revised, and its strengthened role is being implemented. All reallocation requirements are to be presented to the committee for review and, where appropriate, escalated for Executive Secretary approval.	UNFCCC reviewed the ToR of MTSCF committee and implemented dashboards to follow budget implementation. The core budget reallocations should be followed and justified through this tool. The Board considered the recommendation implemented.	X			
33	2023	FCCC/2024/INF. X/ chap. II, para.99	The Board recommends that the UNFCCC Secretariat present to the Conference of Parties and implement a strategy to improve the quality and coherence of its reporting on budget management and performance	A new Umoja Analytics tool has been rolled out and used to prepare the performance documents for 2024. The document on Efforts to further improve the efficiency and transparency of the UNFCCC budget process (FCCC/SBI/2025/INF.1) reflects this. Further work on improving the quality and coherence of budget management and performance reporting will continue throughout 2025.	A discussion with Parties on this matter is now planned for SB64 in Bonn next year This recommendation is under implementation.		X		
34	2023	FCCC/2024/INF. X/ chap. II, para.150	The Board recommends that the UNFCCC Secretariat set up and monitor indicators on the effectiveness and efficiency of the most critical processes for the functioning of the	The workplan with all the indicators for all the major workstreams has been presented to MT on 9 April 2025.	A workplan with 18 strategic priorities for 2025 and 87 workstreams was redacted by UNFCCC. The KPI Concept note was approved by the	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			Secretariat and staff engagement and well-being.		Secretariat. The recommendation is implemented.				
35	2023	FCCC/2024/INF. X/ chap. II, para.172	The Board recommends that UNFCCC Secretariat widen the base of the contribution to mandated activities by sending fundraising letters for voluntary resources to an extended list of Parties.	Implemented. Letters by the ES sent to non-Annex I Parties in May 2024 and in April 2025.	The fundraising letters were sent to several Parties. The Board considers the recommendation implemented.	X			
36	2023	FCCC/2024/INF. X/ chap. II, para.196	The Board recommends that the UNFCCC Secretariat submit to the Parties a new methodology for budget proposal and approval, to better address challenges linked to: (i) the context of increasing new mandates, (ii) the misalignment of the timeframe for mandate adoption and budget appropriation, and (iii) the need to define and approve high stake priorities along with the budget necessary for their implementation	The budget proposal for 2026–2027 and its annex provide direct evidence that the UNFCCC secretariat has implemented the BOA recommendation. The document describes a new, structured, and transparent methodology for budget planning and approval—addressing the challenges of growing mandates, timing misalignments, and the need to define and resource high-stake priorities in consultation with Parties.	The Secretariat presented an advanced version of the programme budget for the next biennium. This note represents a revised methodology. The note enhance transparency and give more information to the SBI. Therefore, the recommendation is considered as implemented.	X			
37	2023	FCCC/2024/INF. X/ chap. II, para.202	The Board recommends that the UNFCCC Secretariat present to the Parties a strategy to increase significantly its efficiency and effectiveness in the next three years, and report yearly on the results reached	A strategic delivery framework has been presented to MT on 9 April 2025. Further work on a strategy to increase the secretariat's efficiency and effectiveness will continue throughout 2025.	The Secretariat has elaborated a draft operational strategy framework. The Board considered the recommendation under implementation.		X		
38	2023	FCCC/2024/INF. X/ chap. II, para.212	The Board recommends that the UNFCCC Secretariat regularly report on its strategic approach (strategic plan, delivery of mandates, prioritization criteria) to the Parties, including through	The implementation of the recommendation is evidenced by the detailed briefings and strategic reflections delivered during recent Bureau meetings which included updates on the implementation of key COP	The Secretariat presented to the Board supporting evidences, such as briefing and updates to the Bureau. These documents contain evidences of	X			

No.	Audit report year	Report reference	Board's recommendation	Management's response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			the Bureau of the Conference of Parties, to guarantee accountability and increase alignment with considerations of the Subsidiary Body for Implementation concerning the efficiency of the Conference's processes	decisions, progress in mandate delivery, financial planning aligned with audit recommendations, and ongoing efforts to streamline processes and increase transparency. The Bureau serves as an essential forum for ongoing accountability, enabling feedback from Parties and ensuring alignment with the Subsidiary Body for Implementation's considerations regarding efficiency and effectiveness of Conference processes. In addition, the secretariat note on "Arrangements for intergovernmental meetings" published for consideration by Parties at SBI62, invites the Parties to provide guidance on: • Planning for COP 30 and the elements of the COP 30 provisional agendas; • Dates proposed for the sessional periods in 2030–2031; • Hosting of COP 31, 32 and 33; • Increasing the efficiency of the UNFCCC process towards enhancing ambition and strengthening implementation; • Enhancing engagement of observer organizations in the UNFCCC process.	decision implementation, some strategic approach. The Secretariat must ensure that all Parties are properly informed. Nevertheless, the Board considered the recommendation implemented.				
		Total number of recommendations		**15**		**10**	**5**	**0**	**0**
		Percentage of the total number of recommendations		**100%**		**67%**	**33%**	**0%**	**0%**

Chapter III
Certification of the Financial Statements

The financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) for the year ending 31 December 2024 have been prepared in accordance with financial rule 106.1. They include all trust funds and special accounts operated by UNFCCC.

A summary of significant accounting policies applied in the preparation of these statements is included as a note to the financial statements. The notes to the financial statements provide additional information and clarification on the financial activities undertaken by UNFCCC during the period covered by the statements, for which the Executive Secretary had administrative responsibility.

I certify that the appended financial statements of the United Nations Framework Convention on Climate Change for the year ended 31 December 2024 are correct.

Simon Stiell
Executive Secretary
21 July 2025

The Letter of Representation

21 July 2025

Dear Mr. Pierre Moscovici

This representation letter is provided in connection with your audit of the financial statements of the United Nations Framework Convention on Climate Change for the year ended 31 December 2024 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Public Sector Accounting Standards and with financial regulation of the Financial Regulations and Rules of the United Nations and the policies of the United Nations Framework Convention on Climate Change.

These Financial Statements show total net assets amounting to USD 61.3 million and include a surplus for the year of USD 8.1 million.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities for the preparation of the financial statements in accordance with International Public Sector Accounting Standards, the Financial Regulations and Rules of the United Nations and the policies of the United Nations Framework Convention on Climate Change, in particular the financial statements are fairly presented in accordance therewith.
- The methods, the data, and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework (ISA 540), in particular:
  - the valuation of capitalised consumables is based on the available information, to the best of our knowledge and believe,
  - the valuation of investments is estimated at the best of our knowledge and believe,
  - the valuation method and its related assumptions used to determine the employee benefits obligations and actuarial adjustments are fairly presented in the financial statements,
  - the valuation of the provisions for legal claims is estimated at the best of our knowledge and believe.
  - The valuation of the provisions for legal claims and allowance for doubtful voluntary contribution receivables is estimated at the best of our knowledge and believe

- Oversight responsibility for assessing the risks of material fraud and controls designed to prevent and detect fraud or error have been developed and implemented, including any specific risks that management has identified or that have been brought to its attention.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Public Sector Accounting Standards (ISA 550).
- All events subsequent to the date of the financial statements through the date of this letter, and for which International Public Sector Accounting Standards require adjustment or disclosure have been adjusted or disclosed in the aforementioned financial statements (ISA 560).

Information Provided

- We have provided you with:
    - Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
    - Additional information that you have requested from us for the purpose of the audit; and
    - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all internal and external information in relation with the actuarial valuation of employee benefits liabilities as at 31 December 2024.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud (ISA 240).
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
    - Management;
    - Employees who have significant roles in internal control; or
    - Others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others (ISA 240).
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements (ISA 250).
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware (ISA 550).
- We have disclosed to you all budgetary elements presented within Statement V *'statement of comparison of budget and actual amounts'* of the financial statements.

- We acknowledge our responsibility for the design and implementation of internal controls to prevent and detect error and we have disclosed to you the results of our assessment of the risk that the financial statements could be materially misstated.
- We confirm that all known actual or possible litigations and claims have been disclosed to you.
- We have disclosed to you the accurate and complete information related to ex-gratia payments and write-offs.

Simon Stiell
Executive Secretary

Chapter IV
Financial report for the year ended 31 December 2024

A. Introduction

1. The permanent secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) was established in January 1996 for the following purposes to (a) arrange for sessions of the Conference of the Parties and its subsidiary bodies established under the Convention, the Kyoto Protocol and the Paris Agreement and to provide them with services as required; (b) compile and transmit reports submitted to it; (c) facilitate assistance to Parties particularly developing country Parties on request in the compilation and communication of information required in accordance with the provisions of the Convention, the Kyoto Protocol and the Paris Agreement; (d) prepare reports on its activities and present them to the Conference of the Parties; (e) ensure the necessary coordination with the secretariats of other relevant international bodies; (f) enter, under the overall guidance of the Conference of the Parties, into such administrative and contractual arrangements as may be required for the effective discharge of its functions; (g) perform other secretariat functions specified in the Convention and in any of its protocols; and (h) undertake any other functions as may be determined by the Conference of the Parties.

2. The financial statements of the United Nations Framework Convention on Climate Change (UNFCCC) are prepared in accordance with International Public Sector Accounting Standards (IPSAS) and are submitted to the Conference of Parties (COP) in accordance with the finance and budget policies. The financial statements include all operations under the direct authority of the Executive Secretary including the core budget, extra-budgetary financed activities, and activities under the Clean Development Mechanism (CDM).

3. This financial report should be read in conjunction with the UNFCCC audited financial statements for 2024, but they do not form part of the statements. The financial report is intended to provide readers of the financial results with a more holistic understanding of the meaning of the numbers and inform stakeholders about how financial resources are being managed.

B. 2024 Financial highlights

Total revenue

4. Revenue in 2024 totalled $130.5 million mainly consisting of:

(a) The indicative contributions to the core budget of $40.8 million.

(b) Voluntary contributions from donors totalled $74.5 million.

(c) Fees for the CDM and Joint Implementation mechanisms $3.4 million.

(d) Interest earned during the period amounted to $11.5 million.

(e) Other/miscellaneous revenue of $0.2 million.

Total expenses

5. Expenditure in 2024 totalled $122.4 million and mainly consisted of:

(a) Personnel expenses amounting to $69.3 million.

(b) Contractual services expenses of $30.6 million.

(c) Travel related expenses totalling $13.8 million.

(d) Operating, other and miscellaneous expenses for $8.7 million.

Combined revenue

6. Indicative contributions revenue increased by $8.0 million to $40.8 million ($32.8 million in 2023) due to the Conference of Parties approving a higher assessed contribution based on the approval of a higher budget in 2024. Voluntary contributions increased by $19.2 million (including $7.2 million funds channelled through the secretariat for the Santiago network for loss and damage) from $55.2 million in 2023 to $74.5 million in 2024. The increase in voluntary contribution is driven by enhanced fund-raising efforts. Besides, following a reassessment of multi-year grants initiated in 2022, an additional cumulative amount of USD 6.5 million was recognized as revenue from conditional voluntary contributions. This amount represents a correction of prior-year contributions as of 31 December 2024.

7. There was also a significant decrease in the fees for the Clean Development Mechanism (CDM) and the Joint Implementation (JI) by about $10.5 million from $13.9 million in 2023 to $3.4 million in 2024. This is attributable to the discontinuation of JI during the year and reduced volumes of Certified Emission Reduction issuances for emission reduction projects and programs of activities in 2024 compared to 2023, which is consistent with the transitioning of CDM projects to Article 6.4. The decrease in other revenue by $3.6 million is due to fewer external ICT projects undertaken during the year compared to prior years.

Total expenses

8. With a $1.9 million reduction, representing 1.6 per cent of total expenditure, the current year's total expenditure was consistent with expenditure in the prior year. The overall spending dropped to $122.4 million in 2024 ($124.3 million in 2023) mostly due to the net effect of an $8 million decrease in travel-related costs following the government of Azerbaijan's coverage of hotel accommodations for Conference of Parties attendees in Baku and cross cutting measures taken by management of UNFCCC that reduced staff travel. The reduction in travel-related expenses was offset by a $6.5 million increase in personnel expenditures, which reached $69.3 million ($62.8 million in 2023), as a result of the filling of long-standing empty positions, including the Deputy Executive Secretary role during the year. Furthermore, contractual service costs, equipment depreciation, and intangible asset amortization were all in line with the previous year.

Operating results

9. In 2024, there was an excess of revenue over expenditure of $8.08 million (compared to a deficit of $8.6 million in 2023). The total surplus is mainly driven by an increase in revenue of $19.2 million, while total expenditure remained relatively consistent with levels in the prior year. The Trust Fund for participation in the UNFCCC process, the Trust Fund for Supplementary Activities, and the Trust Fund for UNFCCC employee liabilities had surplus balances during the year, while the Trust Fund for the Clean Development Mechanism, the Trust Fund for the Core Budget of UNFCCC, the Trust Fund for the International Transaction Log, the Trust Fund for the Special Annual Contribution from the Government of Germany, the Special Account for Conferences and Other Recoverable Costs and the Special Account for UNFCCC Programme Support Costs and Cost Recovery had deficits during the year.

Assets

10. Total assets as at 31 December 2024 increased by $6.2 million to $280.1 million compared to total assets as at 31 December 2023 of $273.9 million. The major components of UNFCCC's assets are as follows:

Table 1
Summary of assets as at 31 December 2024
(Thousands of United States dollars)

	2024	*2023*
Cash and cash equivalents	26 267	29 711
Investments	215 501	201 209
Indicative contributions receivable	3 458	8 650
Voluntary contributions receivable	10 360	13 694
Other receivables	1 197	2 656
Other current assets	23 231	17 621
Property, plant, and equipment	113	214
Intangible assets	-	152

	2024	2023
Total assets	**280 127**	**273 907**

11. The major assets as at 31 December 2024 are cash, cash equivalents and investments totalling $241.8 million, representing 86.3 per cent of the total assets, voluntary contributions receivable of $10.4 million representing 3.7 per cent, other current assets (primarily interfund transfer and advances) of $23.2 million, representing 8.3 per cent, and outstanding indicative contributions receivable from Parties of $3.5 million, representing 1.2 per cent of the total assets. The remaining assets consist of other receivables of $1.2 million, property and plant and equipment of $0.1 million.

