

**Meeting of the States Parties to the Convention
on the Prohibition of the Development,
Production and Stockpiling of Bacteriological
(Biological) and Toxin Weapons and on Their
Destruction**

5 December 2018

English only

2018 Meeting

Geneva, 4–7 December 2018

Agenda item 7

Management of the intersessional programme: Budgetary and financial matters

**Information paper to address financial predictability and
sustainability for the Meetings agreed by the States Parties
and for the Implementation Support Unit**

Submitted by the Chairman

Summary

The Chairman of the 2018 Meeting of States Parties (MSP) to the Biological Weapons Convention was requested by the 2017 MSP to prepare an information paper on measures to address financial predictability and sustainability for the meetings agreed by the States Parties and for the Implementation Support Unit for Review by States Parties in 2018.

This information paper analyzes the financing structure and trends and proposes a set of urgent measures for immediate application and medium to long-term considerations.

The key problem is hampered financial liquidity — funds are not available when needed. Three main factors contribute to this difficulty:

- (a) Systemic non-payment, which is a consistent pattern of non-payment of contributions within the calendar year, creating a deficit in the revenues available for the ISP, as well as accumulated debts currently in excess of \$130,000;
- (b) Delayed payment, which is a payment within the budget year, but later than the thirty days expected upon receipt of the invoice, such that funds may not be available at the time they are required; and
- (c) Inadequacy in applying the UN Financial Regulations and Rules of the United Nations to the agreed programme of work of the BWC, in light of the requirement that full funding is on hand before staff contracts are signed or meetings are held.

Urgent measures are proposed in BWC/MSP/2018/CRP.1 for decision during the 2018 MSP, and in line with the mandate given by the 2017 MSP, which mandated the MSP to manage the Intersessional Programme, including taking necessary measures with respect to budgetary and financial matters.

Possible medium to long-term measures, with a view to a Review Conference, may include considerations of:



- (a) Embedding the ISU functions fully within UNODA;
- (b) Signing a host country agreement with a willing country; and
- (c) Much greater governance clarity and financial predictability and sustainability under the current framework.

I. Background and Mandate

1. The 2017 Meeting of States Parties (MSP) to the Biological and Toxin Weapons Convention (commonly referred to as the BWC), gives the following mandate to subsequent MSPs:

Noting with concern the financial situation of the Convention on account inter alia of systemic issues with the current funding arrangements as well as arrears in payment of assessed contributions, the Meeting requested the Chairman of the 2018 Meeting of States Parties to prepare an Information Paper in consultations with the United Nations office at Geneva, the United Nations Office for Disarmament Affairs, the Implementation Support Unit and States Parties on measures to address financial predictability and sustainability for the meetings agreed by the States Parties and for the Implementation Support Unit for review by States Parties in 2018.

2. This mandate was agreed due to the precarious and worsening state of the financial situation of the BWC, as has been raised at BWC meetings since 2016. This situation has come about due to long-standing non-payment of assessed contributions by some States Parties, and because the financial arrangements that have been applied to the BWC since its entry into force in 1975 are no longer appropriate for its current way of operating.

3. This information paper therefore describes the current situation, based on inputs from States Parties, the United Nations Office at Geneva (UNOG), the United Nations Office for Disarmament Affairs (UNODA) and the Implementation Support Unit (ISU), and then goes on to refer to several potential measures that could address financial predictability and sustainability.

II. The Current Normative and Financial Framework of the BWC

A. Institutional arrangements

4. The BWC exists as a standalone Convention. Although it was negotiated within the predecessor of the Conference on Disarmament and although all of its meetings since its entry into force have taken place at the United Nations Office at Geneva, it is not a UN treaty. The Secretary-General of the United Nations is not the Depositary, but rather the governments of the Russian Federation, the United Kingdom of Great Britain and Northern Ireland, and the United States of America, as specified in Article XIV of the Convention.

