



UNITED  
NATIONS



Framework Convention  
on Climate Change

Distr.  
GENERAL

FCCC/SBI/2003/15  
2 October 2003

Original: ENGLISH

SUBSIDIARY BODY FOR IMPLEMENTATION

Nineteenth session

Milan, 1–9 December 2003

Item 9 (b) of the provisional agenda

ADMINISTRATIVE AND FINANCIAL MATTERS

PROGRAMME BUDGET FOR THE BIENNIUM 2004–2005

Revised programme budget

Note by the Executive Secretary\*

Summary

This document contains the revised programme budget for the biennium 2004–2005. It reflects the conclusions adopted by the Subsidiary Body for Implementation (SBI), at its eighteenth session, after considering the budget proposed by the Executive Secretary (FCCC/SBI/2003/5 and Add.1). This revised budget is prepared for consideration by the SBI at its nineteenth session and for adoption by the Conference of the Parties at its ninth session. It should be considered in conjunction with document FCCC/SBI/2003/15/Add.1, which provides details of the work programme and resource requirements.

\* Submission of this document has been delayed due to the complexity of the budgetary situation, which results from uncertainty about the entry into force of the Kyoto Protocol.

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## I. INTRODUCTION

### A. Mandate

1. In accordance with the financial procedures of the Convention (decision 15/CP.1) and decision 16/CP.8 of the Conference of the Parties (COP), the Executive Secretary proposed a programme budget for the biennium 2004–2005 (FCCC/SBI/2003/5), together with its underlying programme of work (FCCC/SBI/2003/5/Add.1), for consideration by the Subsidiary Body for Implementation (SBI) at its eighteenth session.
2. The SBI requested the Executive Secretary to propose a revised programme budget, including a revised staffing table, based on two options (see paragraph 3 below) (FCCC/SBI/2003/8, para. 52 (d)).

### B. Scope of the note

3. The revised programme budget for the biennium 2004–2005 proposed in this document focuses on the following options identified by the SBI for the level of the 2004–2005 budget:
  - (a) US\$ 35,792,430, representing a nominal increase of 9 per cent over the 2002–2003 budget, and a reduction in real terms estimated at about 4 per cent (referred to as “**option A**”);<sup>1</sup>
  - (b) US\$ 32,837,100, representing no increase over the 2002–2003 budget in nominal terms, and a reduction in real terms estimated at about 12 per cent (referred to as “**option B**”).
4. The third option identified by the SBI, “any other amount”, is not pursued in this document but may be addressed by Parties in their deliberations on the revised budget proposal.
5. The revised programme budget has been prepared as an integrated proposal designed to stand on its own rather than as a scaled-back replica of the original proposal. The latter was based on the Executive Secretary’s assessment of the resources needed to meet increasing operating costs and to implement fully all decisions of the COP and work mandated by the subsidiary bodies. Whereas the original proposal emerged from the development of a programme of work responding to specific mandates, the revised budget proposed in this document takes as a starting point the budgetary caps established by the Parties. The work programme has subsequently been adjusted in light of the budgetary constraints and following a thorough review of activities.
6. In addition, this document contains a revised analysis of the resource requirements for work relating to the Kyoto Protocol and a revised proposal for the Trust Fund for Supplementary Activities, as well as the resource requirements for contingencies and the Trust Fund for Participation in the UNFCCC Process, and an indication of the planned use of programme support charges (overheads). The document should be read in conjunction with the associated programme of work (FCCC/SBI/2003/15/Add.1).

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<sup>1</sup> The reduction in “real terms” is with reference to a “no loss – no gain” scenario. In the budget proposal presented at SBI 18, it was assumed that an increase of 9 per cent would be sufficient to compensate for increases in salaries and common staff costs. The most current assessment of the situation reveals that a 14 per cent increase over the 2002–2003 programme budget, giving a total budget of US\$ 37,437,796 would be required to maintain current levels of staff and activities. See annex I for details.

### **C. Possible action by the SBI**

7. A decision on the programme budget must be adopted by the COP at its ninth session. Consequently, the SBI, at its nineteenth session, will resume its consideration of the programme budget and of the draft decision which arose from discussions at its eighteenth session (FCCC/SBI/2003/8, annex II), based on the revised proposal by the Executive Secretary. The SBI is expected to recommend a draft decision on the programme budget for 2004–2005 for adoption by the COP.

## **II. REVISED PROGRAMME BUDGET**

### **A. Context**

8. The United Nations Framework Convention on Climate Change is the multilateral instrument at the centre of the international community's efforts to address the global problem of climate change. The COP has adopted decisions to advance the implementation of the Convention and support Parties in this regard. The institutional framework of the climate change process is well developed, comprising subsidiary bodies, expert groups, national communications, expert review teams, workshops, action programmes, and information systems (such as greenhouse gas (GHG) inventories), as well as the constituted bodies under the Kyoto Protocol, all serviced by a professional secretariat. The Parties have invested considerably in this infrastructure over the years. Like the budget proposed originally, the revised programme budget seeks to build on this investment and maintain continuity and responsiveness of the work of the secretariat. At the same time, it reflects the fact that the budgetary situation has changed and that the programme of work has to be adjusted accordingly.

9. The biennium 2004–2005 will be one of transition. It is expected that the Kyoto Protocol will enter into force during the period. Existing core activities will be maintained, but it will also be necessary to respond to new mandates and challenges to the extent possible. The **cross-cutting themes** of the budget are implementation and development.

10. Support to the intergovernmental processes and bodies is the core work of the secretariat expected by Parties. It is also the essence of Convention **implementation**. A sharpened focus on facilitating implementation efforts by Parties, within available resources, will characterize the work of the secretariat. Key activities will include providing accurate and reliable information on Parties' achievements, providing accessible information to those engaged in implementation, consolidating analytical capacities, and working with implementing agencies and institutions to enhance effective and cooperative actions. Targeted collaboration with the Global Environment Facility (GEF) will be especially important in order to advance Convention interests and promote the implementation of guidance given by the COP to the GEF.

11. The aspects of the work programme that support the **development** agenda have also been brought more to the fore in the new programme budget. A more coordinated approach to vulnerability and adaptation is envisaged, with the aim of using limited resources efficiently by building on national communications, in particular of Parties not included in Annex I to the Convention (non-Annex I Parties), and on the national adaptation programmes of action under development in the least developed countries. Work on non-Annex I Parties' national communications will be reoriented towards a more thematic approach and towards using the information they contain to assist those Parties in finding support for integrating climate change and sustainable development priorities. Operationalizing the clean development mechanism (CDM) remains an important aspect of the development agenda. To the extent that sufficient resources are available, a more proactive approach will be pursued across the secretariat in assisting Parties in the implementation of the capacity-building frameworks and in promoting the facilitation of effective inter-agency cooperation and assistance to Parties to help them identify capacity-building actions that are most effective in their efforts to meet the objective of the Convention.

## **B. Programme structure**

12. The work of the secretariat in carrying out the mandates assigned by the COP and its subsidiary bodies is undertaken by the six programmes described briefly below. The programme structure is unchanged from the current biennium. Special efforts will be made to further enhance cooperation across programmes, to both improve outputs and promote efficiency.

13. **Executive Direction and Management (EDM)** comprises the functions and staff of the Executive Secretary, who has the responsibility for the overall management of the secretariat, for promoting coherence in the secretariat's work and for ensuring its responsiveness to the needs of the Parties. The Executive Secretary chairs internal coordination processes that advance these aims and facilitate the collegial management of the secretariat. The Executive Secretary provides advice and support to the President and the Bureau of the COP. EDM undertakes analysis of emerging policy issues, coordinates the secretariat's representational and outreach activities, and oversees the work of the Administrative Services and Information Services.