Cash, cash equivalents and investments

12. Cash and cash equivalents as well as investments of $241.8 million, are held in the UN Treasury main cash pool. The overall levels of these assets increased by $10.8 million compared to 31 December 2023. Following the implementation of IPSAS 41 in 2023, fair value adjustment of $0.3 million ($0.7 million in 2023) has been recognised for investments.

Accounts receivable

13. Similar to 2023, there continues to be improvement in the payment of outstanding contributions to the UNFCCC Secretariat by the Parties. In 2024, indicative contributions receivable reduced by $5.2 million or 60.0 per cent compared to amounts outstanding as at 31 December 2023. Similarly, voluntary contributions receivable reduced by $3.3 million or 24.3 per cent compared to amounts outstanding as at 31 December 2023.This affirms strides made by the parties to ensure payment of amounts due in addition to concerted effort by UNFCCC Secretariat to follow up on outstanding contributions with the Parties.

Other current assets

14. Other current assets amounted to a total of $23.2 million and mainly consisted of prepayments of $12.1 million, interfund advances of $8.9 million and education grant advances of $1.3 million.

Liabilities

15. Liabilities as at 31 December 2024, totalled $225.4 million ($195.5 million as at 31 December 2023) and were as follows:

Table 2

Summary of liabilities as at 31 December 2024
(Thousands of United States dollars)

	2024	2023
Employee benefit liabilities	182 058	147 750
Accounts payable and accruals	5 702	14 567
Advance receipts	22 339	24 733
Other liabilities	8 756	8 481
Total liabilities	**218 855**	**195 531**

Employee benefit liabilities

16. Employee benefit liabilities accounts for 80.8 per cent of total liabilities for UNFCCC. As at 31 December 2024, the liability to fund employee end of-service benefits liability, after-service health insurance, repatriation grant for qualifying staff members stood at $181.0 million with the remainder of $1.1 million being made up of home leave travel, tax reimbursement and other employee benefit liabilities. The actuarial liability was independently estimated by an

actuarial firm. The details of the calculations are contained in Note 14. While this amount represents the best estimate of the liability of UNFCCC, it remains subject to a degree of uncertainty, which is reported in the sensitivity analysis. In recognition of this uncertainty, the actuarial assumptions will be kept under review and the estimate of the liability will be updated on an annual basis. As at 31 December 2024, the employee benefit liability is funded by cash and investments of $14.6 million. This represents a funding ratio of 8.2 per cent.

17. The remaining liabilities relate to Accounts payable and accruals of $5.7 million, advance receipts of $22.3 million and other current liabilities of $ 8.8 million. Advance receipts mainly comprise of indicative contributions received in advance of the start of the year to which they are relating to, voluntary contribution provided by donors that contain conditions requiring the return of funds (if not spent in accordance with the terms of the agreement), and CDM fees received in advance but not yet earned by UNFCCC. The balance represents the portion of the contributions as at 31 December 2024 that have not been recognized as revenue as they are not yet earned by UNFCCC by performing the services covered by the respective agreements.

Net assets

18. As at 31 December 2024, after an allowance had been made for all known liabilities, the net assets held by UNFCCC stood at $61.3 million. The net assets include accumulated surplus of $16.1 million, and programme and staff related reserves of $49.5 million. These reserves are offset by an actuarial loss pertaining to the valuation of employee benefits at year-end of $4.1 million and a fair value reserve loss on financial instruments held at fair value through net assets of $0.3 million.

Comparison of budgets to actual amounts

19. The Conference of the Parties (COP) approved a Core expenditure budget, assessed in Euro for 2024-25 biennium, amounting to €74.6 million. The 2024 - 2025 approved biennium budget for the International transaction log amounted to €3.3 million.

20. Actual expenditure was in line with approved core budget for the year. Actual expenditure on the budget basis of €36.1 million for the year ended 31 December 2024 under the core budget, represented 96.3 per cent of the approved core budget. Expenditure trends in 2024 are consistent with the approved budget.

21. The overall expenditure rate under the Trust Fund for the International Transaction Log (ITL) was 80.2 per cent for the year 2024. This is due to a decrease in operational activities and the prior period restructuring of the secretariat.

22. The core budget, as well as the budget for the international transaction log continues to be prepared on a modified cash basis in accordance with the UN Financial Regulations. The overall budgetary results of the 2024-year financial period are summarized in Statement V-A to V-B. The differences between the net results on the IPSAS (full accrual) basis and those in accordance with the adopted budget are explained in the respective note to the financial statements.

Managing financial risk and uncertainties

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

24. Indicative contributions have been steadily received in past years, and the secretariat has actively followed up on outstanding amounts to maintain a high collection rate. However, looking ahead to 2025, there is increased uncertainty around the level of contributions, particularly in light of geopolitical developments, including the recent withdrawal of the United States from the Paris Agreement. While this presents a potential risk to the overall level of indicative contributions, the secretariat is closely monitoring the situation and engaging with Parties to encourage continued financial support. Expenditure under the core budget continues to be strictly controlled within appropriations approved at the entity level, in line with the

financial regulations, and risk mitigation measures include prioritization of essential activities, flexible resource planning, and continuous engagement with key donors.

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

26. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) decided at COP 26 to support the development of new mechanisms under Article 6 of the Paris Agreement. The secretariat is foreseen as the supporting entity to the new mechanism (similar to the CDM process). While the respective budgets to support the CDM mechanism have been adjusted to the necessary resource levels in biennium 2024–2025 to reflect the transition to Article 6, sufficient reserves in the CDM trust fund are available to cover the needs for the remaining service period and the CMP has allocated significant resources to the development of the new mechanisms under Article 6. This is consistent with the reduction in CDM revenue during the year.

27. In 2017, the Secretariat introduced a surcharge on the salary costs to set aside funds to cover the respective liabilities under non-core activities following the UN secretariat approach. Under the core budget, these liabilities are currently unfunded and covered under a pay-as-you-go arrangement financed from the current core budget. The secretariat continues to monitor the level of the liabilities and is considering additional financing measures to manage the liabilities.

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

29. Key risk factors for the secretariat include: (i) unpredictable or insufficient financial resources to finance all relevant mandates including supplementary activities, TFP and activities of the subsidiary body from parties ; (ii) unclear or incoherent approach to the development of the secretariat as an organization in support of the implementation of the Paris Agreement; and (iii) geopolitical situation and/or energy and economic crisis impinging on parties' commitment to urgently combating climate change.

30. Mitigation action to address key risk factors include strengthening the positioning and relevance of the secretariat through outreach, active engagement in high-level meetings and improving the organization's approach to strategic planning and Enterprise Risk Management (ERM). In addition, the secretariat seeks to broaden its resource base for supplementary project to non-state actors, general outreach of party and non-party stakeholders to assist with funding of critical mandates given UNFCCC's funding situation and risks, ERM, focus by management to reducing costs by management as well as conscientious efforts to cluster meetings to reduce travel costs.

Strategic plan and objectives

31. The secretariat provides the foundation for global cooperation to address climate change. It is an authoritative, recognized UN body that empowers all actors to achieve the objective of the Convention. In doing so, it puts the well-being of humanity and sustainable development at the centre of climate action in pursuing the full implementation of the Convention, the Kyoto Protocol and the Paris Agreement. To this end, the secretariat facilitates intergovernmental negotiations, provides technical and legal expertise, and supports the implementation of climate-related commitments through capacity-building, data management, and outreach activities. It also serves as a hub for collaboration among Parties, observer organizations, and non-state actors, ensuring that diverse perspectives contribute to global climate solutions. By maintaining institutional memory and operational continuity, the secretariat plays a vital role in advancing transparency, accountability, and ambition under the UN climate regime.

32. The secretariat in its 2024–2025 budget proposals presented the budgetary requirements along organization-wide strategic objectives and priorities, provided a comprehensive reference for all stakeholders. The budget was developed from the ground up through a comprehensive and participatory secretariat-wide effort. All budget proposals underwent a rigorous multistep peer review and proposals put forward by the divisions were consolidated and carefully reviewed from a secretariat-wide perspective for coherence. Adjustments were made to ensure that the proposed budget best responds to the priorities specified by Parties.

33. During the budget process, each division assessed opportunities for any further innovation and efficiency gains in terms of supporting the intergovernmental process but also internal secretariat operations.

34. In 2024–2025 budget period, the secretariat's work continued to be guided by the following overarching objectives:

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

i. Ongoing intergovernmental oversight of established processes and negotiation of revised or enhanced processes, as appropriate (intergovernmental engagement).

ii. Operating established processes arising from the decisions of the COP, the CMP and the CMA (intergovernmental processes).

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

(c) Manage a trusted repository of data and information in support of climate action and enhanced accountability of Parties and non-Party stakeholders (data and information management).

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

(e) Oversee and manage the secretariat's operations effectively and efficiently and foster innovation (oversight and management).

Programme delivery highlights

35. During the reporting period, the secretariat organized SB 60 and COP 29, both of which took place in person with a robust virtual component. These sessions increased in complexity and scope compared with previous sessions. It also organized around 142 workshops, capacity-building sessions, and meetings in and outside Bonn.

36. Work under all constituted bodies, processes, and work programmes supported by the secretariat progressed in line with the respective mandates and work plans. The secretariat continued to support the intergovernmental process in relation to mitigation, adaptation, means of implementation, and transparency, as well as other cross-cutting areas such as the Global Stock take, just transition, and gender. Some of the highlights are included in the following paragraphs.

37. The secretariat facilitated intergovernmental engagement on cross-cutting areas such as the follow-up on the outcomes of the first global stocktake of the implementation of the Paris Agreement and the Just Transition work programme.

38. On mitigation, key areas the secretariat facilitated in 2024 include the Sharm el-Sheikh mitigation ambition and implementation work programme, Article 6 of the Paris Agreement, and the impact of the implementation of response measures. Facilitation for key areas related to adaptation and loss and damage includes supporting the process of the operationalization of the Fund for responding to Loss and Damage and the Santiago Network, global goal on adaptation, formulation and implementation of the National Adaptation Plans (NAPs), the Nairobi Work Programme (NWP), the Warsaw International Mechanism for loss and damage (WIM) and management of the adaptation-related data and information.

39. In relation to the means of implementation of the Paris Agreement, the secretariat facilitated Parties' engagement in areas including the new collective quantified goal on climate finance and other climate finance issues, the technology implementation programme, and related to the Paris Committee on Capacity-Building. While a series of substantial and technical support have been provided on the former Measuring Reporting Verification (MRV) arrangements and the current Enhanced Transparency Framework (ETF), including by providing technical assistance to developing countries and training to experts engaged in the reporting, review and analysis processes, especially in preparation and submission of their first Biennial Transparency Reports, is the secretariat also continued to facilitate the operationalization of the ETF and work on methodological issues, including in relation to GHG inventories, REDD+, agriculture, land use, land-use change and forestry, Intergovernmental Panel on Climate Change (IPCC) guidelines and common metrics.

40. Furthermore, the secretariat also facilitated intergovernmental engagement on and implementation of established processes relating to gender, Action for Climate Empowerment (ACE), youth engagement, observer engagement and global climate action, including by preparing reports and events under the gender action plan, organizing the ACE Dialogue, and supporting the Presidency and relevant observer constituencies in organizing Gender Day and children and youth and ACE elements of the Human Development Day at COP 29.

Chapter V

Financial statements for the year ended 31 December 2024

United Nations Framework Convention on Climate Change

I. Statement of financial position as at 31 December 2024
(Thousands of United States dollars)

	Reference	*31 December 2024*	*31 December 2023*
Assets			
Current assets			
Cash and cash equivalents	Note 6	26 267	29 711
Short-term Investments	Note 7	157 790	153 266
Indicative contributions receivable	Note 8	3 458	8 650
Voluntary contributions receivable	Note 8	3 094	12 259
Other receivables	Note 8	1 197	2 656
Other current assets	Note 9	23 231	17 621
Total current assets		**215 037**	**224 163**
Non-current assets			
Voluntary contributions receivable	Note 8	7 266	1 435
Long-term investments	Note 7	57 711	47 943
Property, plant and equipment	Note 10	113	214
Intangible assets	Note 11	-	152
Total non-current assets		**65 090**	**49 744**
Total assets		**280 127**	**273 907**
Liabilities			
Current liabilities			
Accounts payables and accruals	Note 12	5 702	14 567
Advance receipts	Note 13	22 339	24 733
Employee benefits	Note 14	2 986	3 055
Other current liabilities	Note 15	8 756	8 481
Total current liabilities		**39 782**	**50 836**
Non-current liabilities			
Employee benefits	Note 14	179 072	144 695
Total non-current liabilities		**179 072**	**144 695**
Total liabilities		**218 855**	**195 531**
Net of total assets and total liabilities		**61 272**	**78 376**
Net assets			
Accumulated surpluses	Note 19	16 084	8 011
Reserves	Note 19	45 189	70 365
Total net assets		**61 272**	**78 376**

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

United Nations Framework Convention on Climate Change

II. Statement of financial performance for the year ended 31 December 2024
(Thousands of United States dollars)

	Reference	*2024*	*2023*
REVENUE	Note 17		
Indicative contributions		40 800	32 842
Voluntary contributions		74 523	55 245
CDM and JI service fees		3 424	13 857
Interest revenue		11 474	9 894
Other/miscellaneous revenue		242	3 850
TOTAL REVENUE		**130 464**	**115 688**
EXPENSES	Note 18		
Personnel expenditure		69 343	62 810
Travel		13 832	21 872
Contractual services		30 587	30 527
Operating expenses		3 834	2 731
Other expenses		3 665	2 729
Depreciation of property, plant and equipment		101	96
Amortization of intangible assets		152	171
Return/transfer of donor/CDM Trust Fund Transfer		412	449
Losses on foreign exchange and investments		454	2 926
TOTAL EXPENSES		**122 380**	**124 311**
SURPLUS/(DEFICIT) FOR THE PERIOD		**8 083**	**(8 623)**

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

United Nations Framework Convention on Climate Change

III. Statement of changes in net assets for the year ended 31 December 2024

(Thousands of United States dollars)

