



Permanent Mission of
the Republic of Latvia to
the United Nations Office in Geneva

Re: Non-paper on CCW administrative issues

14 September 2018

Informal consultations of the CCW HCP on ISU and financial issues took place on 28 June and 28, 29 and 31 August 2018. They were informed by [background papers](#) prepared by the Chairperson – elect. So far two dozen delegations participated in informal consultations. During August consultations UNODA provided clarifications on staff arrangements and its preferences going forward. Consultations revealed points of convergence and remaining areas of differences in opinion.

Convergence of positions was reached on such issues as ISU functionality, continuation of the existing budgeting principles and practices, importance of payment of assessed contributions by the HCP, cost neutrality of CCW for the UN budget, as well as on clarification of certain provisions of financial measures adopted by the 2017 meeting of HCP.

On the issues outlined above the proposed elements of the draft decision might be as follows:

... the HCP decided that:

- the scope of ISU functions as agreed by the HCP at the 2009 HCP meeting and contained in the document CCW/MSP/2009/5 are still relevant and should be performed alongside with services outlined in article 15 of the CCW Rules of Procedure (CCW/CONF.V/4);
- HCP to the CCW remain obliged to pay their assessed contributions in a timely manner and in full, and no measures addressing cash flow issues will remedy non-payment of assessed contributions by some HCP;
- the existing CCW budgeting principles and practices should be continued;
- the decisions of 2017 meeting of HCP in relation to financial measures should be understood and implemented as follows:
 - unused funds residing on the CCW accounts at the end of the calendar year can be used to fund mandated activities of CCW at the beginning of the next calendar year when there is a reasonable assurance that assessed contributions will be paid by the HCP to cover those expenses before the previous year financial accounts are closed and remaining funds transferred back to the HCP, if requested by them;
 - no HCP can claim any credits back before the closure of the financial accounts of the year in question;

Issues that needs further discussions:

ISU/ secretarial support models

Four ISU models were discussed and the following were retained:

ISU dismantled and UNODA re-assumes the institutional role of supporting CCW, either funded by the assessed contributions by the HCPs or funded by the UN regular budget (similar to the NPT model), under yet to be agreed set of rules that define the roles and responsibilities of the HCP and UNODA in ensuring the continued viability of the CCW (ST/SGB/2013/4 – Rule 105.11 a);

Status Quo, clarified by an agreed set of principles which defines roles and responsibilities of HCP and UNODA in relation to ISU, with understanding that the issue of the cash flow need to be resolved.

	UNODA performs ISU functions	ISU Status Quo clarified
Advantages	Staff flexibility as ISU workload may vary during the year, allowing for the use of all ODA resources in peak periods as and when required.	Personalized and fully dedicated service to the HCP and the CCW office-holders
	Possibility to tap fully in the UNODA resources when needed, with understanding that associated costs will be borne by assessed contributions	Development of specific CCW related expertise and in-debt knowledge
	Securing the institutional memory of the CCW and its process	Securing the institutional memory of the CCW and its process.
	Fully dedicated service to the HCP and the CCW office-holders	Personal accountability of individual ISU staff members
	Smooth extension of staff contracts using centralized approach to UNODA extra-budgetary funding	
Disadvantages	Absence of staff working exclusively on the CCW requires more coordination to ensure the provision of continuous service and attribution	ISU staff has uneven distribution of activities over the annual cycle
	More coordination required to prevent and effectively address possible overlaps of disarmament treaty body meetings in Geneva	Absence of direct access to UNODA staff resources
		Heavy dependency on cash flow situation that may impact contractual cycle as well as retention and staff well-being.

It should be underlined that the staff costs in both models above would be borne by the HCP. In case of ISU model staff costs would be paid directly from assessed contributions. In case of UNODA model staff costs would be recovered from assessed contributions or a UN staff member would be paid directly from assessed contributions, for the time being at least, until a more sustainable model for funding (such as through the regular budget 'the NPT-model' is agreed upon).

Specific issues related to the ISU Status Quo clarified model

ISU staff contracts were suggested to sign at the moment of the highest inflow of funds which corresponds to the middle of the calendar year.

In light of the decision contained in paragraph 37 of document CCW/MSP/2009/5, the ISU performance (as an entity) for services provided to High-Contracting Parties should be reviewed by a specially created Review Committee that would consist of the representatives from the HCP and supported by UNODA. The HCP could delegate all CCW elected officers to serve in the Review Committee that would work according to the Terms of Reference (to be developed) and report to the meeting of the CCW HCP annually.

Terms of Reference should be developed in order to clearly set the roles and responsibilities of the HCP and UNODA in relation to the review of the CCW ISU, and in accordance with UN rules and regulations. These ToR should be agreed by the CCW HCP meeting.

Other elements that surfaced during consultations

One delegation proposed to explore option of combined ISU/Secretariat for several convention, including CCW and BTWC.

UNODA expressed support and readiness to take over support function to CCW HCP.

Financial issues: Contingency provisions

CCW statutory activities depend on the availability of funds on the CCW account. The HCP settle their financial obligations to the CCW account according to their national budgetary systems and procedures over period of the financial year. Previous experience suggests that on average approximately 45% of the annual budget usually is paid by March, 70% - by June, 80% - by September and the rest in the fourth quarter of the year. On average 10% of the assessed budget is not paid during the financial year.