(a) **Administrative Services (AS)** is responsible for the overall administration of the secretariat, and in that capacity develops and manages the implementation of administrative policies and systems in the areas of finance, budget, human resources, procurement and general services. In coordination with programmes, it ensures standard implementation of, and compliance with, policies, rules and regulations, and procedures governing the respective administrative areas of work. Administrative actions, information and financial data are managed in the Integrated Management Information System (IMIS) of the United Nations through a telecommunications link to the United Nations Office at Geneva (UNOG). AS manages secretariat-wide operating costs from the core budget. Staffing and related costs of AS are funded from overheads (see chapter VII);

(b) **Information Services (IS)** ensures that information and communications technology, information management, and public information services such as the secretariat web site are in place to assist Parties in communicating and accessing the information they require. IS puts in place, at the secretariat and at conferences and workshops, Internet access and computer networks with appropriate security measures to safeguard communication and data. It develops and maintains the web site, disseminates and archives all official documents, and supports information services and systems that facilitate participation and exchange of information by Parties, non-governmental organizations, press and media, and the general public. Press and media accreditation and liaison are also provided by IS.

14. **Intergovernmental and Conference Affairs (ICA)**<sup>2</sup> coordinates the secretariat's support to the intergovernmental process. It assists the President in the planning and organization of sessions of the COP and meetings of its Bureau, and of informal high-level consultations. It provides legal advice to the President of the COP and the Bureau, Parties, and the secretariat on the procedural, conceptual and institutional issues concerning implementation, interpretation and application of provisions of the Convention and the Protocol, and also advises on the secretariat's operations. ICA arranges for conference facilities and services for all sessions of the intergovernmental bodies and for workshops. It liaises with Parties, observer States and observer organizations, conducts the registration of participants to sessions of Convention bodies, coordinates special events and arranges for funding and travel support for participants from eligible Parties. ICA is also responsible for planning, editing and coordinating the production of official documents. The head of ICA serves as the Secretary of the COP.

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<sup>2</sup> The resources for Conference Affairs Services (CAS), which were previously shown separately, have now been included under ICA.

15. **Cooperative Mechanisms (COOP)** assists Parties in implementing cooperative mechanisms as a means to achieve global benefits at the lowest possible cost. This involves undertaking developmental work on conceptual, methodological and procedural issues on cooperative mechanisms, including activities implemented jointly (AIJ) under the pilot phase in the context of the Convention. Support is provided to the constituted bodies relating to project-based mechanisms under the Kyoto Protocol, particularly to the clean development mechanism (CDM) and its Executive Board and, upon entry into force of the Protocol, to the Supervisory Committee for projects under Article 6 of the Protocol (joint implementation). The work of COOP on emissions trading and registries focuses on establishing the system for accounting for transfers of units. Capacity-building is facilitated and information provided to Parties and interested actors. Senior staff of COOP serve as secretaries of the constituted bodies. Many activities, in particular under the CDM, depend on contributions to the UNFCCC Trust Fund for Supplementary Activities, with part of the costs being recovered through fees for user-specific services such as accreditation under the CDM.

16. **Implementation (IMP)** provides overall support on issues relating to the implementation of the Convention. It provides substantive support to the national communication process for non-Annex I Parties, including work on guidelines, compilation and synthesis of information provided in national communications, thematic reports, and the work of the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention (CGE). IMP also supports review and consideration of national communications from Annex I Parties, including their in-depth reviews, as well as other activities, such as work on best practices in policies and measures of Annex I Parties. IMP further ensures effective liaison with the GEF as an operating entity of the financial mechanism of the Convention and provides support for constructive approaches to enhancing collaboration with multilateral development banks and the business community on activities relating to adaptation to and mitigation of climate change. The head of IMP coordinates the secretariat's support for the SBI and its officers.

17. **Methods, Inventories and Science (MIS)** facilitates the flow of scientific information into the Convention process in collaboration with scientific organizations and secretariats of other conventions. It analyses and synthesizes information on methods relating to GHG inventories and projections, land use, land-use change and forestry (LULUCF), climate change impacts, and vulnerability and adaptation, so as to ensure that Parties are equipped with methods to respond to decisions of the COP in a transparent and consistent manner. MIS supports the efforts of Parties to report GHG inventory data in accordance with guidelines, and coordinates the annual technical reviews of Annex I Party inventories by expert review teams. It ensures that reliable and authoritative information on GHG emissions and removals is available to all Parties by maintaining and systematically developing a complex GHG information system. The head of MIS coordinates the secretariat's support for the Subsidiary Body for Scientific and Technological Advice (SBSTA) and its officers.

18. **Sustainable Development (SD)** fosters the integration of sustainable development and climate change priorities. It supports Parties and the Expert Group on Technology Transfer (EGTT) in identifying options to promote the development and transfer of technologies, including broadening access of Parties to information on technologies. It facilitates the implementation of the work programme for the least developed countries, in particular the preparation and implementation of national adaptation programmes of action (NAPAs) and the work of the Least Developed Countries Expert Group (LEG). SD further supports the implementation of the capacity-building frameworks in developing countries and in countries with economies in transition, as well as the New Delhi work programme on Article 6 of the Convention. SD also seeks consistency in, and facilitates the provision of support for, capacity-building by partner organizations.

### **C. Boundary conditions and constraints**

19. The Executive Secretary identified a number of boundary conditions governing the development of the revised budget proposal:

(a) **Safeguarding quality:** Every effort has been made to ensure that the high quality of secretariat support to Parties and their intergovernmental process is maintained through, inter alia, well-organized and serviced meetings, high quality documents and information products, and provision of consolidated and comprehensive data and information through the web site and clearing houses. This will be assured under option A, although there may be delays in the availability of documents and other products. Conscious decisions not to take on additional tasks in the biennium may be necessary to avoid a situation where quality suffers at the expense of quantity, including with regard to documents. Under option B, the overall quality of services will suffer.

(b) **No staff increases/no lay-offs:** The earlier proposals for new posts, many of which are currently covered by supplementary funds (see paragraph 23), have been set aside. At the same time, no appointed staff members whose posts are funded from the core budget should be laid off. The number of temporary staff will be reduced, which will affect the responsiveness and ability to undertake new tasks. Some currently vacant posts (option A) or virtually all currently vacant posts (option B) will be frozen for the biennium. Although the posts will remain in the staffing table, the equivalent resources will be removed from the budget for staff costs.

(c) **Innovation:** Organizations require a commitment to innovation if they are to remain healthy. The secretariat has tried to be at the forefront of new, creative ways of thinking and operating. This approach will be maintained, and becomes even more important in an environment of constrained resources. For example, new ways of working, such as multi-programme task teams and increased use of information and communication technology, are expected to compensate for reduced resources. Innovation and efficiency alone, however, will not yield sufficient savings to escape reductions, in either option A or option B.

20. The following paragraphs highlight the steps taken to meet the budgetary caps prescribed in options A and B.

#### *Staff costs (about 70 per cent of total budget)*

21. The budget allocation for staff costs has had to be severely constrained. Currently vacant core budget posts will be frozen. For option A, seven existing posts will not be filled (2 D-2, 1 D-1 frozen in 2005 only, 1 P-5, 2 P-4, 1 P-3). For option B, 15 existing posts are frozen (the above-mentioned seven posts plus 2 P-4, 2 P-3, 1 P-2, 3 GS). The number of vacant posts is abnormally high due to a recruitment freeze introduced by the Executive Secretary after SBI 18.

22. Although the posts indicated would be frozen, they will continue to be listed in the approved staffing table (see table 1). The Executive Secretary would have the flexibility to fill vacant posts if the dollar–euro exchange rate improves, or if other equivalent posts that become vacant in the future are frozen in exchange, on the condition that expenditures on staff costs would not exceed the ceilings under option A and option B.