	Reference	*Accumulated Surplus*	*Reserves*	*Total Net Assets*
Opening balance as at 01 January 2023		**16 757**	**77 534**	**94 291**
Surplus/(deficit) for the period		(8 623)	-	(8 623)
Actuarial gains/(losses) on employee benefits liabilities	Note 14	-	(9 102)	(9 102)
Adjustment to operating reserve amounts against accumulated surplus		(123)	123	-
Fair value gains/(losses) on investments held at Fair value through net assets/equity		-	1 810	1 810
Opening balance as at 01 January 2024		**8 011**	**70 365**	**78 376**
Surplus/(deficit) for the period		8 083	-	8 083
Actuarial gains/(losses) on employee benefits liabilities	Note 14	-	(25 615)	(25 615)
Adjustment to operating reserve amounts against accumulated surplus		(11)	11	-
Fair value gains/(losses) on investments held at Fair value through net assets/equity	Note 7	-	428	428
Balance as at 31 December 2024		**16 084**	**45 189**	**61 272**

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

United Nations Framework Convention on Climate Change

IV. Statement of cash flows for the year ended 31 December 2024
(Thousands of United States dollars)

	Reference	*31 December 2024*	*31 December 2023*
Cash flows from operating activities			
Surplus/(deficit) for the year		8 083	(8 623)
Non-cash movements			
Depreciation of property, plant and equipment	Note 10	101	96
Amortization of intangible assets	Note 11	152	171
Net surplus/(surplus) before changes in working capital		**1 811**	**(8 356)**
(Increase)/decrease in indicative contributions receivable	Note 8	5 192	2 774
(Increase)/decrease in voluntary contributions receivable	Note 8	3 334	(1 965)
(Increase)/decrease in other receivables	Note 8	1 459	(433)
(Increase)/decrease in other current assets	Note 9	(5 610)	(12 044)
Increase/(decrease) in accounts payables and accruals	Note 12	(8 865)	6 742
Increase/(decrease) in advance receipts	Note 13	2 393	(5 034)
Increase/(decrease) in employee benefit net of actuarial gains/(losses)	Note 14	8 693	7 733
Increase in other current liabilities	Note 15	275	6 603
Net cash flow generated from/(used in) operating activities		**10 420**	**(3 980)**
Cash flows from investing activities			
Net proceeds from (purchase)/sale of investments	Note 7	(13 864)	176
Net cash flow (used in)/generated from investing activities		**(13 864)**	**176**
Net cash flow generated from/ (used in) financing activities		-	-
Net increase/(decrease) in cash and cash equivalent		**(3 444)**	**(3 804)**
Cash and cash equivalents at the beginning of the year		**29 711**	**33 515**
Cash and cash equivalents at the end of the year	**Note 6**	**26 267**	**29 711**

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

United Nations Framework Convention on Climate Change

V.A. Statement of comparison of the core budget and actual amounts for the year ended 31 December 2024

2024	Original and final Budget (EUR) '000'	Actual (EUR) '000'	Difference (EUR) '000'	Original and final Budget (USD) '000'	Actual (USD) '000'	Difference (USD) '000'
Executive	2 268	2 113	155	2 517	2 288	229
Programmes Coordination	355	355	-	394	385	9
Adaptation	3 819	3 846	(27)	4 239	4 158	81
Mitigation	2 195	2 131	64	2 437	2 306	131
Means of Implementation	3 629	2 879	750	4 028	3 122	906
Transparency	7 582	8 555	(973)	8 415	9 238	(823)
Operation Coordination	789	704	85	876	762	114
Secretariat-wide costs	1 794	2 080	(286)	1 991	2 204	(213)
AS/HR/ICT	2 228	2 123	105	2 472	2 297	175
Conference Affairs	1 526	1 383	143	1 694	1 496	198
Legal Affairs	1 455	1 172	283	1 615	1 261	354
Intergovernmental Support and Collective Progress	2 479	2 405	74	2 751	2 598	153
Communications and Engagement	2 415	1 951	464	2 680	2 112	566
IPCC	245	245	-	272	265	7
Sub total	**32 779**	**31 942**	**837**	**36 381**	**34 492**	**1 887**
Programme support costs	4 262	4 202	60	4 730	4 471	259
Adjustment to working capital reserve	487	-	487	541	-	541
Grand total	**37 528**	**36 144**	**1 384**	**41 652**	**38 963**	**2 687**
Contribution from the Host Government	767	767		851	851	
Income from Indicative Contributions	36 761	34 055		40 800	37 797	
Net result (budgetary)		**(1 322)**			**(315)**	

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

United Nations Framework Convention on Climate Change

V. B. Statement of comparison of the International Transaction Log budget and actual for the year ended 31 December 2024.

(Thousands of United States dollars)

2024	Original and Final Budget (EUR) '000'	Actual (EUR) '000'	Difference (EUR) '000'	Original and Final Budget (USD) '000'	Actual (USD) '000'	Difference (USD) '000'
Staff costs	604	596	8	671	645	26
Consultants	27	-	27	30	-	30
Travel of staff	22	4	18	25	4	21
Experts and expert groups	-	-	-	-	-	-
Training	9	3	6	10	3	7
General operating expenses	753	530	223	836	571	265
Contributions to common services	64	57	7	71	61	10
Sub total	**1 479**	**1 190**	**289**	**1 643**	**1 284**	**359**
Programme support costs (overheads)	192	154	38	213	164	49
Adjustment to working capital reserve	(22)	(22)	-	(25)	(25)	-
Grand total	**1 649**	**1 322**	**327**	**1 831**	**1 423**	**408**
Income from indicative contributions		-			-	
Net result (budgetary)		**(1 322)**			**(1 423)**	

* Further information is contained in notes 21 and 22.

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

United Nations Framework Convention on Climate Change

Notes to the financial statements

Note 1
Reporting entity

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

(a) To arrange for sessions of the Conference of the Parties and its subsidiary bodies established under the Convention, the Kyoto Protocol and the Paris Agreement and to provide them with services as required.

(b) To compile and transmit reports submitted to it.

(c) To facilitate assistance to Parties particularly developing country Parties on request in the compilation and communication of information required in accordance with the provisions of the Convention, the Kyoto Protocol and the Paris Agreement.

(d) To prepare reports on its activities and present them to the Conference of the Parties.

(e) To ensure the necessary coordination with the secretariats of other relevant international bodies.

(f) To enter, under the overall guidance of the Conference of the Parties, into such administrative and contractual arrangements as may be required for the effective discharge of its functions.

(g) To perform other secretariat functions specified in the Convention and in any of its protocols; and

(h) To undertake any other functions as may be determined by the Conference of the Parties.

2. UNFCCC is governed by the following constituent bodies:

(a) **The Conference of the Parties (COP)** is the supreme decision-making body of the Convention. All States that are Parties to the Convention are represented at the COP, at which they review the implementation of the Convention and any other legal instruments that the COP adopts and take decisions necessary to promote the effective implementation of the Convention, including institutional and administrative arrangements.

(b) **The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP)**: All States that are Parties to the Kyoto Protocol are represented at the CMP, while States that are not Parties participate as observers. The CMP reviews the implementation of the Kyoto Protocol and takes decisions to promote its effective implementation.

(c) **The Subsidiary Body for Implementation (SBI)** is one of two permanent subsidiary bodies to the Convention established by the COP/CMP. It supports the work of the COP and the CMP through the assessment and review of the effective implementation of the Convention and its Kyoto Protocol. A particularly important task in this respect is to examine the information in the national communications and emission inventories submitted by Parties in order to assess the Convention's overall effectiveness. The SBI reviews the financial assistance given to non-Annex I Parties to help them implement their Convention commitments and provides advice to the COP on guidance to the financial mechanism (operated by the Global Environment Facility - GEF). The SBI also advises the COP on budgetary and administrative matters.

(d) The Conference of the Parties, the supreme body of the Convention, shall serve as **the meeting of the Parties to the Paris Agreement (CMA)**. All States that are Parties to the

Paris Agreement are represented at the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), while States that are not Parties participate as observers. The CMA oversees the implementation of the Paris Agreement and takes decisions to promote its effective implementation.

(e) **The Bureau of the COP and CMP** supports the COP, CMP and the CMA through the provision of advice and guidance regarding the on-going work under the Convention and its Kyoto Protocol, the organization of their sessions and the operation of the secretariat, especially at times when the COP and the CMP are not in session. The Bureau is elected from representatives of Parties nominated by each of the five United Nations regional groups and small island developing States. The Bureau is mainly responsible for questions of process management. It assists the President in the performance of his or her duties by providing advice and by helping with various tasks (e.g., members undertake consultations on behalf of the President). The Bureau is responsible for examining the credentials of Parties, reviewing the list of intergovernmental and non-governmental organizations, seeking accreditation and submitting a report thereon to the Conference.

(f) In addition to these principal bodies, a number of constituted bodies such as the Clean Development Mechanism (CDM) Executive Board operate under the authority and guidance of the COP, CMP, or CMA, and are supported by the secretariat in the fulfilment of their mandates.

3. UNFCCC is financed by indicative contributions paid by Parties to the Convention, fees derived from services provided by the organization and voluntary contributions from Parties to the Convention and the Kyoto Protocol and other donors, and interest from investments.

4. The Organization enjoys privileges and immunities as granted under the 1947 Convention on Privileges and immunities of the United Nations and the 1996 Headquarters agreement with the Federal Government of Germany, notably being exempt from most forms of direct and indirect taxation.

Note 2

Basis of preparation

5. The financial statements of the UNFCCC have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS), using the historic cost convention except for investments held in the cash pool recorded at fair value through net asset. The financial statements cover the period from 1 January to 31 December 2024.The financial statements comply with IPSAS as issued by the International Public Sector Accounting Standards Board (IPSASB). Where IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard is adopted. The accounting policies have been applied consistently in the preparation and presentation of these financial statements.

6. These financial statements are prepared on the basis that UNFCCC will continue in operation and meet its mandate for at least a 12-month period after the financial statements have been approved. The going concern basis is based on the approval by the Conference of Parties of the programme budget appropriations for the biennium 2024-2025, the historical trend of collection of indicative and voluntary contributions over the past years and that the Conference of Parties has not made any decision to cease the operations of UNFCCC.

7. Materiality is central to the preparation and presentation of the Organization's financial statements and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

8. Preparing financial statements in accordance with IPSAS requires use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

9. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization methods for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; fair value measurements; and inflation and discount rates used in the calculation of the present value for employee liabilities.

Changes in accounting policies and disclosures

New standards, amendments and interpretation issued but not yet effective and not early adopted by the organisation

10. IPSAS 3: Accounting policies, changes in accounting estimates and errors requires disclosure of new IPSAS standards that have been issued but not yet effective. The following standards have been issued by the IPSAS Board. UNFCCC is in the process of assessing the impact of these new standards on its financial statements.

Table IV.1
IPSAS standards issued but not yet effective

Standard	*Anticipated impact in the year of adoption*
IPSAS 43	IPSAS 43: Leases, replaced IPSAS 13: Leases aligning guidance with International Financial Reporting Standard (IFRS) 16. The newly issued standard introduces new contract and leases definitions and prescribes a right-of-use recognition and measurement model for all leases apart from those meeting short-term and low-value exemption categories. IPSAS 43 also provides additional guidance on the application of the risks and rewards model for lessor accounting. Adoption of the standard is mandatory for UNFCCC for the year ending 31 December 2025. The broadened leases definition is estimated to result in the recognition of more binding arrangements as leases, with a corresponding increase in lease liabilities and right-of-use assets.
IPSAS 44	IPSAS 44: Non-current assets held for sale and discontinued operations, promulgates accounting for assets held for sale and the presentation and disclosure requirements of discontinued operations, in alignment with International Financial Reporting Standard 5. Adoption of the standard is mandatory for the UNFCCC financial year ending 31 December 2025. This standard is not expected to have a material impact on the organization in the current or future reporting periods and on foreseeable future transactions.
IPSAS 45	IPSAS 45: *Property, plant, and equipment* replaces IPSAS 17: Property, plant and equipment (PP&E). IPSAS 45 removes the scope exclusion for heritage PP&E, provides application and implementation guidance on infrastructure assets and captures PP&E-related measurement impacts from IPSAS 46. The effective date of the standard is 30 June 2026. This standard is not expected to have a material impact on the organization in the current or future reporting periods and on foreseeable future transactions.
IPSAS 46	IPSAS 46: *Measurement* is the IPSASB's first measurement-dedicated standard which draws upon IFRS 13 Fair Value Measurement with the addition of public sector specific elements, including the current operational value measurement basis. Adoption of the standard is mandatory for UNFCCC financial year ending 30 June 2026. The adoption of IPSAS 46 is not expected to change the Organization's accounting policy choice applying the historical cost model to tangible and intangible assets.
IPSAS 47	IPSAS 47: Revenue replaces the three existing revenue standards: (a) IPSAS 9: Revenue from Exchange Transactions. (b) IPSAS 11: Construction Contracts; and (c) IPSAS 23: Revenue from Non-Exchange Transactions (Taxes and Transfers). IPSAS 47 aligns to the IPSASB's Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (the Conceptual Framework) and presents two accounting models based on the existence of a binding arrangement. Where a binding arrangement exists, revenue accounting is aligned with IFRS 15: Revenue from Contracts with Customers. Otherwise, the accounting model is consistent with the core principles of IPSAS 23.

Standard	*Anticipated impact in the year of adoption*
	Adoption of the standard is mandatory for the financial reporting for the year ending 31 December 2026. The impact of IPSAS 47 will be assessed prior to the 1 January 2026 effective date of the Standard.
IPSAS 48	IPSAS 48: Transfer Expenses provides guidance on accounting for transfer expenses. The transfer expense model aligns with the Conceptual Framework and presents two accounting models based on the existence of a binding arrangement. Adoption of the standard is mandatory for the UNFCCC financial year ending 31 December 2026. The impact of IPSAS 48 will be assessed prior to its effective date.
IPSAS 49	IPSAS 49: Retirement Benefit Plans aligns to International Accounting Standards ("IAS") 26: Accounting and Reporting by Retirement Benefit Plans and prescribes the accounting and reporting requirements for public sector retirement benefit plans, which primarily provide benefits to retired public sector employees. A retirement benefit plan that prepares and presents financial statements under the accrual basis of accounting shall apply IPSAS 49. The Standard does not deal with other forms of employment benefits such as employment termination benefit or health and welfare plans. Adoption of the standard is mandatory for the UNFCCC financial year ending 31 December 2026. The detailed impact of IPSAS 49 will be assessed prior to the 1 January 2026 effective date of the Standard.
IPSAS 50	IPSAS 50 provides guidance related to the costs incurred for exploration for, and evaluation of, mineral resources (for example, minerals, oil, natural gas and similar non-regenerative resources), as well as the costs of determining the technical feasibility and commercial viability of extracting the mineral resources. Adoption of the standard is mandatory for the UNFCCC financial year ending 31 December 2027. The impact of IPSAS 50 will be assessed prior to its effective date.

