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**IPCC TRUST FUND PROGRAMME AND BUDGET**

**Working Capital Reserve**

(Submitted by the Secretary of the IPCC)

## IPCC TRUST FUND PROGRAMME AND BUDGET

### Working Capital Reserve

#### Background

Paragraph 19 of Appendix B to the Principles Governing IPCC Work – Financial Procedures for the Intergovernmental Panel on Climate Change (IPCC) on the Working Capital Reserve states that *“Within the IPCC Trust Fund there shall be maintained a working capital reserve at a level to be determined from time to time by the Panel by consensus. The purpose of the working capital reserve shall be to ensure continuity of operations in the event of a temporary shortfall of cash. Drawdown from the working capital reserve shall be restored from contributions as soon as possible.”*

The 47<sup>th</sup> Session of the IPCC held in Paris, France requested the Secretariat “... to report on its efforts to continue reducing costs in the Secretariat and to prepare a proposal for the level of the working capital reserve of the IPCC and to report back at IPCC-49.” (Decision IPCC-XLVII-2, para 12, IPCC Trust Fund Programme and Budget for the years 2018, 2019, 2020 and 2021).

From 2014 to 2017, the IPCC saw the level of contributions to the Trust Fund drop from CHF 5.6 million to CHF 4.4 million. During this same period, the number of contributors to the Trust Fund also declined. In an effort to reverse this trend, a resource mobilization campaign was launched by the Secretariat in 2016. Since 2017, contributions to the IPCC Trust Fund have steadily increased so that the revenue of the Trust Fund has risen from CHF 5.1 million in 2017 to CHF 8.1 million in 2018.

#### Working Capital Reserve

The IPCC is seeking to establish a working capital reserve to be used in the event that the IPCC Trust Fund experiences a temporary shortfall of cash as a result of internal and/or external factors. These factors range from delays in the receipt of contributions, emerging risks, unforeseen and extraordinary expenses and historical trends. The main purpose of the working capital reserve is to ensure that the IPCC Trust Fund can carry out its activities without any interruptions or setbacks and establish the authority to borrow from the reserve.

According to WMO financial rules, which are also applicable to the IPCC Trust Fund, before the start of any given year the necessary steps are taken to ensure that the staff costs for all staff, for the given year, are secured before any activities are carried out. Staff costs for all staff in the Secretariat is approximately CHF 1.8 million which is by far greater than the maximum percentage used within the United Nations system organizations. The Panel and its contributing members are therefore encouraged to do their best to ensure the availability of CHF 1.8 million to allow for a smooth start of any given year.

The UN Joint Inspection Unit (JIU) Report (2007) on Working Capital Reserve noted that the ratio between Working Capital Reserve and annual budget in the United Nations system organizations was between 8.2 per cent and 10.76 per cent. As of 2018, after a review of the prevailing ratio among the organizations within the United Nations system, it stands at between 5.0 per cent to 10.76 per cent. This ratio range takes into consideration organizations within the United Nations system that receive voluntary contributions, assessed contributions or both.

#### Operation of the Working Capital Reserve

It is proposed that the Working Capital Reserve for the IPCC Trust Fund be established at a level greater than the amount of CHF 1.8 million to include funds set aside for any eventuality. This established level will be reviewed periodically, based on the following factors: (a) low risk of losing revenue, (b) increased trust in the IPCC, (c) new contributors every year, (d) contributions being

received earlier in the year than before, (e) multi-year pledges to ensure a steady flow of income yearly and (f) commitment to delivering on the completion of the Sixth Assessment Report (AR6).

The working capital reserve will become operational in the event that an unforeseen activity, with its associated costs, is identified. It is proposed that the Panel delegates authority to the IPCC Executive Committee to convene, inter-session, to approve the drawdown from the working capital reserve to cover the implementation of this new activity. Where an unforeseen activity has been identified and a Plenary Session is scheduled to take place before the activity is implemented, then the Financial Task Team (FiTT) will convene to make its recommendation to the Panel for a drawdown from the working capital reserve.

Drawdowns from the working capital reserve should be replenished as soon as feasibly possible (e.g. 12 months after the drawdown is approved). Reports on the use of the working capital reserve should be presented to the Panel as and when drawdowns occur.

### **Cost Savings**

Within the Secretariat efforts are continually being made to obtain savings. The main areas where savings have been obtained are, as follows: (a) the organization of plenary sessions, IPCC Executive Committee meetings and Working Group/TFI meetings, (b) in-kind contributions from member countries hosting meetings and (c) travel costs.

The budget tables for 2019 and 2020 presented to the 49<sup>th</sup> Session of the IPCC, for adoption, reflect these cost savings particularly regarding governing bodies and lead author meetings. In these instances, where a host country has been identified as being a developed country, the costs associated with hosting the meeting have been reduced (plenary sessions) or removed (lead author meetings). With regard to IPCC Executive Committee meetings, these are now only held via teleconference and therefore no longer appear on the budget tables. With regard to travel costs, every effort is made to initiate the travel process at least three months prior to the start of a meeting. This allows for tickets at lower costs to be obtained.