23. Proposals in the original budget to transfer some posts from supplementary funding or the Bonn Fund to the core budget have been withdrawn. If supplementary funds do not become available, the work under these posts will be discontinued. The 13 posts currently financed through supplementary funding support work relating to methodologies, LULUCF, inventories, national communications, cooperative mechanisms, sustainable development and the secretariat web site and databases. Funding for most of

these posts will expire in 2004; resources to maintain this work are urgently required. Moreover, additional posts funded from supplementary sources are needed to deliver new activities that cannot be undertaken with the core resources available (see chapter VI).

**Table 1. Secretariat-wide staffing from the core budget**

	2003	2004	2005
<b>Professional category and above</b>			
ASG	1	1	1
D-2	4	4	4
D-1	6	6	6
P-5	8	8	8
P-4	18	18	19
P-3	25	25	26
P-2	9	9	7
<b>Total Professional category and above</b>	<b>71</b>	<b>71</b>	<b>71<sup>a</sup></b>
<b>Total General Service category</b>	<b>39.5</b>	<b>39.5</b>	<b>39.5</b>
<b>TOTAL</b>	<b>110.5</b>	<b>110.5</b>	<b>110.5</b>

<sup>a</sup> The overall number of professional posts will remain the same; however, for 2005 two P-2 positions will be upgraded to P-3, and one P-3 to P-4, in order to reflect appropriate levels of responsibility.

*Non-staff costs (about 15 per cent of total budget)*

24. For option A, staff travel costs have been reduced by 5 per cent from current levels in all programmes. Funding for experts has been revised to meet minimum essential needs (travel of review teams and of expert group members).

25. In order to achieve the figure prescribed in option B, a further 5 per cent reduction in resources for staff travel was necessary and funding for experts had to be reduced. In addition, resources for consultants (who provide expert advice, especially on technical subjects, or meet short-term specialized needs) was reduced by 10 per cent from current levels (and by 36 per cent from those proposed earlier.)

*Fixed operating costs (about 15 per cent of total budget)*

26. Budget allocations for premises have had to be increased due to increases arising from maintaining two buildings, enhanced security requirements, and exchange rate movements. Allocations for equipment have also been increased in order to ensure that quality of service is maintained and efficiency gains are possible as costs increase due to exchange rate considerations. In the wake of the need for productivity improvements, the Executive Secretary has sought to maintain the budgetary allocation for staff development and training.

#### **D. Work programme implications**

27. The programme budget proposal considered at SBI 18 sought to incorporate mandated **new activities** into the programme of work in order to implement decisions adopted by the COP. Efforts have been made to integrate such new areas of work into the revised work programme, despite the reduced resources available. This would be made possible in some cases by strengthening cooperation and streamlining operations, but also by delaying, reorienting or discontinuing some existing work. However, some of the new work envisaged in the original proposal cannot be undertaken with the resource levels identified, especially under option B. Some COP decisions will need to be revised (see, for example, paragraphs 42 and 49 below).



28. Full details on what can be undertaken with the resources available are included in document FCCC/SBI/2003/15/Add.1. Sections III.E and F below describe which activities will not be possible under options A and B, respectively.
29. The Executive Secretary considers that the implementation of option A would be disruptive for a number of areas of work of the secretariat and the intergovernmental process. Option B, however, would have serious negative implications for this process.
30. The constraints on **staffing** will limit the secretariat's capacity to maintain current activities or to take on additional tasks, and hamper its traditional ability to respond quickly to new mandates and challenges emanating from the intergovernmental process. The main implications of these constraints can be summarized as follows:
- (a) The doubling-up of some managerial responsibilities will affect **senior-level oversight capacities**, especially in the areas of executive direction and management, cooperative mechanisms, intergovernmental and conference affairs, and methodologies;
  - (b) Work to establish comprehensive **repositories of data and information** from national communications, GHG inventories, documents and projects will be slowed;
  - (c) In order to ensure the quality of **documentation**, the Executive Secretary will take steps to reduce the number of documents being produced, especially those that simply compile information available elsewhere. Some delays in document preparation must be expected, and more documents and information products, including web material, will be issued without editing, with implications for their readability;
  - (d) The secretariat will not be able to strengthen **outreach activities**, for example, to promote effective participation and to respond to the interest of the wider public and media in information about the climate change process.
31. Funds for **consultants** are less than in the original proposal. This reduction will have an impact on the ability to respond quickly to new requests and on the undertaking of a number of specialized, technical projects, such as improving the GHG information system and making it more readily available on the web site. The scope for contributions by **experts** to the process will be marginally reduced, except in cooperative mechanisms where the cuts would not allow the secretariat to proceed with planned work relating to assistance in arranging funding for project activities under the CDM (pursuant to Article 12 of the Kyoto Protocol). In the area of **staff travel**, the secretariat will not be able to accept as many invitations as in the past, including to events organized by Parties; this would affect its ability to share information and interact directly with actors in the process.
32. Given the constraints on resources, it will be necessary to introduce a mechanism whereby an indication of the budgetary implications of new decisions is provided prior to the decisions being adopted (see FCCC/SBI/2003/8, annex II, para. 15).

## **E. Option A**

### **1. Resources**

33. Tables 2 (a) and 2 (b) show the distribution of resources by programme and by object of expenditure for the revised budget of US\$ 35.8 million (option A). Table 2 (b) also shows the development of resource requirements by object of expenditure over previous bienniums.

**Table 2 (a). Proposed programme budget for the biennium 2004–2005 (option A)**  
(United States dollars)

	2004	2005	Total biennium
<b>Expenditure</b>			
<b>A. Programme appropriations</b>			
Executive Direction and Management	1 442 383	1 442 382	2 884 765
Administrative Services <sup>a</sup>	--	--	--
Information Services	2 391 968	2 413 370	4 805 338
Intergovernmental and Conference Affairs	1 959 551	1 959 551	3 919 102
Cooperative Mechanisms	914 923	932 783	1 847 706
Implementation	2 608 754	2 552 756	5 161 510
Methods, Inventories and Science	3 128 943	3 045 450	6 174 393
Sustainable Development	1 578 813	1 582 813	3 161 626
<b>B. Secretariat-wide operating costs<sup>b</sup></b>	1 810 000	1 810 280	3 620 280
<b>Proposed programme expenditures (A+B)</b>	<b>15 835 335</b>	<b>15 739 385</b>	<b>31 574 720</b>
<b>C. Programme support charge (overhead)<sup>c</sup></b>	2 058 594	2 046 120	4 104 714
<b>D. Working capital reserve<sup>d</sup></b>	112 996	0	112 996
<b>TOTAL BUDGET (lines A+B+C+D)</b>	<b>18 006 925</b>	<b>17 785 505</b>	<b>35 792 430</b>
<b>Income</b>			
Contribution from the host government <sup>e</sup>	831 820	831 820	1 663 640
<b>Indicative contributions</b>	<b>17 175 105</b>	<b>16 953 685</b>	<b>34 128 790</b>
<b>TOTAL INCOME</b>	<b>18 006 925</b>	<b>17 785 505</b>	<b>35 792 430</b>

<sup>a</sup> Administrative Services is funded by overheads.

<sup>b</sup> Managed by Administrative Services.

<sup>c</sup> Standard 13 per cent applied by the United Nations for administrative support (see tables 10 and 11).

<sup>d</sup> In accordance with the financial procedures (decision 15/CP.1, annex I, paragraph 14). The working capital reserve will be brought up to US\$ 1,485,196 in 2004 and will be kept at this level for 2005.

<sup>e</sup> Equivalent to EUR 766,938, based on the United Nations rate of exchange prevailing in September 2003.