Note 3

Summary of significant accounting policies

11. The principal accounting policies applied in the preparation of these financial statements are set out below.

Functional and presentation currency

12. The United States dollar is the functional currency of UNFCCC and is the currency of these financial statements. The amounts in the financial statements, schedules and notes are rounded to the nearest thousand United States dollars, unless otherwise stated. Transactions, including non-monetary items, in currencies other than dollars are translated into dollars at the United Nations operational rate of exchange on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and unrealized exchange differences (gains and losses) from the translation at period end are recognized in the statement of financial performance and as current in the statement of financial position.

13. The Core budget and the budget for the International Transaction Log are approved and assessed in Euros. The contingency budget for conference services of UNFCCC is approved by the COP. However, funds are not accessed unless required. Information on the Statements of Budget to Actual Comparisons for each budget are presented on both Euros and United States dollars.

14. For statements V, Euro amounts from the approved budgets for the original and final budget are converted to United States dollars using the UNORE as at 1 January 2024 while the Euro amounts for the actuals are converted to United States dollars using the average applicable monthly UNORE rate at the time of the transaction.

Financial instruments

Financial assets

15. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The Organization classifies its financial assets in one of the

categories shown subsequently at initial recognition and re-evaluates the classification at each reporting date.

Table IV.2
Classification of financial assets

Classification	*Financial assets*
Fair value through net assets / equity (FVNAE)	Investments in cash pools
Amortized cost (AC)	Cash and cash equivalents and receivables. Accruals from investments are classified at amortized cost.

16. All financial assets are initially measured at fair value. The Organization initially recognizes financial assets classified as amortized cost on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date on which the Organization becomes party to the contractual provisions of the instrument.

17. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the United Nations operational rates of exchange prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

18. Financial assets at fair value through surplus or deficit are those that have been designated in this category at initial recognition, are held for trading or are acquired principally for the purpose of selling in the short term. With the adoption of IPSAS 41, such financial assets have been reclassified to fair value through net asset after an assessment of their contractual cash flows characteristics as well as the determination of the Organisation's management model of such financial assets, which is to both collect contractual cash flows and sell the financial assets. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of net assets in the year in which they arise. UNFCCC does not have any financial assets designated at fair value through surplus/deficit.

19. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value, plus transaction costs, and are subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

20. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

21. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Organization has transferred substantially all risks and rewards of the financial asset. Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Investment in cash pools

22. UNFCCC participates in a cash pooling system where The United Nations Treasury invests funds pooled from Secretariat entities and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in the cash pool implies sharing the risk and returns on investments amongst participants. Given that the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investment portfolio to the extent of the amount of cash invested.

23. The Organization's investments in the cash pools are included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position depending on the maturity period of the investment.

24. The investment pools are subject to an Expected Credit Loss (ECL) for the reporting period. The ECL on investments is calculated using a reference default rating by rating agencies. Due to the conservative and risk averse investment strategy/model, the UN does not invest in risky low-grade instruments. As a result, most of the investments carry a zero-default rating and there has not been any history of non-collection in the past. Based on assessment by UNFCCC at the end of the year, the ECL on investment and cash is not material.

Cash and cash equivalents

25. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Receivables and non-exchange revenue

26. Indicative contributions to the Core budget and to the Trust Fund for the International transaction log from Parties to the Convention are recognised at the beginning of the year to which the assessment relates. The revenue amount is determined based on the approved budgets and the scale of assessment approved by the General Assembly as adopted by the Conference of the Parties.

27. Voluntary contributions are recognised upon the signing of a binding agreement with the donor. Revenue is recognised immediately if no condition is attached. If conditions are attached, including a requirement that funds not utilized in accordance with the agreement must be returned to the contributing entity, revenue is recognised only upon satisfying the conditions. Until such conditions are met, a liability (deferred revenue) is recognised. Voluntary contributions such as pledges and other promised donations which are not supported by binding agreements are considered contingent assets and are recognised as revenue when received and disclosed in the Notes to the financial statements if receipt is considered probable.

28. Multi-year voluntary conditional contributions due in future financial periods are recognized as receivables on the signing of the agreement along with a liability (deferred revenue) until the conditions are met.

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

Other assets

30. Other assets include education grant, advances and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

31. Receivables are initially measured at fair value and subsequently at amortized cost less allowances for expected credit losses. For receivables, the loss allowance is calculated using objective historical evidence of collections of the portfolio of receivables.

32. Prepayments are not impaired as they do not qualify as financial assets.

Property, plant and equipment

33. UNFCCC recognizes property, plant and equipment at their historical cost less depreciation and impairment losses in line with IPSAS 17: Property, plant and equipment. For any item of property, plant and equipment received as a contribution in kind, the fair value at the date of acquisition is deemed to be its cost, in line with IPSAS 23: Revenue from non-exchange transactions.

34. UNFCC depreciates its property, plant, and equipment on a straight-line basis over their estimated useful life. Property, plant, and equipment are also subject to a systematic annual review to confirm the remaining useful life and to identify any impairment.

35. Individual items of property, plant and equipment are capitalized when their original acquisition value is equal to or greater than the threshold of $5,000 UNFCCC is deemed to

control equipment if it can use or otherwise benefit from the asset in the pursuit of its objectives and if UNFCCC can exclude or regulate the access of third parties to the asset.

36. UNFCCC performs an annual review of the useful economic lives of material property, plant, and equipment in line with the requirements of IPSAS 17. There were no extensions to useful economic lives during the year under review. The estimated useful life ranges and capitalization thresholds for the various classes of property, plant and equipment are as follows:

Table IV.3
The estimated useful life for equipment classes

Class of equipment	*Estimated useful life (in years)*
Computer equipment	5
Communication and audio equipment	5
Furniture and fittings	10
Vehicles	6-7
Leasehold improvements	10 (or lease term, whichever is shorter)

37. Property, plant and equipment are reviewed for impairment at each reporting date if material, taking into consideration various impairment indicators. Any impairment loss is recognized in other expenses within the statement of financial performance when the carrying amount of an asset exceeds its recoverable service amount.

Intangible assets

38. UNFCCC's intangible assets comprise purchased software packages and internally developed software. Intangible assets are recognized at cost less accumulated amortization and impairment losses in line with IPSAS 31: Intangible assets. Annual software licences are expensed and adjusted as necessary for any element of prepayment.

39. Intangible assets acquired externally are capitalised if their costs exceed the threshold of $5,000. Internally developed software is capitalized if its cost exceeded a threshold of $100,000 excluding research and maintenance costs and including directly attributable costs such as staff assigned full time to a development projects, sub-contractors, and consultants.

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

Table IV.4
The estimated useful lives for intangible asset classes

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

41. Impairment is assessed at each reporting date for all intangible assets based on indications that an asset may be impaired, and any impairment losses are recognized in the Statement of Financial Performance.

Leases

42. UNFCCC has reviewed the property and equipment that it leases, and in no instance does it have a significant portion of the risks and rewards of ownership. Accordingly, all leases are recognized as operating leases.

43. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease. A provision is established to

cover the cost of making good dilapidations on leasehold properties where required to do so under the terms of the lease.

Payables, advance receipts, and accruals

44. Accounts payable are financial liabilities in respect of either goods or services that have been acquired and received by UNFCCC and for which the invoices have been received from the suppliers. They are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest method. As the accounts payable of UNFCCC generally fall due within 12 months, the impact of discounting is immaterial, and nominal values are applied to initial recognition and subsequent measurement.

45. Accruals are liabilities for goods and services that have been received or provided to UNFCCC during the year and have not been invoiced by suppliers as at the reporting date.

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

Employee benefits

47. UNFCCC provides the following employee benefits:

(a) Short-term employee benefits.

(b) Post-employment benefits.

(c) Other long-term employee benefits; and

(d) Termination indemnity.

Short- term employee benefits

48. Short-term employee benefits comprise salaries, and those elements of other employee benefits (including home leave, assignment grant, education grant, tax reimbursements and rental subsidy) payable within one year of period end and measured at their nominal values. Short-term employee benefits are due to be settled within 12 months after the end of the accounting period in which employees render the related service.

Post-employment benefits

49. The liability recognized for post-employment benefits is the present value of the defined benefit obligations at the reporting date. An independent actuary using the projected unit credit method calculates the defined benefit obligations. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-grade corporate bonds with maturity dates approximating those of the individual plans. The portion of the repatriation benefit and accumulated annual leave benefit that is expected to be settled by means of a monetary payment within 12 months after the reporting date is classified as a current liability.

50. Employee benefits including payments to staff members on separation from service such as repatriation grant, accrued annual leave, repatriation travel and removal on repatriation are expensed on an accrual basis.

51. Actuarial gains and losses related to post-employment benefits for after service health insurance are recognised in the period in which they occur on the statement of changes in net assets as a separate item in net assets/equity.

52. UNFCCC is a member organization participating in the United Nations Joint Staff Pension Fund (UNJSPF, the Fund), which was established by the United Nations General Assembly to provide retirement, death, disability, and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified by Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of

salaries, allowances, and other conditions of service of the United Nations and the specialized agencies.

53. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the Fund. UNFCCC and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify UNFCCC's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence UNFCCC has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee Benefits. UNFCCC's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

54. UNFCCC contribution to the plan during the financial period are recognised as an expense in the statement of financial performance.

Other long-term employee benefits

55. Other long-term employee benefits comprise the non-current portion of home leave entitlements.

Termination indemnity

56. Termination indemnity is recognized as an expense only when UNFCCC is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan either to terminate the employment of a staff member before the normal retirement date or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted.

Provisions

57. Provision is made for future liabilities and charges where UNFCCC has a present legal or constructive obligation as a result of past events and is probable that UNFCCC will be required to settle the obligation, and the value can be reliably measured.

Contingent liabilities and contingent assets

58. Contingent liabilities where their existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of UNFCCC or where the value cannot be reliably estimated are disclosed in the Notes to the financial statements. Contingent liabilities are assessed continually to determine whether an outflow of resources has become probable. If an outflow becomes probable, a provision is recognized in the financial statements in the period in which probability occurs. A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Exchange revenue

59. Revenue from the fees charged in connection with the Clean Development Mechanism (CDM) and the Joint Implementation Determination (JI) is recognized upon completion of the underlying service for which the fee has been charged. A liability is established covering the estimated amount of fees reimbursable to the applicant. Interest income is recognized on a time proportion basis as it accrues, considering the effective yield.

60. Investment revenue includes the Organization's share of net cash pool revenue and other interest revenue. The net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between the sale proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against revenue and the net revenue is distributed proportionately to all cash pool participants on the

basis of their average daily balances. The cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

61. Expenses arising from the purchase of goods and services are recognized when the services or goods have been received and accepted by UNFCCC. Service is considered received on the date when the service is certified as rendered. For some service contracts, this process may occur in stages.

Taxation

62. UNFCCC enjoys privileged tax exemption, and its assets, income and other property are exempt from all direct taxation. Accordingly, no provision is made for any tax liability.

Net assets/equity

63. 'Net assets/equity' is the standard term used in IPSAS to refer to the residual financial position (assets less liabilities) at period-end, comprising contributed capital, accumulated surpluses and deficits, and reserves. Net assets/equity may be positive or negative.

64. In the absence of any capital contributions, UNFCCC net assets comprise accumulated surplus and reserves as detailed in Note 19.

Segment reporting

65. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and to make decisions about the future allocation of resources.

66. UNFCCC is a single purpose entity with a mandate to assist the signatories of the UN Framework Convention on Climate Change to limit average global temperature increases and the resulting climate change, and to cope with whatever impacts are inevitable in part through enforcing the legally binding emission reduction targets established in the Kyoto Protocol. Its operations, therefore, consist of a single segment. However, to provide additional information for use to senior management and Parties to the Convention and Kyoto Protocol, supplemental disclosures are prepared on a fund accounting basis, showing at the end of the period the consolidated position of all UNFCCC funds. A fund is a self-balancing accounting entity established to account for the transactions of a specified purpose or objective. Fund balances represent the accumulated residual of revenue and expenses.

67. UNFCCC classifies all projects, operations, and activities into the following ten funds and special accounts:

(a) Trust Fund for the Core Budget of UNFCCC financed from indicative contributions (or general-purpose contributions from donors).

(b) Trust Fund for Supplementary Activities financed from voluntary contributions.

(c) Trust Fund for the Participation in the UNFCCC Process financed from voluntary contributions.

(d) Trust Fund for the Clean Development Mechanism financed from fees charged for registration of projects and issuance of certificates.

(e) Trust Fund for the International Transactions Log financed from indicative contributions (or general-purpose contributions from donors).

(f) Trust Fund for the Special Annual Contribution from the Government of Germany financed from a voluntary contribution from the government in which the UNFCCC headquarters is located.

(g) Special Account for Programme Support Costs financed from charges made to the activities financed from indicative and voluntary contributions as well as fee financed activities.

(h) Special Account for Conferences and Other Recoverable Costs financed from voluntary contributions; and

(i) Cost Recovery Fund financed from charges made to the activities financed from indicative and voluntary contributions.

(j) End of Service and Post Employee Benefits fund currently not fully funded.

68. Transactions occurring between funds are accounted for at cost.

69. UNFCCC reports on the transactions of each fund during the financial period, and the balances held at the end of the period.

Budget comparison

70. UNFCCC's budget is prepared on a modified cash basis as per the applicable financial regulations and rules whereas the financial statements are prepared on a full accrual basis. Under the modified cash basis, expenses are recognized on the obligation principle, i.e., when the organization enters into a financial commitment to obtain goods or services. Costs of equipment acquisition are expensed when the equipment has been delivered. On the other hand, the budget expenses do not include costs related to changes in provisions for employee benefits liabilities.

71. The budget is adopted on a biennial basis and presented in annual estimates in the financial statements. Unexpended balances at the end of the first year of the biennium are carried forward and added to the annual budget estimate for the second year of the biennium.

