



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

Re: Non-paper on CCW financial issues

1 August 2018

Informal consultations of the CCW HCP on financial issues took place on 28 June 2018. They were informed by the Food-for-Thoughts paper of 4 June 2018. Two dozen delegations were present and shared their views on the issue. As a result of that exchange, the following options are proposed for further consideration:

Assessed contributions

All delegations that took the floor underlined the importance of settling assessed contributions on time and in full. It was emphasized that timely and total fulfilment of the HCP's financial obligations remains the only way to ensure the proper functioning of the CCW and its implementation process. The HCP called for measures to be put in place to encourage statutory payments.

Reaffirmation of a cost neutrality of CCW for the UN

It was clearly understood that the CCW activities will be fully funded by assessed contributions of the High Contracting Parties and they will have no financial implication for the regular budget of the UN. In cases where UNODA and UNOG provide services and support to compensate for lack of funds or that exceeds services agreed to in the TOR, and have to divert staff resources from other budgets and work, UNODA and UNOG should present to the CCW MHCP a detailed plan to recover these costs before the end of the budget year. In the eventuality that sufficient funds have not been recovered, HCP accept the liabilities that follow.

Clarification of the financial measures adopted by the 2017 CCW HCP meeting

Although time since the adoption of the financial measures was judged being too short to make a definite assessment, the prevailing opinion was that some clarifications to the formulations adopted by the 2017 CCW HCP meeting would be useful. In particular, it is understood that:

- 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 as there is a reasonable assurance that funds 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 should claim any credits back before the closure of the financial accounts of the year in question;

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 the 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 an 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 (although it may be named in a different manner) as well as in other existing arms control regimes such as NPT and the Ottawa convention.

The level of 50% is determined by the payment of assessed contributions patterns 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 the usual time of settling interagency obligations in the 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 an 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 (ToR) 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.

Should these proposals meet consensual support of the HCP, the concrete formulations for the draft decision will be presented to the next round of informal consultations.



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