**Table 2 (b). Resource requirements by object of expenditure (option A)**  
(thousands of United States dollars)

Object of expenditure	2000–2001	2002–2003	2004–2005
Staff costs	16 407.5	20 423.8	22 282.1
Consultants	1 412.0	1 412.0	1 412.0
Travel on official business	1 506.3	1 490.8	1 416.3
Expert groups	210.0	1 253.8	1 017.0
General operating expenses	635.0	1 008.0	1 120.0
Supplies and materials	230.0	140.0	420.0
Acquisition of furniture and equipment	672.2	716.0	1 027.3
Contractual services			
External printing and other	150.0	180.0	180.0
Training	380.0	500.0	500.0
Contributions to common services	1 075.0	1 000.0	1 500.0
Grants and contributions (IPCC)	1 000.0	700.0	700.0
Preparations for COP 6	885.0	--	--
<b>TOTAL PROGRAMME EXPENDITURES</b>	<b>24 563.0</b>	<b>28 824.4</b>	<b>31 574.7</b>

## 2. Impact on activities

34. In the interest of transparency, it is important that there is a common understanding regarding activities that were included in the programme budget presented at SBI 18, but that cannot be carried out, or not carried out in full, with the resources available under option A. The effects would be ameliorated if supplementary funding is continued or initiated (see paragraph 23).

35. The area of **GHG inventories and their review**, as well as the associated information management, will see reduced resources instead of increased resources as originally proposed. Limitations in the allocations for consultants and experts will mean delays in the development of supporting software and in the preparation of reports. The number of experts participating in the review teams will be reduced and the number of desk reviews will be increased. Some deadlines will be missed. Although the quality of the review reports can be maintained, the burden on participating national experts is likely to increase.

36. Some elements of the **GHG information system** will not be developed:

(a) A system module to allow for better access to data via the Internet as well as additional data search functions;

(b) Improved tools to support the statistical analysis of data for the review process;

(c) Tools for the preparation of graphical outputs.

37. The ongoing work to integrate GHG inventory data from all Parties into a common database will also be affected. Technical support to facilitate inventory reporting from non-Annex I Parties, such as the development of improved software for non-Annex I Parties, cannot be provided.

38. The major expansion planned in work on **capacity-building and adaptation** will not be possible. In particular, the labour- and time-intensive efforts to promote coherence among the many agencies active in capacity-building and adaptation, which would have resulted in more efficient delivery of capacity-building and adaptation support to non-Annex I Parties, will be severely constrained.

39. The secretariat will not be able to undertake any work that may be requested by the SBSTA on methodologies relevant to the **scientific, technical and socio-economic aspects of adaptation**, including such activities as exchanging information on methods for accounting for the costs and benefits of adaptation, comparing the effectiveness and applicability of adaptation methods, and improving the availability of decision-making tools. Support for such new activities will not be available, although they are key to operationalizing the Delhi Declaration and implementing adaptation options in non-Annex I Parties.

40. The ability of the secretariat to plan for and respond effectively to the needs of Parties with respect to **methodologies and science** will be impaired. Cooperation with the IPCC will be maintained, but no active collaboration with other organizations, such as the World Meteorological Organization and the Global Climate Observing System, will be possible. The secretariat will not be able to prepare documents or facilitate information exchange on research and systematic observation or emerging issues such as aerosols.

41. Although collaboration with the **GEF** and its implementing agencies will be intensified at the managerial level, there will be no capacity for detailed work such as screening mitigation projects in order to monitor the implementation of guidance provided by the COP.

42. Core budget support for the **CDM and projects under Article 6 of the Kyoto Protocol as well as AIJ** under the pilot phase will be limited to developmental activities. Few activities beyond core support relating to the Executive Board (three meetings per year, to be funded from sources outside these budget provisions) and the launch of the work relating to the Article 6 Supervisory Committee, and general support to the intergovernmental process, will be possible. This will be especially acute with regard to public information and capacity-building activities, in particular the further development of dedicated web modules, such as those for the CDM and Article 6 projects. The development of the **transaction log and CDM registry** will be severely affected as the system will be ready for testing only at the end of 2005 and not in 2004 as previously proposed. In this context, decision 19/CP.7 would have to be reviewed.

43. Secretariat support for the EGTT, the CGE and the LEG will be limited to essential functions. Only limited documentation can be prepared, and members will need to assume additional responsibilities for preparing papers and reports. Some expert meetings will not be possible.

44. Proposals to promote more **effective participation** in the UNFCCC process through increased work with observer organizations will be abandoned. Moreover, there will be very limited capacity to respond to written public enquiries (numbering almost 8,500 in 2002) or to disseminate copies of national communications. The relaunch of the UNFCCC **web site** will be implemented using supplementary funds, but the second phase of harmonizing and cross-referencing data and information to further improve access will be scaled back.

## F. Option B

### 1. Resources

45. Tables 3 (a) and 3 (b) show the distribution of resources by programme and by object of expenditure for the revised budget of US\$ 32.8 million (option B). Table 3 (b) also shows the development of resource requirements by object of expenditure with over previous bienniums.

### 2. Impact on activities

46. The paragraphs below describe activities that cannot be undertaken under option B, **in addition to those outlined under option A**.

47. The number of meetings of the EGTT, CGE and LEG during the biennium must be reduced from four to three for each expert group. No activities beyond core support relating to the CDM Executive Board and the launch of the Article 6 Supervisory Committee can be provided. Where necessary, relevant COP decisions will need to be amended and constituted bodies informed to adjust their work plans (see paragraph 49). Only one of the two planned meetings of GHG inventory lead reviewers will be possible during the biennium, with a corresponding reduction in the coherence and consistency of the review process.

48. Work on **LULUCF** will be severely curtailed compared with that described in the original proposal.<sup>3</sup> There will be no capacity for additional work on harvested wood products, on factoring out of natural effects from changes caused by other effects, and on methods and tools to assess impacts and adaptation options in the forestry sector. Collaboration on forestry issues with key international organizations will be reduced, in some cases severely, and technical support for the review of LULUCF data by GHG inventory experts will be affected.

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<sup>3</sup> Supplementary funding to cover this work is available until mid-2004.

**Table 3 (a). Proposed programme budget for the biennium 2004–2005 (option B)**  
(United States dollars)

	2004	2005	Total biennium
<b>Expenditure</b>			
<b>A. Programme appropriations</b>			
Executive Direction and Management	1 257 330	1 257 330	2 514 660
Administrative Services <sup>a</sup>	--	--	--
Information Services	1 981 030	1 972 990	3 954 020
Intergovernmental and Conference Affairs	1 937 400	1 937 400	3 874 800
Cooperative Mechanisms	729 345	746 265	1 475 610
Implementation	2 595 355	2 539 355	5 134 710
Methods, Inventories and Science	2 942 330	2 828 200	5 770 535
Sustainable Development	1 475 225	1 441 225	2 916 450
<b>B. Secretariat-wide operating costs<sup>b</sup></b>	1 709 300	1 709 300	3 418 600
<b>Proposed programme expenditures (A+B)</b>	<b>14 627 315</b>	<b>14 432 065</b>	<b>29 059 380</b>
<b>C. Programme support charge (overhead)<sup>c</sup></b>	1 901 551	1 876 169	3 954 020
<b>D. Working capital reserve<sup>d</sup></b>	0	0	0
<b>TOTAL BUDGET (lines A+B+C+D)</b>	<b>16 528 866</b>	<b>16 308 234</b>	<b>32 837 100</b>
<b>Income</b>			
Contribution from the host government <sup>e</sup>	831 820	831 820	1 663 640
<b>Indicative contributions</b>	<b>15 697 046</b>	<b>15 476 414</b>	<b>31 173 460</b>
<b>TOTAL INCOME</b>	<b>16 528 866</b>	<b>16 308 234</b>	<b>32 837 100</b>

<sup>a</sup> Administrative Services is funded by overheads.

<sup>b</sup> Managed by Administrative Services.