72. Statements V-A and V-B, comparison of budget and actual amounts, compare the final budget to actual amounts calculated on the same basis as the corresponding approved budget.

73. As the basis used to prepare the budget and financial statements differ, Note 21 provides a reconciliation between the actual amounts presented in statement V-A and V-B and the actual amounts presented on the Statement of Financial Performance.

74. The COP approves the biennial Core budget and the contingent budget for Conference Services. The CMP approves the budget for the International Transaction Log. Budgets may be subsequently amended by the COP or CMP, as applicable, or through the exercise of delegated authority.

Note 4

Financial risks

75. UNFCCC is exposed to a variety of financial management risks, including but not limited to market risk (currency risk, price risk and interest rate risk), credit risk and liquidity risk. UNFCCC's approach to risk management is performed in conjunction with the United Nations Office at Geneva (UNOG).

76. The United Nations Treasury (in New York) is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Guidelines.

77. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market rate of return component of the objectives.

78. An investment committee that oversees the United Nations Treasury periodically evaluates investment performance, assesses compliance with the Guidelines, and makes recommendations for updates thereto.

Currency risk

79. UNFCCC operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro. UNFCCC receives contributions from funding sources and clients in currencies other than the United States Dollar and is therefore

exposed to foreign currency exchange risk arising from fluctuations in currency exchange rates. UNFCCC also makes payments in currencies other than the dollar. Foreign exchange risk arises from operating revenue and expenses and recognized assets and liabilities.

80. Management requires that the Organization manage its currency risk against its functional currency by structuring contributions from its owner organizations and its technical cooperation project donors to correspond to the foreign currency needed for operational purposes.

81. The table below shows the potential impact of monetary revaluation of major currencies as at the reporting date and the increase or decrease in net assets and surplus by the amounts shown.

Table IV. 5
Currency risk sensitivity analysis as at 31 December 2024
(Thousands of United States dollars)

	EUR	*SEK*	*GBP*	*AED*	*NOK*	*PLN*	*KRW*	*CAD*	*AUD*	*PEN*
+ 10 per cent	(5 856)	902	893	701	555	270	(233)	(201)	(185)	(133)
- 10 per cent	5 856	(902)	(893)	(701)	(555)	(270)	233	201	185	133

Abbreviations: EUR, EUR, Euro; SEK, Swedish Krona; GBP, Great Britain Pound; AED, United Arab Emirates Dirham; NOK, Norwegian Krona; PLN, Poland Zloty; KRW, Korean Won; CAD, Canadian Dollar; AUD, Australian Dollar; PEN, Peru Sol.

Table IV. 6
Currency risk sensitivity analysis as at 31 December 2023
(Thousands of United States dollars)

	EUR	*SEK*	*AED*	*GBP*	*NOK*	*PLN*	*CAD*	*KRW*	*AUD*	*PEN*
+ 10 per cent	3 879	(953)	(757)	(633)	(626)	(286)	208	184	164	135
- 10 per cent	(3 879)	953	757	633	626	286	(208)	(184)	(164)	(135)

Abbreviations: EUR, Euro; SEK, Swedish Krona; AED, United Arab Emirates Dirham; GBP Great Britain Pound; NOK, Norwegian Krona; PLN, Poland Zloty; CAD, Canadian Dollar; KRW, Korean Won; AUD, Australian Dollar; PEN, Peru Sol.

82. The foregoing sensitivities are calculated with reference to a single moment in time and are subject to change owing to a number of factors, including fluctuating trade receivable and trade payable balances, and fluctuating cash and investment balances.

83. As the sensitivities are limited to period-end financial instrument balances, they do not take account of revenue and operating costs, which are highly sensitive to changes in exchange rates and commodity prices. In addition, each of the sensitivities is calculated in isolation, while, commodity prices, interest rates and foreign currencies do not move independently.

84. The following assumptions are made in calculating the sensitivity: all income statement sensitivities also affect equity; and the sensitivity analysis disclosure relates to monetary items (as defined by IPSAS 4: The effects of changes in foreign exchange rates) at year-end.

Price risk

85. The cash pools are not exposed to significant other price risks because they do not sell short, borrow securities, or purchase securities on margin, which limits the potential loss of capital.

Interest rate risk

86. The organization earns interest revenue derived from surplus balances that it maintains in operational and non-operational cash holdings throughout the year. The implementation of UNFCCC's programme and budget is not directly dependent on interest earnings.

87. The cash pools comprise the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2023: four years). The average duration of the main pool on 31 December 2024 was 0.78 years (2023: 0.65 years), which is considered to be an indicator of low risk.

88. The analysis below shows how the fair value of the cash pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value through net asset/equity, the change in fair value represents the increase or decrease in net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Table IV. 7
Main pool interest rate risk sensitivity analysis as at 31 December 2024

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars):									
Main pool total	180.4	135.6	90.4	45.2	0	(45.2)	(90.4)	(135.6)	(180.4)

Table IV. 8
Main pool interest rate risk sensitivity analysis as at 31 December 2023

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
Increase/(decrease) in fair value (Millions of United States dollars):									
Main pool total	2.9	2.2	1.4	0.7	0	(0.7)	(1.4)	(2.2)	(2.9)

Credit risk

89. Credit risk refers to the risk that a counterparty to a financial instrument will default on its contractual obligations resulting in a financial loss to the Organisation. UNFCCC applies the simplified approach to providing for expected credit losses prescribed by IPSAS 41, which permits the use of 12-month expected loss provision for all receivables.

Table IV.9
Maximum exposure to credit risk
(Thousands of United States dollars)

	2024	*2023*
Cash and cash equivalents	26 267	29 711
Investments	215 501	201 209
Indicative contributions receivable	3 458	8 650
Voluntary contributions receivable	10 360	13 694
Other accounts receivable	1 197	2 656
Other assets excluding prepayments and interfund transfers	2 277	4 304
Total assets	**259 060**	**260 224**

Credit risks associated with the cash pool

90. The Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible cash pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

91. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications, and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

92. The credit ratings used for the cash pools are those determined by major credit-rating agencies; Standard & Poor's and Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown below.

Table IV.10
Credit rating distribution for assets in the cash pool

Main pool	*Ratings in per cent as at 31 December 2024*				*Ratings in per cent as at 31 December 2023*				
Bonds (Long term ratings in per cent)					**Bonds (Long term ratings in per cent)**				
	AAA	**AA+/AA-/AA**		**NA**		**AAA**	**AA+/AA-/AA**		**NA**
S&P	22.2	77.8		-	S&P	37.1	62.9		0.3
Fitch	**AAA** 9.9	**AA+/AA/AA-** 53.3	**A+** 1.3	**NA/NR** 17.0	Fitch	**AAA** 28.4	**AA+/AA/AA-** 53.3	**A+** 1.3	**NA/NR** 17.0
	Aaa	**Aa1/Aa2/Aa3**		**NA**		**Aaa**	**Aa1/Aa2/Aa3**		**NA**
Moody's	37.7	53.6		8.7	Moody's	61.9	30.5		7.6
Commercial papers/ Certificates of Deposit (Short term ratings in per cent)					**Commercial papers/ Certificates of Deposit (Short term ratings in per cent)**				
	A-1+/A-1					**A-1+/A-1**			
S&P	100.0				S&P	100.0			
	F1+/F1			**NR**		**F1+/F1**			**NR**
Fitch	97.6			2.4	Fitch	98.8			1.2
	P-1/P2					**P-1/P2**			
Moody's	100.0				Moody's	100.0			
Term deposits/demand deposit account (Fitch viability ratings in per cent)					**Term deposits/demand deposit account (Fitch viability ratings in per cent)**				
	aa/aa-	**a+/a/a-**		**NR**		**aa/aa-**	**a+/a/a-**		
Fitch	33.7	64.9		1.4	Fitch	23.8	76.2		

93. The United Nations Treasury actively monitors credit ratings and, given that the Organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

94. UNFCCC assessed cash and cash equivalents and investment balances to determine their expected credit losses. Based on this assessment, the credit losses were identified to be insignificant as at 31 December 2024 (Nil for 31 December 2023).

Credit risks associated with receivables

95. Receivables consists of voluntary contributions, indicative contributions and other contributions. Strict credit control is exercised through monitoring of cash received from donors and where necessary provision is made for specific doubtful accounts.

96. The Expected loss rates for receivables are based on the payment profile of donors and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information. Due to the wide reach of donors of UNFCCC, management incorporates forward looking information into the impairment provisioning based on general economic conditions to pertains to all nations within the world.

97. On that basis, the loss allowance as at 31 December 2024 and 2023 is as follows:

Table IV.11
Impairment loss analysis as at 31 December 2024
(Thousands of United States dollars)

	Current	*1 year to 2 years*	*2 years to 3 years*	*3 years to 4 years*	*Over 4 years*	*Total*
Gross carrying amount	11 597	1 321	2 716	613	3 678	**19 925**
Expected credit loss rate (per cent)	10.20	23.56	11.95	49.54	75.80	
Loss allowance	1 183	311	325	304	2 787	**4 910**

Table IV.12
Impairment loss analysis – comparative; as at 31 December 2023
(Thousands of United States dollars)

	Current	*1 year to 2 years*	*2 years to 3 years*	*3 years to 4 years*	*Over 4 years*	*Total*
Gross carrying amount	15 945	5 978	2 618	691	3 295	**28 527**
Expected credit loss rate (per cent)	3.2	6.9	17.2	34.7	58.0	
Loss allowance	515	410	450	240	1 912	**3 527**

Liquidity risk

98. Cash flow forecasting is performed by the Organization in conjunction with the United Nations Office at Geneva (UNOG) which monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs. There are no restrictions on the amount that UNFCCC may withdraw at any time after providing the UN Treasury with several days' notice.

99. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. United Nations Treasury maintain sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The cash pool liquidity risk is therefore considered to be low.

Fair value hierarchy

100. All investments are reported at fair value through net asset/equity. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

101. The levels are defined as:

(a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (i.e., derived from prices).

(c) Level 3: Inputs for the asset or liabilities that are not based on observable market data (that is, unobservable inputs).

102. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held in the cash pools is the current bid price.

103. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which maximise the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2.

104. The following fair value hierarchy presents the cash pool assets that are measured at fair value at the reporting date. There were no Level 3 financial assets, nor any liabilities carried at fair value or any significant transfers of financial assets between fair value hierarchy classifications.

Table IV.13
Fair value hierarchy as at 31 December: main pool
(Thousands of United States dollars)

	31 December 2024			*31 December 2023*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through net assets/equity						
Bonds – corporate	1 899	–	1 899	2 362	–	2 362
Bonds – non-United States agencies	52 221	–	52 221	49 362	–	49 362
Bonds – supranational	9 585	–	9 585	15 401	–	15 401
Bonds – United States treasuries	15 883	–	15 883	23 696	–	23 696
Bonds – non-United States sovereigns	1 993	–	1 993	1 956	–	1 956
Main pool – commercial papers	–	18 712	18 712	–	10 201	10 201
Main pool – certificates of deposit	–	64 976	64 976	–	59 632	59 632
Main pool – term deposits	–	76 499	76 499	–	68 310	68 310
Total	**81 581**	**160 187**	**241 768**	**92 777**	**138 143**	**230 920**

Note 5

Cash pool

105. The United Nations Framework Convention on Climate Change ("UNFCCC") participates in the United Nations Treasury main pool. The main pool comprises of operational bank account balances in a number of currencies and investments in United States dollars.

106. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale, and by the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity's principal balance.

107. As at 31 December 2024, the overall cash pools managed by the United Nations Treasury had total assets of $12,076.1 million (2023: $11,548.7 million), of which $241.8 million was due UNFCCC (2023: $230.9 million), and its share of revenue from cash pools was $11.5 million (2023: $9.9 million).

Table IV.14
Summary of assets in the United Nation cash pool as at 31 December 2024
(Thousands of United States dollars)

	Total pool	*UNFCCC share*
Fair value through net assets/equity		
Short-term investments*	7 742 472	155 006
Long-term investments	2 882 612	57 711
Total fair value through net assets/equity	**10 625 084**	**212 717**
Loans and receivables		
Cash and cash equivalents in the cash pool	1 312 000	26 267
Accrued investment revenue (included to short-term investments) *	139 050	2 784
Total loans and receivables	**1 451 050**	**29 051**
Total carrying amount of Investments and cash and cash equivalents	**12 076 134**	**241 768**

* - Short-term investments and accrued investment revenue makes up total short-term investment in statement of financial position

108. The table below shows revenue earned by UNFCCC through its participation in the cash pool. Unrealised gains/(losses) are classified as fair value through net assets/equity in accordance with IPSAS41.

Table IV.15
Summary of gains/(losses) of the main pool for the year ended 31 December 2024
(Thousands of United States dollars)

	2024	*2023*
Investment revenue	11 474	9 894
Unrealized gains/(losses)	428	(709)

109. Unrealised gains of $0.4 million represents movement in unrealised gains on financial instruments recognised at fair value through net assets/equity.

Note 6

Cash and cash equivalents

110. As at 31 December 2024, UNFCCC held cash and cash equivalents totalling $26.3 million (2023: $29.7 million) within the United Nations Treasury Main pool.

111. Cash and cash equivalents comprise cash at banks, time deposits and money market instruments held within the cash pool where the initial term was less than 90 days. They are held at nominal value less an allowance for any anticipated losses if any.

Table IV.16
Cash and cash equivalents
(Thousands of United States dollars)

	31 December 2024	*31 December 2023*
Cash and cash equivalents in cash pool	26 267	29 711

Note 7

Investments

112. UNFCCC investments forms part of a cash pools that are maintained and managed by the UN Treasury. The cash pools comprise UNFCCC's participating share of cash and term deposits, short-term and long-term investments, and accrual of investment income, all of which are managed in the pool.

113. UNFCCC cash and investments include $28.9 million (2023: $24.7 million) that are subject to general stipulations in the donor agreements which did not meet the requirements of conditionality under IPSAS 23. These stipulations include earmarking on the use of funding, mostly regarding their programmatic use and eligible expenditure periods. Historically, UNFCCC has had positive experiences with regard to receiving payment tranches from donors in accordance with the agreement and did not have cases where breach of stipulations prompted donors to demand refunds or reimbursement.

