

31. LEGAL STATUS OF DECISIONS: A very constructive discussion took place within the Umbrella Group on the question of the legal status of decisions of the CoP or CoP/MoP through which rules and guidelines are adopted under the Kyoto Protocol or the Convention. Canada explained its concerns regarding the extent to which legally binding rules can be adopted through decisions of CoP/MoP. In view of Umbrella Group consensus about policy imperatives at this stage in the negotiations, Canada did not raise its legal concerns (detailed in a paper circulated within the Umbrella Group) at Bonn. Canada obtained agreement among Umbrella Group colleagues that the underlying legal issue requires close attention with a view to finding a satisfactory solution at an appropriate time in the future.

32. ADMINISTRATIVE AND FINANCIAL MATTERS: Despite an unprecedented proposed budget increase for the secretariat (50%) and lengthy discussions, SBI 10 was successful in adopting a budget for recommendation to CoP5. After a difficult start, it soon became evident that there was no support amongst parties for the sizeable increase proposed by the secretariat and a contact group was formed to bring the budget back to an acceptable level. The budget proposal eventually adopted by SB 10 for the 2000-2001 biennium involves a total of US \$25.286 millions, an increase of 18.4% over the last biennium. However, since 7.4% will be funded from a combination of host government contribution and access to significant carry-over funds, this represents a net increase of only 10.7%. The secretariat was also successful in securing a sizable increase for its staff contingent, which will now stretch to 81 persons, including 53 professionals. Japan registered serious concern about this, and what it viewed as an incorrect use of the carry-over, but did not block consensus.

33. Coming into the budget discussions, Canada was prepared to agree to a modest increase, and as such, the budget adopted is acceptable to Canada. Canada's second concern, that of a lack of clear financial accountability and transparency in the decision-making process of the UNFCCC took root at SB-10 in the form of mounting demands from all sides to form a budget committee. This suggestion will likely be raised by many parties at the next session of the SB around CoP5. The general consensus seems to be that the secretariat remains well-equipped to service the needs of the Buenos Aires Action Plan, in a facilitating/coordinating role, rather than the active implementation role which was implied in the proposed 50% budget increase. Despite the controversial proposed budget increase, the secretariat continues to enjoy a high degree of confidence from the parties on financial and administrative matters, a sentiment which Canada shares.

34. CoP-5 BUREAU: Shortly after the start of the sessions, Candel was informed of need to select regional representatives for bureau for CoP5 and the following year. Canada assumed the role of WEOG coordinator (Drake/DFAIT) and over the two weeks of the sessions, several meetings and extensive consultations were undertaken to form up bureau choices - three bureau members per region were proposed. From the Canadian/Umbrella Group standpoint, prospects for the CoP5 bureau are mixed at best but one positive development was the proposal of Umbrella Group member Harald Dovland of Norway as SBSTA chair.

35. THE INTERGOVERNMENTAL MEETING PROCESS: The SBI considered items which addressed issues related to the intergovernmental process, the calendar of future meetings and the