<sup>c</sup> Standard 13 per cent applied by the United Nations for administrative support (see tables 10 and 11).

<sup>d</sup> In accordance with the financial procedures (decision 15/CP.1, annex I, paragraph 14). No increase necessary due to 0 per cent budget increase.

<sup>e</sup> Equivalent to EUR 766,938, based on the United Nations rate of exchange prevailing in September 2003.

**Table 3 (b). Resource requirements by object of expenditure (option B)**  
(thousands of United States dollars)

Object of expenditure	2000–2001	2002–2003	2004–2005
Staff costs	16 407.5	20 423.8	20 687.3
Consultants	1 412.0	1 412.0	1 239.4
Travel on official business	1 506.3	1 490.8	1 341.7
Expert groups	210.0	1 253.8	953.0
General operating expenses	635.0	1 008.0	1 052.0
Supplies and materials	230.0	140.0	300.0
Acquisition of furniture and equipment	672.2	716.0	716.0
Contractual services			
External printing and other	150.0	180.0	140.0
Training	380.0	500.0	500.0
Contributions to common services	1 075.0	1 000.0	1,500.0
Grants and contributions (IPCC)	1 000.0	700.0	630.0
Preparations for COP 6	885.0	--	--
<b>Total programme expenditures</b>	<b>24 563.0</b>	<b>28 824.4</b>	<b>29 059.4</b>

49. The synthesis report on AIJ, due in 2004, and the recurring updates to Parties on AIJ, will not be made available in 2004–2005 (see decisions 5/CP.1 and 14/CP.8). On mechanisms, technical and information support to the process will be reduced (launch of joint implementation and emissions trading information on the web site will be deferred from 2004–2005 until sufficient resources are available; the implementation of procedures for accreditation of operational entities under the CDM will be delayed; and CDM web pages will not be updated regularly or further expanded).
50. Information technology consultancies will be reduced from current levels with implications for, inter alia, the level of protection against hacker and virus attacks on the web site and e-mail system.
51. The UNFCCC grant to the IPCC will be reduced by 10 per cent.

### III. FINANCING ACTIVITIES RELATING TO THE KYOTO PROTOCOL

#### A. Background

52. A general approach to the treatment of activities relating to the Kyoto Protocol emerged from the consultations on the budget at SBI 18. The main thrust of this approach was:

- (a) It should be assumed that the Kyoto Protocol will enter into force during the biennium 2004–2005;
- (b) Some activities relating to the Kyoto Protocol, which also further the development and implementation of the Convention, should be included in the revised proposal for the core budget. This would cover those activities of a preparatory or developmental character undertaken pursuant to a mandate given by the COP in anticipation of the entry into force of the Protocol;
- (c) Kyoto Protocol activities of an operational nature could be included in the estimated requirements for the UNFCCC Trust Fund for Supplementary Activities.

53. In preparing the revised budget proposal, the Executive Secretary has been guided by these considerations. An additional variant is also explored in the event that future Parties to the Kyoto Protocol would want to have a more secure financial base for work in support of its implementation. This variant is discussed below (see section III.C) as an interim allocation for operational costs of the Kyoto Protocol, which would depend upon the Protocol's entry into force. In view of the uncertainties and the uniqueness of the situation (for instance, with regard to timing issues, linkages, fees and share of the proceeds), the **interim nature of the proposed budgetary** arrangements must be underlined. The next programme budget (for the biennium 2006–2007) will present an opportunity to review the situation and correct any anomalies arising from the transitional nature of this budget.

54. The revised budget has been prepared based on the principle that there should be a single secretariat, with a single overall budget, serving both the Convention and the Protocol. In the light of the above considerations, the discussion which follows is organized to address:

- (a) The developmental (or preparatory) activities, which are included in the revised budget;
- (b) The operational activities, which would have to be financed from additional sources, either from contributions by the Parties to the Protocol through the interim allocation presented in section III.C below, or through the UNFCCC Trust Fund for Supplementary Activities.

## **B. Kyoto Protocol developmental activities**

55. Developmental activities have been mandated by the COP in anticipation of the entry into force of the Protocol. They are currently undertaken with a view to facilitating the entry into force while also serving longer-term needs of the Convention that are independent of the Kyoto Protocol.

56. Developmental activities, which are included in the revised budget proposal (see chapter II above), are undertaken in three main areas of work:

- (a) Cooperative mechanisms
- (b) Other technical work
- (c) Services and other activities.

57. Some Parties have requested an estimate of the costs of these developmental activities.<sup>4</sup> The activities are briefly explained in paragraphs 58 to 64 (further detail can be found in the work programme presented in document FCCC/SBI/2003/15/Add.1), and cost estimates are summarized in table 4.

### 1. Cooperative mechanisms

58. The mandated developmental activities relating to the Kyoto Protocol carried out by COOP comprise primarily work on the prompt start of the CDM, the development of the emissions trading and registry systems, and joint implementation. The cost of these developmental activities in the biennium is estimated at US\$ 1,368,906 under option A and US\$ 1,236,210 under option B.

### 2. Other technical work

59. Because much of the work on Kyoto Protocol activities was deliberately designed to build on, and flow from, related work under the Convention, it is difficult to separate Protocol and Convention activities in other areas. Although most such activities will provide a solid base for implementation of the Protocol in the future, they are also undertaken to develop the Convention process.

60. It is envisaged that IMP will develop relevant tools for Parties to report on their progress pursuant to Article 3.2 of the Protocol. Work will focus on national communications, in particular on new data on international activities and on the role of policies and measures in the implementation of Parties' commitments under the Kyoto Protocol. The resources required for these initiatives are estimated at 10 per cent of the time of the Annex I subprogramme and 5 per cent of the management and coordination team.

61. MIS will update the technical guidelines on adjustments to include LULUCF under Article 5.2. It is estimated that 50 per cent of one staff member's time and about 10 per cent of the budget for experts, consultants and staff travel will be required to perform this activity. With regard to inventories, MIS will be engaged in the development of the compilation and accounting database and the testing of methodologies for adjustments. These developmental activities for the Protocol will require about two staff months.

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<sup>4</sup> The secretariat has taken note of the position of the United States of America that its contribution to the core budget for the 2004–2005 biennium will be at the level of the UNFCCC indicative scale for the United States of America, minus its proportionate share of the preparatory activities relating to the entry into force of the Kyoto Protocol.

62. SD will provide support in facilitating the implementation of the capacity-building (decisions 2/CP.7 and 3/CP.7), technology transfer (decision 4/CP.7) and Article 6 (decision 11/CP.8) frameworks, while other programmes carry out specific technical activities, e.g. COOP with regard to the CDM. It is estimated that 10 per cent of the total resources of the capacity-building and outreach team will be required for developmental activities relating to the Protocol. In addition, 10 per cent of the work performed by the technology subprogramme and about 5 per cent of the efforts on coordination and management is considered to be developmental work for the Protocol.

63. Based on this analysis, the estimated direct costs of the developmental activities of IMP, MIS and SD relating to the Kyoto Protocol amount to US\$ 780,951 under option A, and US\$ 666,490 under option B.

### 3. Services and other activities

64. The work undertaken in the office of the Executive Secretary and in ICA, as well as that of AS and IS, including secretariat-wide operating costs, does not generally lend itself to a differentiation along Convention and Protocol lines by activities. Consequently, the share of resources for developmental activities identified in paragraphs 58 and 63, totalling almost 7 per cent of the proposed budget, may be used as an indicator for Protocol-related work in the above-mentioned programmes, and can be applied to their proposed direct costs. The application of the factor indicated, results in estimates of US\$ 1,036,944 and US\$ 901,090 under options A and B, respectively.