114. There have not been any impairments of investment assets held within the cash pool during the year.

Table IV.17
Classification of investment portfolio
(Thousands of United States dollars)

	31 December 2024	*31 December 2023*
Short-term investments at fair value	155 006	151 060
Short-term investments at amortised cost	2 784	2 206
Total short-term investments	**157 790**	**153 266**
Long-term investments	57 711	47 943
Total investments	**215 501**	**201 209**

Table IV.18
Net proceeds from sale/purchase of investments
(Thousands of United States dollars)

	2024	*2023*
Total investment at the beginning of the year	201 209	199 575
Less: Total investment at the end of the year	(215 501)	(201 209)
Net investment	**(14 292)**	**(1 634)**
Movement in fair value	428	1 810
Net proceeds from the (purchase)/sale of investment	**(13 864)**	**176**

Note 8

Accounts receivable

115. Accounts receivables include indicative contribution, voluntary contribution and other receivables.

116. Indicative contributions reflect the contributions receivable from Parties to the Convention, the Kyoto Protocol and the Paris Agreement to fund the core budget and the International Transactions log in accordance with the Financial Procedures adopted by the COP.

117. Current voluntary contributions receivable are confirmed contributions that are due within twelve months from the reporting date.

118. Other receivables represent amounts invoiced to Parties, other UN agencies and individuals for services provided.

119. The full amount of voluntary contributions receivable is subject to general stipulations in donor agreements which did not meet the requirements of conditionality under IPSAS 23. These stipulations include earmarking on the use of funding, mostly regarding their programmatic use and eligible expenditure periods. Historically, UNFCCC has had positive experiences with regard to receiving payments tranches from donors in accordance with the agreement and did not have cases where breach of stipulations prompted donors to demand refunds or reimbursement.

120. Provisions for doubtful receivables have been established covering indicative contributions, voluntary and other receivables in line with IPSAS 41. Refer to Note 4 on impairment rates applied to receivables.

Table IV.19
Accounts receivable
(Thousands of United States dollars)

	31 December 2024	*31 December 2023*
Indicative receivables (gross)	7 498	11 412
Less doubtful debt allowance on indicative receivables	(4 040)	(2 762)
Indicative receivables - net	**3 458**	**8 650**
Voluntary receivables (gross)	11 211	14 447
Less doubtful debt allowance on voluntary receivables	(851)	(753)
Voluntary receivables - net	**10 360**	**13 694**
Other receivables	1 216	2 668
Less doubtful debt allowance on other receivables	(19)	(12)
Other receivables - net	**1 197**	**2 656**
Total receivables	**15 015**	**25 000**

121. The table below shows the split of voluntary receivables between current and non-current.

Table IV.20
Voluntary receivables
(Thousands of United States dollars)

	31 December 2024	*31 December 2023*
Current	3 094	12 259
Non-current	7 266	1 435
Total voluntary receivables	**10 360**	**13 694**

122. The table below shows the split of voluntary receivables between current and non-current.

Table IV.21
Movement in allowance for doubtful debt
(Thousands of United States dollars)

	31 December 2024	*31 December 2023*
Opening balance	3 527	3 728
Net increase/(decrease) in provision for receivables	1 383	(201)
Closing balance	**4 910**	**3 527**

Note 9

Other current assets

123. Other assets consist of the following:

Table IV.22
Other assets
(Thousands of United States dollars)

	31 December 2024	*31 December 2023*
Prepayments	12 068	4 836
Interfund transfer	8 886	8 481
Project clearing	711	688
Travel advances	311	2 428
Education grant advances	1 255	1 188
Total	**23 231**	**17 621**

124. Prepayments include advances to vendors and other UN agencies. Included in other current assets are interfund transfers of $8.9 million that have a corresponding entry in other current liabilities.

125. The project clearing accounts is the current account balance with the United Nations Development Programme.

Note 10

Property, plant and equipment

126. The table below shows the movement in property, plant and equipment held by UNFCCC during the period.

Table IV.23
Movement in property, plant and equipment
(Thousands of United States dollars)

	Vehicles	*Communication and IT equipment*	*Furniture and machinery*	*Total*
Cost				
Opening balance 1 January 2024	77	3 488	6	3 571
Additions	-	-	-	-
Disposal	-	-	-	-
Total as at 31 December 2024	**77**	**3 488**	**6**	**3 571**
Accumulated depreciation				
Opening balance 1 January 2024	50	3 301	6	3 357
Depreciation during the year	8	93	-	101
Disposal	-	-	-	-
Total as at 31 December 2024	**58**	**3 394**	**6**	**3 458**
Net book value				
Total as at 31 December 2024	**19**	**94**	-	**113**

Table IV.24
Movement in property, plant and equipment – 2023 comparative
(Thousands of United States dollars)

	Vehicles	*Communication and IT equipment*	*Furniture and machinery*	*Total*
Cost				
At 1 January 2023	77	3 488	6	3 571
Additions	-	-	-	-
Disposal	-	-	-	-
Total as at 31 December 2023	**77**	**3 488**	**6**	**3 571**
Accumulated depreciation				
At 1 January 2023	42	3 213	6	3 261
Depreciation during the year	8	88	-	96
Disposal	-	-	-	-
Total as at 31 December 2023	**50**	**3 301**	**6**	**3 357**
Net book value				
Total as at 31 December 2023	**27**	**187**	**-**	**214**

127. Assets are reviewed annually to determine if there is any indication that assets may be impaired in their value. During 2024 there was no indication for any equipment being impaired.

Note 11

Intangible assets

128. The table below shows the movement in intangible assets during the period.

Table IV.25
Intangible assets
(Thousands of United States dollars)

	Internally developed software
Opening balance 1 January 2024	837
Additions	-
Write-off	-
Total as at 31 December 2024	**837**
Accumulated amortization at 1 January 2024	685
Amortization during the year	152
Write-off	-
Total as at 31 December 2024	**837**
Net book value as at 31 December 2024	**-**

Table IV.26
Intangible assets – 2023 comparative
(Thousands of United States dollars)

	Internally developed software
Opening balance 1 January 2023	837
Additions	-
Write-off	-
Total as at 31 December 2023	**837**
Accumulated amortization at 1 Jan 2023	514
Amortization during the year	171
Write-off	-
Total as at 31 December 2023	**685**
Net book value as at 31 December 2023	**152**

Note 12

Accounts payables and accruals

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

Table IV.27
Accounts payables and accruals
(Thousands of United States dollars)

	31 December 2024	*31 December 2023*
Vendor payables	3 359	4 491
Other payables	10	652
Accruals for goods and services	2 333	9 424
Total accounts payables and accruals	**5 702**	**14 567**

130. Accruals are liabilities for goods and services that have been received or provided to UNFCCC during the year which have not yet been invoiced by suppliers.

Note 13

Advance receipts

131. The advance receipt balance as at 31 December 2024 are as follows:

Table IV.28
Advance receipts
(Thousands of United States dollars)

	31 December 2024	*31 December 2023*
Conditional voluntary contributions	13 523	18 564
Indicative contributions received in advance	5 103	3 156
CDM fees received in advance	3 713	3 013
Total	**22 339**	**24 733**

132. UNFCCC recognizes a liability in cases where conditions are attached to voluntary contributions. Conditions are imposed by donors on the use of contributions and include both an obligation to use the donation in a specified manner and an obligation to return any amount not expended in accordance with performance specified by the donation. The amount recognized as

a liability is the best estimate of the amount that would be required to settle the obligation at the reporting date. As UNFCCC satisfies the conditions on voluntary contributions through performance in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to that reduction is recognized.

133. Indicative contributions received in advance include amounts received before the actual due date established by the Financial Procedures. Multi-year contributions received in advance amounted to Eur 2.2 million.

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

Note 14

Employee benefit

135. The employee benefits liabilities of UNFCCC are composed of:

(a) current employee benefits: current portion of post-employment benefit, current portion of home leave and us tax reimbursement.

(b) non-current employee benefits: non-current portion of home leave; and non-current portion of post-employment benefit.

Table IV.29
Employee benefit liabilities
(Thousands of United States dollars)

	31 December 2024	*31 December 2023*
Current employee benefit liabilities		
After service health insurance	721	586
Repatriation grant	791	947
Annual leave	434	508
Home leave travel	694	665
US tax reimbursement	130	181
Other employee benefit liabilities	216	168
Total current employee benefit liabilities	**2 986**	**3 055**
After service health insurance	166 681	133 281
Repatriation grant	8 300	7 398
Annual leave	4 047	3 983
Home leave travel	44	33
Total non-current employee benefit liabilities	**179 072**	**144 695**
Total employee benefit liabilities	**182 058**	**147 750**

136. Post-employment benefits consist of after-service health insurance, repatriation grants, annual leave and pension plans. After-service health insurance (ASHI) is a plan that allows eligible retirees and their eligible family members to participate in the full medical insurance plan. A repatriation grant is an entitlement payable to Professional staff on separation, together with related costs in travel and shipment of household effects. The actuarial valuation of liabilities regarding ASHI, repatriation grant and annual leave was undertaken by an independent professional actuary. They are established in accordance with the Staff Regulations of the United Nations and Staff Rules for staff members in the Professional and General Service categories.

After-service health insurance

137. The year-end liabilities for after-service health insurance are derived from the actuarial valuation conducted at year-end 2024. The net present value of the UNFCCC accrued liability

as at 31 December 2024, net of contributions from plan participants, was estimated by actuaries at $167.4 million ($133.9 million in 2023).

138. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided they have met certain eligibility requirements. These requirements include 10 years of participation in a United Nations health plan, for those who were recruited after 1 July 2007, and 5 years of participation, for those who were recruited prior to that date.

Repatriation grant

139. Upon end of service, staff members who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant based on length of service, and travel and removal expenses. These benefits are collectively referred to as repatriation benefits.

140. The net present value of the UNFCCC accrued liability as at 31 December 2024 was estimated by actuaries at $9.1 million ($8.3 million in 2023).

Death benefit

141. Death benefit is a post-employment defined-benefit plan, for which payment is made upon the death of an eligible employee who leaves behind a surviving spouse or dependent child. In line with the accounting practice of the UN secretariat, this liability is not recorded as a long-term employee benefit.

Annual leave

142. In accordance with UN Staff Rules and Staff Regulations, UNFCCC staff may accumulate annual leave of up to 60 working days which is payable on separation from service.

143. The net present value of UNFCCC's annual leave liability as at 31 December 2024 is estimated as $4.5 million ($4.5 million in 2023).

Home leave

144. Non-locally recruited UNFCCC staff are entitled to reimbursement for the costs of travel to their home country in the second year after their initial appointment and thereafter, every second year. The liability recorded has been calculated proportionately reflecting the number of months relates to the value of home leave entitlements that have been earned by officials since their last entitlement but not taken at the reporting date.

US taxes

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

146. An actuarial valuation as at 31 December 2024 carried out in 2025 has been utilized to determine the UNFCCC's estimated liability and expenses recognized on the Statements of Financial Performance and Financial Position for repatriation grants and travel, accumulated annual leave and after-service health insurance at the reporting date. The results of the actuarial valuation of the End-of-Service schemes are based on a full valuation conducted as at 31 December 2023.

Accounting for post-employment benefits

147. Each year, the UNFCCC reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expense and contribution requirements for the UNFCCC's after-service medical care plans and separation benefit plans. The discount rate is determined by calculating the expected benefit payments for each future year attributable to past service as of the valuation date and then discounting these benefit payments using spot rates for

high quality corporate bonds. A single equivalent discount rate was then determined that resulted in the same past service obligation.

Table IV.30
Post-employment benefits liabilities
(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Annual leave*	*Total 2024*	*Total 2023*
Liability at 1 January	**133 867**	**8 345**	**4 491**	**146 703**	**129 850**
Current service cost	6 653	688	247	7 588	6 088
Interest cost	2 510	390	208	3 108	2 946
Benefits paid	(585)	(947)	(508)	(2 040)	(1 283)
Actuarial losses/(gains)	24 957	615	43	25 615	9 102
Liability at 31 December*	**167 402**	**9 091**	**4 481**	**180 974**	**146 703**

* Home leave, tax reimbursement and other employee benefit liabilities do not form part of post-employment liabilities

Table IV.31
Post-employment benefits liabilities: active and retired staff
(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Annual leave*	*Total 2024*	*Total 2023*
Current retirees	33 065	-	-	**33 065**	24 187
Active employees - fully eligible	48 068	6 724	4 481	**59 273**	49 919
Active employees - not yet fully eligible	86 269	2 367	-	**88 636**	72 597
Liability at 31 December	**167 402**	**9 091**	**4 481**	**180 974**	**146 703**

148. The amounts recognized in the statement of financial performance are as follows:

Table IV.32
Impact of post-employment benefits on financial performance
(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Annual leave*	*Total 2024*	*Total 2023*
Current service cost	6 653	688	247	**7 588**	6 088
Interest cost	2 510	390	208	**3 108**	2 946
Impact at 31 December	**9 163**	**1 078**	**455**	**10 696**	**9 034**

149. The total expense has been included under "salaries and employee benefits" in the statement of financial performance.

Actuarial gains/(losses)

150. Actuarial gains/(losses) are recognised directly in net assets, and reflect changes in financial and demographic assumptions and experience adjustments:

Table IV.33
Actuarial (gains)/losses
(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Annual leave*	*Total 2024*	*Total 2023*
Changes in financial assumptions	23 312	(335)	(195)	**22 782**	9 891
Changes in demographic assumptions	-	-	-	-	(5 096)
Experience adjustments	1 645	950	238	**2 833**	4 307
Total actuarial (gains)/losses	**24 957**	**615**	**43**	**25 615**	**9 102**

Actuarial assumptions

151. The key actuarial assumption used by the actuary to determine defined benefit liabilities is the discount rate. For the after-service health insurance liability, this also includes the healthcare cost trend rate.

152. The principal actuarial assumptions for 2024 were as follows:

Table IV. 34
Principal actuarial assumptions

	ASHI	*Repatriation grant & travel*	*Annual leave*
Discount rate at beginning of period (per cent)	2.1	5.0	4.9
Discount rate at end of period (per cent)	1.8	5.5	5.6
Salary increases rate at beginning and end of period	Based on the age of staff member calculated separately for professional and general service staff		
Healthcare cost trend rate at beginning of period	United Nations scales		
Healthcare cost trend rate at end of period	UNJSPF scales		

Sensitivity analysis

153. Sensitivity analysis outlines the potential impact of changes in certain key assumptions used in measuring post-employment benefits. If the assumptions about the discount rate and the health-care cost trends were to change, this would impact the measurement of the post-employment benefits as shown:

Table IV. 35
Potential impact of changes in discount rates on post-employment benefits

	ASHI	*Repatriation*	*Annual Leave*
Increase of 0.5 per cent	(21 778)	(273)	(140)
Decrease of 0.5 per cent	26 027	290	149

154. Effective 1 January 2018, a monthly accrual has been implemented to start funding after-service health insurance liabilities relating to extra budgetary activities. For this purpose, an accrual rate of 6 per cent is applied on the sum of gross salary and post adjustment.