At the same time the current expenditure structure of CCW requires about 60% of the budget on the accounts on 1 January (to extend two staff contracts), another 10% by the end of January (for set of April meetings), another 10% by March (for set of June meetings), another 10% by May (for set of August meetings) and remaining 10% by August (for set of November meetings).

As a result, there is a permanent budget deficit situation at the beginning of the year even if all HCP settle their statutory payments in full.

In order to address this systemic issue two measures could be considered, namely unexpected expenditure provision at the level of 50% from the annual CCW budget, and establishment of the CCW Voluntary Reserve (VR).

Unexpected expenditure (contingency) provision exists in budgets of all HCP (even may be called in a different manner) as well as in other existing arms control regimes such as NPT and Ottawa convention.

The level of 50% is determined by the payment of assessed contributions pattern described above. In a normal year with full scale activities, there might be around 10-15% of the budget available on the accounts at the end of the year, as usual time of settling interagency obligations in UN system (between UNODA and UNOG) is around 3 months. Even if the financial accounts of that year will be closed within 11 months of the following calendar year, it will not be enough to relaunch CCW activities in full the next year. Therefore 50% unexpected expenditure provision would create a necessary liquidity amount to extend the staff contracts in January for the period of 12 months as well as make necessary administrative arrangements for the CCW spring meetings.

Unexpected expenditures of any given financial year will be returned to the HCP in full at the moment of closing of the financial accounts of that financial year. Unexpected expenditures would not serve to cover unpaid assessed contributions in any circumstances.

CCW Voluntary Reserve would serve to ensure a financial flow of CCW to carry out its mandated activities. The VR would function in strict compliance with its Terms of Reference that would be adopted by the HCP. Possible provisions of such ToR could include, *inter alia*, the following:

- contribution to the VR by the HCP is strictly voluntary;
- VR funds can be used only for CCW HCP meeting mandated activities;
- VR funds cannot be used to cover unpaid assessed contribution in any circumstances;
- activities involved the VR would be reported to the CCW HCP meeting on regular basis by the ISU.

On the issues where divergence of opinions still persist, the elements of the draft decision as a compromise might be as follows:

[... the HCP decided that:

- the UNODA will continue provide Secretariat's services on a cost recovery basis as outlined in point xx.xx of this decision on a provisional basis until 2020 meeting of the HCP;
- the HCP will evaluate this arrangement by the 2020 meeting of the HCP and will take further appropriate decisions in relation to ISU and secretarial support to CCW and the HCP. In this respect the HCP will establish an Evaluation Committee consisting of CCW office-holders (CCW Chairpersons and two Vice-Chairs, Chair of APII and Chair of PV) who in consultations with HCP will:
 - develop evaluation methodology and will present it for endorsement by the HCP during the 2019 meeting of the CCW HCP;

- conduct evaluation based on the approved methodology and will present recommendations in relations to ISU and secretarial support to the 2020 meeting of the CCW HCP;
- the ultimate proposal on ISU and financial measures should be presented by the Chairperson elect to the CCW Sixth Review Conference in 2021;
- the provision of contingency will be introduced in the CCW budget at the level of xx% of the budget. Contingency provision will operate according to the Terms of Reference as outlined in Annex I;
- The CCW Voluntary Reserve will be established by 2019 HCP meeting based on the Terms of Reference as outlined in Annex II.

Annex I

Terms of Reference for contingency provision:

- Contingency provision will be approved by the meeting of HCP and incorporated in the invoices;
- The contingency funds cannot be used to cover arrears of assessed contributions in any circumstance;
- The purpose of the contingency provision is to provide liquidity to the CCW over the course of the calendar year. Funds may only be used to pay expenses for mandated activities of CCW when there is reasonable assurance that assessed contributions will be paid by the HCP to cover those expenses before the end of the calendar year. Used contingency funds will be replaced by deposits from paid assessed contributions as soon as the assessed contributions are paid;
- Contingency funds will be returned to the HCP at the end of each financial year;
- The Head of the Secretariat is fully responsible for handling contingency funds according to these Terms of Reference and shall provide a financial report prior each meeting of HCPs.

Annex II

Terms of Reference for CCW Voluntary Reserve:

- Contributions to the CCW Voluntary Reserve is strictly voluntary;
- The Voluntary Reserve cannot be used to cover arrears of assessed contributions in any circumstance;
- Only CCW HCPs may contribute funds to the voluntary reserve;
- The purpose of the voluntary reserve is to provide liquidity to the CCW over the course of the calendar year. Funds may only be withdrawn from the Voluntary Reserve to pay expenses for mandated activities of CCW when there is reasonable assurance that assessed contributions will be paid by the HCP to cover those expenses before the end of the calendar year. Withdrawals from the Voluntary Reserve will be replaced by deposits from paid assessed contributions as soon as the assessed contributions are paid;
- The Head of the Secretariat is fully responsible for use of the voluntary reserve according to these Terms of Reference and shall provide a financial report on use of funds prior each meeting of HCPs;

- If and when the HCP will decide to dismantle Voluntary Reserve, funds will be returned to respective contributing HCP or used otherwise in accordance with their instructions.]

A handwritten signature in blue ink, consisting of stylized, overlapping loops and curves, likely representing the initials 'JK'.

Janis Karklins, Janis Karklins, Chairperson-designate, Ambassador of Latvia