**Table 4. Estimated costs in 2004–2005 for developmental activities relating to the Kyoto Protocol**  
(United States dollars)

<b>Programme</b>	<b>option A</b>	<b>option B</b>
<b>A. Cooperative Mechanisms (COOP)</b>	<b>1 368 906</b>	<b>1 236 210</b>
<b>B. Other technical work</b>		
Implementation (IMP)	191 000	191 000
Methods, Inventories and Science (MIS)	436 451	321 990
Sustainable Development (SD)	153 500	153 500
<b>TOTAL B</b>	<b>780 951</b>	<b>666 490</b>
<b>C. Services and other activities</b>		
Executive Direction and Management (EDM)	196 418	164 651
Intergovernmental and Conference Affairs (ICA)	266 844	253 707
Information Support (IS)	327 185	258 894
Secretariat-wide operating costs	246 497	223 837
<b>TOTAL C</b>	<b>1 036 944</b>	<b>901 090</b>
<b>GRAND TOTAL (A+B+C)</b>	<b>3 186 801</b>	<b>2 803 789</b>
<b>D. Total programme expenditures</b>	<b>31 574 720</b>	<b>29 059 380</b>
<b>Percentage of D for Protocol developmental activities</b>	<b>10.09</b>	<b>9.65</b>



### **C. Interim allocation for operational costs of the Kyoto Protocol**

65. Operational activities described in this section will be undertaken following the entry into force of the Kyoto Protocol. Operational costs could be entirely included in the resource requirements for the UNFCCC Trust Fund for Supplementary Activities. However, due to the voluntary and, at times, unpredictable nature of contributions to the Trust Fund, the level of activities and the timely delivery of required products cannot be ensured. Some Parties have expressed the view that these activities require the same level of certainty in funding as those under the core budget. In addition, supplementary funding may raise concerns over a fair sharing of the costs among Parties.

66. In the light of these considerations an alternative approach is outlined in this document for consideration by Parties. An interim allocation for the operational costs of the Kyoto Protocol has been developed. It would be triggered, and incorporated into the budget, in connection with the entry into force of the Protocol at a point in time to be decided. It would be subject to funding by the Parties to the Protocol according to an indicative scale of contributions. At the outset, only a small part of the costs relating to the Kyoto Protocol mechanisms will be recovered through fees and charges.

67. There are several options for the inclusion of the operational costs into the budget. It is proposed that the allocation be incorporated into the budget as of 1 January 2005, assuming that the Protocol has entered into force prior to that date. The COP at its ninth session would endorse this interim allocation and the indicative scale of contributions associated with it, but this could be subject to formal adoption at COP/MOP 1. In line with this approach, the resource requirements listed in table 5 cover only 2005. Alternatively, the allocation could be incorporated into the budget immediately following the entry into force of the Protocol. As this date cannot be predicted, budgetary allocations would need to be adjusted later.

68. If Parties prefer an approach relying exclusively on supplementary funding, then the operational costs for the Protocol presented in this section should be added to the supplementary funding requirements presented in chapter VI. Some costs for the Kyoto Protocol, which due to their nature would not qualify for funding under the core budget at this stage, including costs in 2004, have already been included under supplementary activities (see table 9).

69. The programme of work to be funded by the proposed interim allocation is elaborated in document FCCC/SBI/2003/15/Add.1. The main activities to be covered by the resource requirements listed in table 5 can be summarized as follows:

(a) EDM: Support for the Compliance Committee to enable the launch of its work in 2005 would require funding for staff, travel of Committee members, travel of staff and for consultants;

(b) COOP: The activities would further the implementation of the CDM, projects under Article 6 of the Kyoto Protocol (joint implementation) and emissions trading, in particular of the transaction log. For project-based mechanisms, the minimum number of mandated meetings of the constituted bodies (three for the CDM Executive Board and two for the Article 6 Supervisory Committee), the minimum technical support by panels to these bodies, and an adequate level of servicing by the secretariat, would be ensured. This would enable the secretariat to support the accreditation of up to 30 private/public sector certifying bodies, to consider up to 30 proposed methodologies for baselines and monitoring, to maintain the registration process for up to 50 project activities, and to issue related certified emission reductions (CERs). The secretariat would also step up technical, communication and outreach functions. These include the operation of a web module with interactive features and remote communication tools for members of the constituted bodies, related panels and experts, as well as enhanced information (web) and response facilities to adequately cope with the numerous specific

queries by stakeholders and the public on project-based mechanisms. The technical preparation, funding and convening of groups of experts to facilitate the engagement of developing countries and economies in transition in cooperative mechanisms would also be possible, in particular those aimed at building capacities relating to assistance in arranging funding for project activities under the CDM. Work on the transaction log would advance to the stage of testing and operating transfers between national registries and permitting the issuance of CERs. In addition, enhanced managerial and technical oversight would ensure, inter alia, the fundraising for, and effective and efficient implementation of, projects relating to cooperative mechanisms as well as senior-level representation at events aimed at promoting and facilitating the use of cooperative mechanisms;

(c) MIS: In 2005, four additional inventory review visits exclusively relating to the pre-commitment period review under Article 8 of the Kyoto Protocol will be conducted. Maintenance of the database for compilation and accounting of assigned amounts, production of the annual compilation and accounting report, and coordination of training for reviewers of assigned amount information and adjustments would require funding for one staff. The review visits would require funding for travel (experts and staff);

(d) ICA: The quasi-judicial nature of many of the documentary requirements under the Kyoto Protocol would require funding for one editorial staff;

(e) IS: The increased complexity of the information systems required to support Kyoto Protocol activities, especially as operations need to be secure and guaranteed under very tight timeframes, would require funding for one computer network officer.

70. The resource requirements associated with the interim allocation for the operational costs of the Kyoto Protocol are summarized in table 5. Table 6 presents the staffing table relating to this work. The **transitional nature** of the proposed arrangements must be underlined. Funding of activities under the Kyoto Protocol, whether through the proposed interim allocation or through the Trust Fund for Supplementary Activities, will have to be reviewed in the preparation for the 2006–2007 budget.

**Table 5. Resource requirements for operational activities of the Kyoto Protocol in 2005**  
(United States dollars)

<b>Expenditure</b>	
<b>A. Programme appropriations</b>	
Executive Direction and Management	426 200
Cooperative Mechanisms	2 797 250
Methods, Inventories and Science	166 200
Intergovernmental and Conference Affairs	112 200
Information Services	151 300
<b>Proposed programme expenditures</b>	<b>3 653 150</b>
<b>B. Programme support charge (overhead)<sup>a</sup></b>	<b>474 910</b>
<b>C. Working capital reserve<sup>b</sup></b>	<b>342 629</b>
<b>TOTAL BUDGET (lines A+B+C)</b>	<b>4 470 689</b>

<sup>a</sup> Standard 13 per cent applied by the United Nations for administrative support (see tables 10 and 11).

<sup>b</sup> In accordance with decision 15/CP.1, annex I, paragraph 14.

**Table 6. Staffing requirements for operational activities of the Kyoto Protocol in 2005<sup>a</sup>**

<b>Professional category and above</b>	
D-2	1
P-5	2
P-4 – P-2	11
<b>Total Professional category and above</b>	<b>14</b>
<b>Total General Service category</b>	<b>3</b>
<b>TOTAL</b>	<b>17</b>

<sup>a</sup> Five of the posts listed are proposed to be frozen under options A and B of the budget and are also listed in the main staffing table (table 1).