155. Short-term employee benefit liabilities for education grants and home leave are recognized at an undiscounted amount. Short-term compensated absences are recognized, as employees earn their entitlement to future compensated absences through rendering a service to the UNFCCC. For non-accumulating compensating absences, an expense is recognized when the absence occurs.

Note 15

Other current liabilities

Table IV.36
Other current liabilities
(Thousands of United States dollars)

	31 December 2024	*31 December 2023*
Other current liabilities	8 756	8 481
Total	**8 756**	**8 481**

156. Included in other liabilities are interfund transfers of $8.9 million that have a corresponding entry in other assets.

Note 16

United Nations Joint Staff Pension Fund (UNJSPF)

157. UNFCCC is a member organization participating in the United Nations Joint Staff Pension Fund (the "Fund"), which was established by the United Nations General Assembly to provide retirement, death, disability, and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in Article 3(b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

158. The Fund collectively exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. UNFCCC and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify UNFCCC's proportionate share of the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNFCCC has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39, Employee Benefits. UNFCCC's contributions to the Fund during the financial period are recognized as expenses in the Statement of Financial Performance.

159. The Fund's Regulations state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has usually been to carry out an actuarial valuation every two years. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities into perpetuity. The Fund's published funding policy (available on the Fund's website) sets out the methods, processes and targets that are used to monitor the funding position and associated risks. This also includes the practice of utilizing an actuarial value of assets, which smooths short-term investment gains and losses for the purpose of reporting long-term solvency.

160. UNFCCC's financial obligation to the Fund consists of its mandated contribution, at the rate established by the United Nations General Assembly (currently at 7.9 per cent of pensionable remuneration for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under Article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the United Nations General Assembly has invoked the provision of Article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as of the valuation date. Each member organization shall contribute to this deficiency an amount proportional to the total contributions which each paid during the three years preceding the valuation date. It has never been necessary to invoke Article 26, and no deficiency payments have ever been requested.

161. The latest actuarial valuation for the Fund was completed as at 31 December 2023, and a roll forward of the participation data as at 31 December 2023 to 31 December 2024 will be used by the Fund for the purpose of reporting an actuarial present value of accumulated plan benefits in its 2024 financial statements.

162. The actuarial valuation as at 31 December 2023 reported a funded ratio of actuarial assets to actuarial liabilities of 111.0 per cent (117.0 per cent in the 2021 valuation) when future expected pension adjustments (cost-of-living indexation on benefits) were taken into account. The reported funded ratio was 152.0 per cent (158.2 per cent in the 2021 valuation) when the current system of pension adjustments was not taken into account and would be the measure by which actuarial sufficiency is established under Article 26.

163. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2023, for deficiency payments under Article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. At the time of this report, the General Assembly has not invoked the provision of Article 26.

164. Should Article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the UNJSPF during the preceding three years (2021, 2022 and 2023) amounted to $9,499.41 million, of which 0.38 per cent was contributed by UNFCCC.

165. During 2024, contributions paid to the Fund by UNFCCC amounted to $10.5 million (2023: $9.4 million). Expected contributions due in 2025 are approximately $11.6 million.

166. Membership of the Fund may be terminated by decision of the United Nations General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

167. The United Nations Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the United Nations General Assembly on the audit every year. The Fund provides weekly information on its investments, and it can be viewed by visiting the Fund at www.unjspf.org.

Note 17

Revenue

168. Indicative contributions are contributions received from Parties to the Convention, the Kyoto Protocol and the Paris Agreement to fund the core budget and the International Transaction Log under the Financial Procedures, based on the United Nations scale of assessment adjusted for differences in membership. The contributions are based on a biennium budget and are recognized as of the first day of the year to which they relate. Indicative contributions are considered to be without conditions.

Table IV.37
Indicative contributions
(Thousands of United States dollars)

	2024	*2023*
Core budget to the convention	40 800	32 122
International transaction log	-	720
Total	**40 800**	**32 842**

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

Table IV.38
Top ten parties contributing to the core budget
(Thousands of United States dollars)

	2024	*Per cent*
United States of America	8 050	19.7
China	6 226	15.3
Japan	3 279	8.0
Germany	2 494	6.1
United Kingdom of Great Britain and Northern Ireland	1 786	4.4
France	1 762	4.3
Italy	1 302	3.2
Republic of Korea	1 051	2.6
European Union	1 020	2.5
Canada	962	2.4

170. Voluntary contributions are recognized as revenue at the point of signature except where such agreement contains a condition in which case recognition as revenue is deferred until the conditions specified in the donor agreement have been satisfied. As part of the preparation of the 2024 financial statements and in response to audit observations, the Secretariat reviewed the application of its revenue recognition methodology for conditional voluntary contributions, which has been consistently applied since 2022. Following a reassessment of multi-year grants initiated in 2022, an additional cumulative amount of USD 6.5 million was recognized as revenue from conditional voluntary contributions. This amount represents a correction of prior-year contributions as of 31 December 2024. A full retrospective restatement is not feasible due to technical constraints. In accordance with IPSAS 3, the entire correction has therefore been reflected in the 2024 statement of financial performance.

Table IV.39
Voluntary contributions
(Thousands of United States dollars)

	2024	*2023*
Voluntary contribution to the core budget	851	871
Participation trust fund	8 922	2 738
Trust fund for supplementary activities	56 536	41 329
Special annual contribution from the host country	1 986	1 906
Special account for activities for conferences	6 228	8 401
Total	**74 523**	**55 245**

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

Table IV.40
Fee Income
(Thousands of United States dollars)

	2024	*2023*
CDM fees	3 424	13 857
Total	**3 424**	**13 857**

172. Income to finance the administration of Clean Development Mechanism (CDM) processes consists of accreditation fees and fees to be charged for issuance of certified emission reductions (CERs) (share of proceeds) to cover administrative expenses as follows:

(a) The accreditation fee for the application for accreditation or reaccreditation of an entity amounting to $15,000.

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

(i) $0.10 per CER issued for the first 15 000 tonnes of CO_2 equivalent for which issuance is requested in a given calendar year.

(ii) $0.20 per CER issued for any amount in excess of 15 000 tonnes of CO_2 equivalent for which issuance is requested in a given calendar year.

(iii) No share of proceeds shall be due for activities hosted in least developed countries.

Table IV.41
Interest revenue
(Thousands of United States dollars)

	2024	*2023*
Investment income – Interest earned	11 474	9 894
Total	**11 474**	**9 894**

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

174. Gain/(loss) on foreign exchange represent gains realized on transactions occurring in currencies other than United States dollars and unrealized losses resulting from revaluation of monetary assets.

Table IV.42
Other/miscellaneous revenue
(Thousands of United States dollars)

	2024	*2023*
Other/miscellaneous revenue	242	3 850
Total	**242**	**3 850**

175. Other revenue consisted of FX gains realised following the closure of long outstanding projects.

Note 18

Expenses

Table IV.43
Expenses
(Thousands of United States dollars)

	2024	*2023*
Personnel expenditure	69 343	62 810
Travel	13 832	21 872
Contractual services	30 587	30 527
Operating expenses	3 834	2 731
Other expenses	3 665	2 729
Depreciation of equipment	101	96

	2024	2023
Amortization of intangible assets	152	171
Return/transfer of donor funding	412	449
Loss on foreign exchange and investments	454	2 926
Total	**122 380**	**124 311**

176. Personnel expenditure includes all international and national staff expenses such as salaries, post adjustments, entitlements, pension, and health plan contributions for professional and general service category staff. It also includes temporary staff expenses such as costs relating to the employment of temporaries and supernumeraries. Pension and insurance benefits also include the service and interest cost as per the actuarial valuation.

Table IV.44
Personnel expenditure
(Thousands of United States dollars)

	2024	2023
Salary and wages	42 858	38 804
Pension and insurance benefits	23 093	20 601
Other benefits	3 392	3 405
Total	**69 343**	**62 810**

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

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

Table IV.45
Contractual services
(Thousands of United States dollars)

	2024	2023
Communication services	513	598
Consulting and individual contractual services	8 361	10 300
Facilities and equipment	1 083	414
Infrastructure Service	3 332	4 978
IT business and support	15 164	10 940
Other contractual services	2 134	3 297
Total	**30 587**	**30 527**

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

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

181. There were no write-offs processed for the year 2024.

182. Returns of donor funding includes the amounts of unspent funds returned to donors upon completion of voluntary funded projects in accordance with the respective donor agreement.

Note 19

Net assets/equity

183. UNFCCC's reserves are as follows:

Table IV.46
Net assets/equity
(Thousands of United States dollars)

	Actuarial gains/(losses)	*Fair value reserve*	*Accumulated Surplus*	*Programme Reserves*	*Total Net Assets*
Opening balance as at 01 January 2023	**30 650**	**(2 519)**	**16 757**	**49 403**	**94 291**
Surplus/(deficit) for the period	-	-	(8 623)	-	(8 623)
Actuarial gains/(losses) on employee benefits liabilities	(9 102)	-	-	-	(9 102)
Adjustment to operating reserve amounts against accumulated surplus	-	-	(123)	123	-
Fair value gains/losses on investments held at Fair value through net assets and equity	-	1 810	-	-	1 810
Balance as at 01 January 2024	**21 548**	**(709)**	**8 011**	**49 526**	**78 376**
Surplus/(deficit) for the period	-	-	8 083	-	8 083
Actuarial gains/(losses) on employee benefits liabilities	(25 615)	-	-	-	(25 615)
Adjustment to operating reserve amounts against accumulated surplus	-	-	(11)	11	-
Fair value gains/losses on investments held at Fair value through net assets and equity	-	428	-	-	428
Balance as at 31 December 2024	**(4 067)**	**(281)**	**16 084**	**49 537**	**61 272**

Actuarial gains/(losses)

184. Actuarial gains or losses relate to the defined benefit pension plan as required by IPSAS 39. See Note 3 on accounting policies on employee benefits liabilities. The opening balance for actuarial gains/(losses) were transferred from accumulated surplus into a separate reserve as actuarial gains are not part of accumulated surplus.

Fair value of investments classified at fair value through net assets/equity

185. Fair value movements on investments classified at fair value through net assets/equity are recorded directly in net assets, in line with IPSAS 41. When a revalued investment is sold, the portion of net assets that relates to that financial asset is effectively realized and is recognized in the statement of financial performance.

Programme reserves

186. Programme reserves include reserve for core budget and ITL, CDM trust fund and Appendix D reserve.

187. A reserve is established for the core budget and the budget of the International Transaction Log as part of the adoption of the budget by the COP. For the CDM trust fund, a reserve of $45.0 million has been established. The total programme reserves at the reporting date amount to $49.5 million. The Appendix D to the Staff Rules covers staff members for work related death, injury or illness attributable to the performance of official duties on behalf of the United Nations for which UNFCCC maintains a corresponding reserve.

Table IV.47
Programme reserves as at 31 December 2024
(Thousands of United States dollars)

	31 December 2024
Reserves for core budget and ITL	3 061
CDM trust fund reserve	45 000
Reserve for Appendix D	1 476
Total reserves	**49 537**

Note 20

Fund accounting and segment reporting

188. The UNFCCC is a single purpose entity established by the Parties to the Convention and the United Nations as the joint technical cooperation agency for business aspects of trade development. The UNFCCC has one major mandate to assist the signatories of the UN Framework Convention on Climate Change to limit average global temperature increases and the resulting climate change, and to cope with whatever impacts are inevitable in part through enforcing the legally binding emission reduction targets established in the Kyoto Protocol. It, therefore, does not have segments as defined under IPSAS.

189. However, to provide essential information to senior management and owners on the utilization of resources by funding source, separate funds have been established to reflect the major funding sources of UNFCCC as follows:

(a) Trust Fund for the Core Budget of UNFCCC financed from indicative contributions (or general-purpose contributions from donors) supports the core functions of the secretariat.

(b) Trust Fund for the Participation in the UNFCCC Process financed from voluntary contributions supports participation of representatives from eligible developing country Parties and Parties with economies in transition in the sessions of the Conference of the Parties and its subsidiary bodies.

(c) Trust Fund for Supplementary Activities financed from voluntary contributions including both bilateral funds involving the UNFCCC, a donor and often a recipient government and programmes to which multiple donors make voluntary contributions supports mandated activities for which provisions are not made under the Core budget.

(d) Trust Fund for the Clean Development Mechanism financed from fees charged for registration of projects support the administration of the clean development mechanism enabling parties to meet their emission limitation and reduction commitments by using certified emission reductions (CERs) generated from CDM projects.

(e) Trust Fund for the International Transactions Log (ITL) financed from indicative contributions (or general-purpose contributions from donors). The ITL to verify the validity of transactions undertaken by national registries of Parties of Annex B of the Convention and CDM registry. The ITL takes a central role between registries and is an essential component of the settlement infrastructure for emissions trading under the Kyoto Protocol.

(f) Trust Fund for the Special Annual Contribution from the Government of Germany financed from a voluntary contribution from the government in which the UNFCCC headquarters is located. Funds are used to finance the logistical arrangements of events taking place in Germany including workshops and sessions of the subsidiary bodies.

(g) Special Account for Programme Support Costs financed from charges made to the activities under all operational funds used to manage the overhead charges payable on all trust funds to cover costs relating to administrative services.

(h) Special Account for Conferences and Other Recoverable Costs financed from voluntary contributions used to finance costs associated with the hosting of the Conference of the Parties under the host country agreement. Balances in this account are refunded to the host country.

(i) Cost Recovery Fund financed from charges made to the activities financed from indicative and voluntary contributions.

(j) End of Service and Post Employee Benefits Fund not currently financed.

190. Programme Support Revenue is charged in line with the UN financial procedures where UNFCCC charges a standard programme support cost rate of 13 per cent on expenditures incurred. For associate experts and European Commission funded projects, the rate varies from 5 per cent to 13 per cent. For pass through transfers, the rate applied is 3%.