#### **IV. CONTINGENCIES**

##### **A. Conference services**

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

72. The methodology used to calculate the costs of the conference services contingency differs from that used in the past in a number of respects. Although it continues to be based on the assumption that the annual calendar of meetings of Convention bodies will include two sessional periods of two weeks each (one of which would be a COP hosted by a government), it now uses standard cost figures employed by UNOG for conference services. It is envisaged that full conference services will be sought from the United Nations on a reimbursable basis so as to maintain the quality of translation and interpretation services. This means that no additional secretariat staff are requested. During the biennium, the services and needs will be assessed to determine if it is possible to provide the same level of service at less cost by, for example, use of private contractors. However, any use of private contractors would require additions to the approved staffing table to enable the secretariat to carry out the necessary administrative and managerial tasks. The contingency is also based on the assumption that sessions of the COP/MOP and its subsidiary bodies would be accommodated within the conference services envelope of services and costs prevailing in past years.

73. The contingency for conference services would add US\$ 5.06 million for interpretation, documentation (including translation, reproduction and distribution) and meetings services support requirements, and US\$ 5.96 million to the bottom line (see table 7 below). The slight increase compared to previous years' contingencies (5.3 per cent more than for the biennium 2002–2003) is due to the use of updated standard cost figures and to a slight increase in documentation volumes.

##### **B. Other contingencies**

74. The move to the permanent accommodation for the offices of the United Nations agencies located in Bonn (the UN campus) may entail additional expenditures in 2005 to cover the costs of relocation, furniture, fixtures and fittings. It may also entail recurrent costs relating to the management of larger facilities. The secretariat will continue to negotiate with the host government in determining the costs and how they should be met. Depending on the outcome, the Executive Secretary may propose a slight amendment to the expenditures in 2005.

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

	<b>2004</b>	<b>2005</b>	<b>Total biennium</b>
Interpretation <sup>a</sup>	859.5	885.3	1 744.9
Documentation <sup>b</sup>			
Translation	1 067.9	1 100.0	2 167.9
Reproduction and distribution	368.7	379.8	748.5
Meetings services support <sup>c</sup>	197.0	202.9	400.0
<b>Subtotal</b>	<b>2 493.2</b>	<b>2 568.0</b>	<b>5 061.3</b>
Programme support charge <sup>d</sup>	324.1	333.8	658.0
Working capital reserve <sup>e</sup>	233.8	7.0	240.9
<b>TOTAL</b>	<b>3 051.2</b>	<b>2 908.9</b>	<b>5 960.1</b>

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

- The expected number of meetings with interpretation does not exceed 40 per session;
- The expected documentation volume is based on average output in the period 1997–2002, assuming about 1,400 pages annually for translation and revision, and a total of about 4,500 pages annually for reproduction and distribution; the number of copies produced per page is assumed to be about 2,000.
- Meetings services support includes staff normally provided by UNOG conference services for the in-session coordination and support of interpretation, translation and reproduction services.

Overall, the figures used are conservative and have been applied on the assumption that there will be no major increase in requirements during the biennium.

<sup>a</sup> Includes salaries, travel and DSA for interpreters.

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

<sup>c</sup> Includes salaries, travel and DSA for meetings services support staff and costs for shipment and telecommunications.

<sup>d</sup> Standard 13 per cent applied by the United Nations for administrative support.

<sup>e</sup> In accordance with paragraph 14 of the financial procedures. The 2004 amount has been calculated as 8.3 per cent of the subtotal and the overhead charge; the 2005 amount has been calculated as the amount required to bring the carried-over 2004 reserve to 8.3 per cent of the subtotal and overhead charge for 2005.

## V. TRUST FUND FOR PARTICIPATION IN THE UNFCCC PROCESS

75. The financial procedures stipulate that in addition to contributions to the core budget, the resources of the COP shall comprise “contributions to support the participation of the representatives of developing country Parties and of other Parties with economies in transition in the Conference of the Parties and its subsidiary bodies” (see decision 15/CP.1, annex I, paragraph 7 (c)). Table 8 shows resource requirements for the Trust Fund for Participation in the UNFCCC Process for the biennium 2004–2005.

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

<b>Object of expenditure</b>	<b>2004</b>	<b>2005</b>
Support for eligible Parties to participate in one two-week session of the subsidiary bodies	630.0	630.0
Support for eligible Parties to participate in one two-week session of the COP and its subsidiary bodies <sup>a</sup>	855.0	855.0
<b>Subtotal</b>	<b>1 485.0</b>	<b>1 485.0</b>
Programme support charge <sup>b</sup>	193.1	193.1
<b>TOTAL</b>	<b>1 678.1</b>	<b>1 678.1</b>

<sup>a</sup> Includes funding for a second delegate from least developed countries and small island developing States, in accordance with the practice followed at all meetings of the COP to date.

<sup>b</sup> Standard 13 per cent applied by the United Nations for administrative support.

## VI. TRUST FUND FOR SUPPLEMENTARY ACTIVITIES

76. Preliminary indications of resource requirements for supplementary activities in 2004–2005 amounting to US\$ 20.8 million were provided in the work programme presented at SBI 18 (FCCC/SBI/2003/5/Add.1) to enable Parties to have an overview of all the additional activities and resource requirements. The SBI considered the proposal and worked on it further to distinguish resources required for the implementation of the Kyoto Protocol.

77. Following the outcome of the budget discussions at SBI 18, the secretariat has reassessed the resource requirements to reflect the considerable reduction of the proposed resources from the core budget.

78. Table 9 provides revised preliminary indications of resource requirements for supplementary activities under the Convention and the Kyoto Protocol. Detailed information on activities requiring resources from supplementary funds is provided in document FCCC/SBI/2003/15/Add.1.

79. Should Parties not wish to pursue the approach of an interim allocation for operational costs of the Kyoto Protocol, as described section III.C above, the amounts in table 9 will need to be adjusted.

**Table 9. Resources requirements for the Trust Fund for Supplementary Activities**  
(thousands of United State dollars)

<b>Activities to be undertaken by the secretariat in 2004–2005</b>	<b>Cost</b>
<b><u>Convention</u></b>	
16 workshops at an average cost of US\$ 150,000 each <sup>a</sup>	2 400.0
Information support and products	405.0
Support for the production of reports on implementation	200.0
Support and facilitation of efforts of non-Annex I Parties to implement the Convention, including technical assistance to CGE meetings and workshops	300.0
Support to national communications information system, network and training	200.0
Methodological work on impacts, vulnerability and adaptation	110.0
Cooperation with scientific organizations and methodological work relating to research and systematic observation	110.0
Development of improved software to facilitate inventory preparation by non-Annex I Parties and integration into common database	110.0
Training of GHG inventories review experts	227.6
Maintenance of the GHG information system and its further development, including software, consultants and P-3 programme officer	490.0
Support for implementation of good practice guidance on LULUCF, technical review of LULUCF data and methodological work (harvested wood products, projections)	125.0
Support for the implementation of capacity-building activities and Article 6 of the Convention	730.0
Support for the Implementation of Article 4.5 of the Convention	300.0
Support to the LEG and the preparation and implementation of NAPAs	770.0
<b>Sub-total I</b>	<b>6 477.6</b>
<b><u>Protocol</u></b>	
4 workshops at an average cost of US\$ 150,000 each <sup>a</sup>	600.0
Information support and products	45.0
Support for the functioning of the CDM Executive Board	3 735.0
Support for the functioning of the Kyoto Protocol Article 6 Supervisory Committee	1 300.0
Preparing for and setting up the Compliance Committee (draft rules of procedure, draft work plan)	68.0
Registries support and the development, testing and operation of the transaction log	2 687.0
Support for the development of methods/adjustments, guidelines and work on submitted LULUCF data	100.0
Training of GHG inventories review experts	64.4
<b>Sub-total II</b>	<b>8 599.4</b>
<b>Total direct expenditure (I+II)</b>	<b>15 077.0</b>
Programme support charge (13 per cent)	<b>1 960.0</b>
<b>Working capital reserve<sup>b</sup></b>	<b>953.2</b>
<b>GRAND TOTAL</b>	<b>17 990.2</b>

<sup>a</sup> The total estimated number of workshops (20) proposed for the 2004–2005 biennium is based on the average number of mandated workshops under the previous and current bienniums. These workshops cover various issues such as Article 6 of the Convention, national communications of non-Annex I Parties, technology transfer, capacity-building relating to project based mechanisms, and Article 4.8 and 4.9.

<sup>b</sup> In accordance with United Nations rules, the working capital reserve represents 15 per cent of one year's average expenditure, less the amount that has been accumulated so far for the same purpose.

## VII. OVERHEAD CHARGE AND ITS USE

80. In accordance with the financial procedures (decision 15/CP.1), the Convention budget is required to provide for a 13 per cent overhead charge to the United Nations to cover the costs of the administrative services it provides to the Convention. As indicated in document FCCC/SBI/2003/15/Add.1, the resource requirements for the Administrative Services of the secretariat are funded from the overheads payable on all UNFCCC trust funds.

81. Through its Administrative Services, the secretariat has gradually taken full responsibility for the preparation of its operational budget and related allotments; the procurement of goods and services; the arrangement for travel of staff and participants; and the recruitment and administration of staff and consultants. The United Nations returns a substantial portion of the overhead funds to the secretariat for the above purpose. The remainder covers the cost of the provision of audit, payroll, investment, and treasury and accounting services by the United Nations Office at Geneva. The staffing and resource requirements, funded from overheads, are shown in tables 10 and 11, respectively. At this stage, the number of posts and the level of resources are indicative. The Executive Secretary will approve expenditures based on the actual income.

**Table 10. Staffing requirements funded from overheads**

	2003	2004	2005
<b>Professional category and above</b>			
D-1	1	1	1
P-5	1	1	1
P-4 – P-2	12	8	8
<b>Total Professional category and above</b>	<b>14</b>	<b>10</b>	<b>10</b>
<b>Total General Service category</b>	<b>26</b>	<b>20</b>	<b>20</b>
<b>TOTAL</b>	<b>40</b>	<b>30</b>	<b>30</b>

**Table 11. Proposed resource requirements funded from overheads**  
(thousands of United States dollars)

Object of expenditure	2004	2005
Secretariat staff costs	2 430.0	2 430.0
Secretariat non-staff costs	205.0	205.0
<b>Total secretariat costs</b>	<b>2 635.0</b>	<b>2 635.0</b>
Services rendered by the United Nations	200.0	200.0
<b>TOTAL</b>	<b>2 835.0</b>	<b>2 835.0</b>

## Annex I

### Resource requirements for the biennium 2004–2005 based on a “no loss – no gain” scenario

1. As explained in the previous programme budget proposal, standard staff costs have increased over the past few years due to adjustments in scales, including adjustments made to the pensionable remunerations and posts adjustments for staff in the professional category and above, across the United Nations system. Actual staff costs have also increased due to increasing years of service of existing staff. Additional adjustments had to be made due to changes in the exchange rate between the US dollar, in which the United Nations accounts are recorded, and the euro, which is the currency of the host country. As an example, an item costing 10,000 euro, would have been recorded in the accounts in July 2002 as US\$ 9,814, but in July 2003 as US\$ 11,429, an increase of more than 16 per cent. In addition, certain other fixed operating costs have increased considerably as a result of exchange rate movements (for example, equipment purchases and premises costs) and of increasing operating costs (for example, security).
2. A reassessment of the situation since SBI 18 has revealed that a 9 per cent increase in the programme budget, which was assumed to compensate for increases due to the factors mentioned above, would no longer be sufficient to reach a “no loss – no gain” budget. For purposes of comparison, Parties may wish to note that the level of resources that would be required to maintain the same level of activities in 2004–2005 as in 2002–2003 is now estimated at US\$ 37,437,796 a 14 per cent increase over the previous biennium. Under this scenario:
  - (a) All established core posts would be funded;
  - (b) There would be an increase in allocations for common premises costs and expenditures for locally purchased equipment and services;
  - (c) All other non-staff costs would remain at the same level as in 2002–2003.
3. In this scenario, the standard salary costs used in the initial proposal submitted at SBI 18, which were based on the average expenditures for the first three months in 2003, have been revised based on actual expenditures in the first six months of 2003. The difference is mainly attributed to the increase of post adjustments in Bonn, which is closely linked to exchange rate movements.
4. Table A.1 provides the standard staff costs used for the 2002–2003 programme budget, the figures applied to prepare the original proposal for 2004–2005, and the revised standard costs that have been applied to revise the proposal.
5. Using these calculations, the staff costs would go from US\$ 19.2 million for 2002–2003 to US\$ 22.9 million for 2004–2005, a net increase of US\$ 3.7 million, or 12.8 per cent of the total direct cost for 2002–2003 (11.3 per cent of the total budget, including programme support charges and adjustment to the working capital reserve). Any increase of less than this amount would entail freezing recruitment against established positions.
6. Non-staff costs, such as travel, experts and consultants, would not exceed the level of the 2002–2003 programme budget on a secretariat-wide basis. Costs for the common premises management and other logistical items correspond to projected needs according to the proposed level of activities. Table A.2 provides a cost comparison between the 2002–2003 and the 2004–2005 programme budgets, using the revised standard staff costs.



**Table A.1. Comparison of standard staff costs used in UNFCCC budgets**  
(thousands of United States dollars)

Grade	2002–2003	2004–2005	2004–2005
	budget	budget proposal SBI 18	revised proposal SBI 19
ASG	168,900	180,000	185,000
D-2	150,600	175,000	180,000
D-1	142,500	170,000	175,000
P-5	131,200	150,000	155,000
P-4	115,500	125,000	130,000
P-3	96,100	105,000	110,000
P-2	77,800	85,000	90,000
GS	55,100	60,000	60,000

**Table A.2 Comparison between the 2002–2003 programme budget  
and the 2004–2005 programme budget under a “no loss – no gain” scenario**  
(United States dollars)

	2002–2003	2004–2005 (revised)
Staff costs	20 423 847	24 224 850
Non-staff costs	8 400 580	8 750 780
Programme Support Charges	3 747 176	4 286 832
Working Capital Reserve	265 500	175 334
<b>Total</b>	<b>32 837 103</b>	<b>37 437 796</b>

## Annex II

### Methodologies used to calculate costs.

**Salary and common staff costs:** For the standard costs applied in determining staff costs in the revised budget see table A.1 in annex I.

**General Temporary Assistance (GTA):** GTA has been calculated at a rate of 2 per cent of the total salary cost. In addition, under Conference Affairs Services, US\$ 420,000 have been included to cover the hiring of temporary staff during sessions.

**Overtime:** Overtime has been calculated at 75 per cent of one month's standard salary for each general service post per year.

**Experts:** The budget for experts is calculated in accordance with the number of expert group meetings, in-depth review visits and funded participants.

**Secretariat-wide operational costs:** Objects of expenditure are based on historical costs adjusted according to the actual needs. The contribution to common premises has been increased by US\$ 500,000 under both options, whereas the cost of IT equipment is increased only in option A.

**Exchange rate:** All costs have been calculated on the basis of actual expenditures. The exchange rate fluctuation between euro and the United States dollar has been factored into the historical costs. Table B.1 shows the exchange rate between January 2002 and September 2003.

**Table B.1. Exchange rate<sup>a</sup>**

US\$ to Euro	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
<b>2002</b>	1.136	1.162	1.158	1.143	1.108	1.065	1.019	1.016	1.015	1.022	1.017	1.009
<b>2003</b>	0.958	0.931	0.929	0.929	0.890	0.849	0.875	0.877	0.922			

<sup>a</sup> The average exchange rate for 2002 was US\$ 1 = 1.073 euro; for 2003, US\$ 1 = 0.907 euro, and for the biennium, US\$ 1 = 1.020 euro.

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