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

Table IV.48
Statement of financial position by fund
(Thousands of United States dollars)

	Trust fund for the clean development mechanism	*Trust fund for the core budget of UNFCCC*	*Trust fund for participation in the UNFCCC process*	*Trust fund for the Special Annual Contribution from the Government of Germany*	*Trust fund for Supplementary Activities*	*Trust fund for the International Transaction Log*	*Special account for conferences and other recoverable costs*	*Special account for UNFCCC programme support costs*	*Cost Recovery*	*UNFCCC Employee liabilities fund*	***TOTAL***
ASSETS											
Current Assets											
Cash and cash equivalents	7 789	3 256	367	43	10 249	676	346	1 278	674	1 589	**26 267**
Short-term investments	46 792	19 562	2 202	259	61 567	4 063	2 077	7 680	4 041	9 547	**157 790**
Indicative contributions receivable	-	3 458	-	-	-	-	-	-	-	-	**3 458**
Voluntary contributions receivable	-	-	166	-	2 928	-	-	-	-	-	**3 094**
Other receivables	181	204	-	36	138	38	204	9	387	-	**1 197**
Other current assets	6 528	1 694	2	17	12 525	34	202	1 335	894	-	**23 231**
Total current assets	**61 290**	**28 174**	**2 737**	**355**	**87 407**	**4 811**	**2 829**	**10 302**	**5 996**	**11 136**	**215 037**
Non-current assets											
Other receivables	-	-	-	-	7 266	-	-	-	-	-	**7 266**
Long-term investments	17 114	7 155	805	95	22 518	1 486	760	2 809	1 478	3 491	**57 711**
Property, plant and equipment	-	21	-	30	8	-	36	18	-	-	**113**
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Total non-current assets	**17 114**	**7 176**	**805**	**125**	**29 792**	**1 486**	**796**	**2 827**	**1 478**	**3 491**	**65 090**
TOTAL ASSETS	**78 404**	**35 350**	**3 542**	**480**	**117 199**	**6 297**	**3 625**	**13 129**	**7 474**	**14 627**	**280 127**
LIABILITIES											
Current liabilities											
Payables and accruals	367	525	493	86	1 768	85	1 409	21	948	-	**5 702**
Advance receipts	3 712	5 107	(44)	-	13 564	-	-	-	-	-	**22 339**
Employee benefits*	322	1 458	-	9	448	26	-	516	130	77	**2 986**
Other current liabilities	-	(130)	500	-	8 346	-	40	-	-	-	**8 756**
Total current liabilities	**4 401**	**6 960**	**949**	**95**	**24 126**	**111**	**1 449**	**537**	**1 078**	**77**	**39 782**
Non-current liabilities											
Employee benefits*	18 449	82 045	-	3 444	24 655	1 708	-	36 268	12 502	1	**179 072**
Total non-current liabilities	**18 449**	**82 045**	-	**3 444**	**24 655**	**1 708**	-	**36 268**	**12 502**	**1**	**179 072**
TOTAL LIABILITIES	**22 850**	**89 005**	**949**	**3 539**	**48 781**	**1 819**	**1 450**	**36 805**	**13 580**	**78**	**218 855**
TOTAL ASSETS LESS LIABILITIES	**55 554**	**(53 655)**	**2 674**	**(3 059)**	**61 809**	**4 478**	**2 179**	**(23 676)**	**(6 106)**	**14 549**	**54 747**
NET ASSETS											
Accumulated surpluses*	10 637	(58 012)	2 597	(3 059)	68 527	4 341	2 179	(23 662)	(6 100)	18 635	**16 084**
Reserves	44 917	4 357	(4)	-	(109)	137	(3)	(14)	(6)	(4 086)	**45 189**
TOTAL NET ASSETS	**55 554**	**(53 655)**	**2 594**	**(3 059)**	**68 417**	**4 478**	**2 175**	**(23 676)**	**(6 106)**	**14 551**	**61 272**

*The After-Service Health Insurance (ASHI) liability, along with its related accumulated surplus, previously recorded under the UNFCCC employee liabilities fund, has now been reallocated to the respective individual funds where the liabilities were originally incurred.

Table IV.49
Statement of financial performance by fund
(Thousands of United States dollars)

	Trust fund for the clean development mechanism	*Trust fund for the core budget of UNFCCC*	*Trust fund for participation in the UNFCCC process*	*Trust fund for the Special Annual Contribution from the Government of Germany*	*Trust fund for Supplementary Activities*	*Trust fund for the International Transaction Log*	*Special account for conferences and other recoverable costs*	*Special account for UNFCCC programme support costs*	*Cost Recovery*	*UNFCCC Employee liabilities fund*	*Elimination*	***TOTAL***
REVENUE												
Indicative contributions	-	40 800	-	-	-	-	-	-	-	-	-	**40 800**
Voluntary contributions	-	851	8 922	1 986	56 536	-	6 228	-	-	-	-	**74 523**
CDM and JI service fees	3 424	-	-	-	-	-	-	-	-	-	-	**3 424**
Interest Revenue	3 602	1 105	155	50	4 630	332	190	417	410	583	-	**11 474**
Gain on foreign exchange	-	-	-	-	-	-	-	-	-	-	-	-
Other/miscellaneous revenue	(3 920)	-	-	-	3 499	-	3	-	16 413	2 623	(18 392)	**226**
Programme support income	-	-	-	-	-	-	-	12 685	-	-	(12 669)	**16**
TOTAL REVENUE	**3 106**	**42 756**	**9 077**	**2 036**	**64 665**	**332**	**6 420**	**13 102**	**16 823**	**3 206**	**(31 061)**	**130 464**
EXPENSES												
Personnel expenditure	5 034	28 948	73	1 152	21 372	785	-	10 874	3 720	325	(2 940)	**69 343**
Travel	430	2 310	4 048	106	4 743	4	2 233	48	(90)	-	-	**13 832**
Contractual services	1 062	4 701	-	433	18 146	658	2 249	444	12 702	179	(9 987)	**30 587**
Operating expenses	28	553	-	27	1 694	1	362	3	1 166	-	-	**3 834**
Other expenses	615	1 317	87	284	3 005	51	1 068	2 459	243	1	(5 465)	**3 665**
Depreciation of equipment	-	10	-	32	11	-	39	9	-	-	-	**101**
Amortization of intangible assets	-	-	-	-	148	-	4	-	-	-	-	**152**
Return/transfer of donor/CDM Trust Fund	-	-	-	6	(102)	-	508	-	-	-	-	**412**
Loss on foreign exchange	(55)	1 699	(198)	67	(882)	(3)	(40)	(7)	(118)	(9)	-	**454**
Programme support	865	4 471	494	220	6 153	164	302	-	-	-	(12 669)	-
TOTAL EXPENSES	**7 979**	**44 009**	**4 504**	**2 327**	**54 288**	**1 660**	**6 725**	**13 830**	**17 623**	**496**	**(31 061)**	**122 380**
TOTAL SURPLUS/(DEFICIT)	**(4 873)**	**(1 253)**	**4 574**	**(291)**	**10 378**	**(1 328)**	**(305)**	**(728)**	**(800)**	**2 710**	**-**	**8 083**

Note 21

Budget comparison and reconciliation

192. UNFCCC's budget is prepared on a modified cash accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS. The budgets are adopted on a biennial basis and divided into annual amounts for presentation in the financial statement. Comparison of budget and actual amounts compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary appropriations. The comparison is only made in respect of budgets adopted by the COP and CMP as per IPSAS 24.

193. The actual amounts presented on a comparable basis to the budget are not prepared on a comparable basis to the Statement of Financial Performance. A reconciliation of the budgetary amounts to the amounts presented on the financial statements, identifying separately any basis and entity differences is presented in table 50. There may also be differences in formats and classification schemes adopted for presentation of financial statements and the budget.

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

195. Presentation differences are differences in the format and classification schemes in the Statement of Financial Performance and the Statement of Comparison of Budget and Actual Amounts.

196. Entity differences represent funds other than Core budget, International Transactions Log and Contingent budget for conference services that are reported in the Statement of Financial Performance.

197. The reconciliation between the actual amounts presented in statements V-A and V-B and the actual amounts presented on the Statement of Financial Performance is as follows.

Table IV.50
Reconciliation of net result on budgetary and IPSAS basis
(Thousands of United States dollars)

Reconciliation of net result on budgetary and IPSAS basis	
Actual net result on the Statement of budgets to actual comparison	
Statement V-A Core Budget	(315)
Statement V-B International Transaction Log	(1 423)
Actual net result on budgetary basis	**(1 738)**
Basis differences	
Additional income components under IPSAS	1 435
Exchange gains/(losses)	(1 803)
Conversion of unliquidated obligations to delivery principle	812
Capitalization of equipment & intangible assets	(10)
Changes in provision for doubtful debts	(1 277)
Sub-total basis differences	**(843)**
Entity differences on IPSAS Basis	
Trust fund for participation in UNFCCC process	4 654
Trust fund for supplementary activities	3 768
Trust fund for the clean development mechanism	(4 873)
Trust fund for the Special Annual Contribution from the Government of Germany	(291)
Special account for conferences and other recoverable costs	(301)
Special account for UNFCCC programme support costs	(728)
Cost Recovery	(800)
UNFCCC employee liabilities fund	2 710
Sub-total entity differences	**4 139**
Actual net result on the Statement of Financial Performance	**1 558**

Note 22

Budget to Actual variance analysis

198. Explanations of material differences between the original budget and final budget and the actual amounts are presented in the budget performance report for biennium 2024–2025 by the Executive Secretary accompanying these statements. See paragraph 18-21 for further details.

Note 23

Related parties

199. UNFCCC has a range of working relationship with entities within the United Nation system as a whole. All payment for expenditure made is done through the cash pool which is managed by the United Nations Treasury. Except otherwise noted in these statements for revenue from non-exchange transactions including contributions in kind, all transactions made with 3rd parties occur within a normal supplier or client/recipient relationship or at arm's length terms and conditions.

200. The Organization reimburses the United Nations for the cost of all services provided at such rates as may from time to time be agreed upon for that purpose by both organizations.

201. The authority to establish funds is vested in the Secretary General of the United Nations with the approval of the Conference of the Parties. All such funds must be consistent with the objectives of the UN Convention on Climate Change. The termination of any existing fund by the Conference of the Parties and the distribution of any remaining fund balance is subject to consultation with the Secretary General of the United Nations.

Table IV.51
Summary of senior management and related compensation

Number of individuals	*Aggregate remuneration (In thousands of $)*	*Outstanding advances at 31 Dec 2024 (in thousands of $)*
17	3 690	95

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

203. Advances are those made against entitlements in accordance with the staff rules and regulations. There were no loans granted to key management personnel.

Note 24

Leases, commitments, and contingencies

204. Commitments relating to acquisition of goods and services contracted for, but not delivered as at 31 December 2024 amount to $9.7 million ($9.6 million in 2023). Details are shown in the table below.

Table IV.52
Contractual commitments by category
(Thousands of United States dollars)

	31 December 2024	*31 December 2023*
Goods and services	9 044	5 974
Travel related commitments	658	3 586
Total	**9 702**	**9 560**

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

206. There are no contingent assets of which relate to official pledges made by donors to UNFCCC for future contributions at the reporting date.

Note 25

Events after the reporting date

207. The financial statements were approved for issue on the date on which the Board of Auditors signed the audit opinion. None other than UNFCCC has the authority to amend these financial statements.

Donor funding suspension

208. On 20 January 2025, a government donor announced a temporary suspension of foreign aid to re-evaluate its international funding priorities. Management continues to closely monitor developments to mitigate any potential impact on UNFCCC's operations. At the date of authorization of these financial statements, UNFCCC is unable to make an estimate of the financial impact of the decision. In addition, no mitigations measures taken have resulted in the creation of onerous contracts, and no reliably measurable contingent liabilities have been identified as a result of these mitigation measures.

Probable CDM and TLI closure

209. While the Clean Development Mechanism (CDM) carbon market under the Trust Fund for the Clean Development Mechanism (established in 1997 and operationalised in 2006 under

the Kyoto Protocol) finished on 31 December 2020, many of the emission reduction activities that were registered to the CDM continue to operate and generate ERs. So as not to lose the benefits of these ERs, the decision passed at COP29 allows for afforestation and reforestation project activities and programmes of activities that had been registered under the CDM to transition to be registered and authorised under Article 6.4.

210. The wind-down of the CDM is the subject of larger negotiations, with some parties aiming to shut down CDM operations by 2026. All liabilities and expenses related to the fund's closure would need to be paid at the time of closure. Liabilities, including ASHI of $18.4 million and unrecoverable assets of $6.7 million, as well as fund closure activities, would need to be paid off if the closure were to take place on 31 December 2024.

211. The Trust Fund for the International Transaction Log is also going through similar wind-down talks; if the closure were to take place by 31 December 2024, a total of $1.8 million in liabilities would need to be paid.

The Trust fund Paris Agreement Credit Mechanism

212. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement in their fourth session on 19 November 2022 requested UNFCCC to take necessary steps to establish a trust fund for the receipt of the shares of proceeds to cover administrative expenses charged as fees under the Paris Agreement Credit Mechanism.

213. In line with this decision, UNFCCC submitted a proposal to the United Nations Secretariat for the creation of the trust fund in September 2024. Management of UNFCCC is still in the process of agreeing on methodologies for transferring assets and liabilities, and operationalisation of the Trust Fund is expected to commence on 01 January 2025. Expenditure recorded as part of the initial creation purposes amounts to $0.1 million, and the Trust Fund is not included in the 2024 financial statements for UNFCCC.

Note 26

In-kind contributions of services

214. The UNFCCC receives in-kind contributions from the government of the Federal Republic of Germany of the right to use land, office space and other facilities in its operations. The Organization has not received title to these properties which remain with the government. The facilities are provided to UNFCCC without charge. The agreement under which the facilities are provided does not entail formal cancellation policies or timelines. UNFCCC does not recognize the value of in-kind contributions of services including the financial value of the donated right to use the facilities provided by the Federal Republic of Germany on the financial statements. In addition, UNFCCC receives conference services (interpretation and document preparation) as in-kind contribution for the UN secretariat for meeting of the COP and the subsidiary bodies.