5. The Review Conference (RevCon) is the BWC's main forum for political decisions. The role of the RevCon is to review the operation of the Convention. Since the resumed session of the Fifth Review Conference in 2002, Review Conferences have also established an intersessional programme (ISP).

6. Since 2006, the ISP has also included an Implementation Support Unit (ISU), which was "established within the Geneva Branch of the Department for Disarmament Affairs." The mandate of the ISU has subsequently been extended by the Seventh and Eighth Review Conferences in 2011 and 2016 respectively.

7. The Eighth Review Conference could only agree on a limited intersessional programme and therefore mandated the 2017 MSP to seek to reach consensus on a more substantive work programme between 2018 and 2020. The 2017 MSP accordingly reached consensus on an ISP that includes, in addition to the ISU, eight days of Meetings of Experts and four days of Meetings of States Parties in each of the years 2018, 2019 and 2020, before the Ninth Review Conference in 2021.

8. The ISU is mandated to not only serve as the secretariat of the BWC meetings, but has also a set of other substantive tasks agreed by the Sixth Review Conference and expanded by the Seventh Review Conference. The ISU does not have legal standing of its own independent from UNODA. Its staff members are employed on contracts in accordance with the UN Staff Regulations and Rules, and funded from the assessed contributions received from BWC States Parties. The activities of the ISU (and BWC activities in general) are supported by the United Nations in accordance with the annual resolution adopted by the General Assembly, but they receive no funding from the regular budget of the Organization.

9. In addition to the ISU being housed with the Office for Disarmament Affairs, the other main connection of the BWC to the United Nations is the annual General Assembly resolution, which *inter alia*

[10.] Requests the Secretary-General to continue to render the necessary assistance to the depositary Governments of the Convention, to provide such services as may be required for the implementation of the decisions and recommendations of the review conferences and to render the necessary assistance and to provide such services as may be required for the remaining meeting of States parties during the current intersessional process and for the preparation and conduct of the ... Review Conference.

10. UNODA is responsible for the recruitment, selection and performance reviews of ISU staff members and for all other administrative issues such as office space, procurement of equipment, leave and travel requests, training, etc.

B. Financial arrangements

11. The administrative and financial arrangements for the BWC have remained largely unchanged since the Convention entered into force in 1975. They predate the establishment of the intersessional programme, the ISU and even predate earlier meetings such as the Ad Hoc Group. The annual General Assembly resolution mentioned above is accompanied by an oral statement which says that the assistance rendered by the Secretary-General to the depositary Governments will not have implications for the regular budget of the United Nations, instead the costs will be borne by the States Parties to the Convention.

12. Rule 12 of the BWC Rules of Procedure states that “The costs of the Review Conference, including the session of the Preparatory Committee, will be met by the States Parties to the Convention participating in the Review Conference in accordance with the United Nations assessment scale pro-rated to take into account differences between the United Nations membership and the number of States Parties participating in the Conference.” However, in 2006, at the Sixth Review Conference, States Parties decided that the ISU would be “funded by States Parties for the period from 2007-2011”. Furthermore, in 2011, at the Seventh Review Conference, States Parties decided that “that the costs of the intersessional programme will be shared by all States Parties to the Convention.” However, Rule 12 has not subsequently been amended or revised to reflect these decisions by States Parties.

13. BWC meetings have always been held at the United Nations Office at Geneva and the contracts of the ISU staff members are UN contracts due to the decision of States Parties to establish the ISU within UNODA. Therefore, the BWC income and expenditure are governed under the Financial Regulations and Rules of the United Nations. They are not, however, part of the UN Regular Budget and they are therefore managed as “extrabudgetary” funds (XB funds). UNODA is fiduciary responsible and also manages the

voluntary contributions received in support of the BWC from States Parties and international/regional organizations, while UNOG manages the assessed contributions received from BWC States Parties.

14. The accounts established for activities arising from the enactment of international instruments (e.g. disarmament conventions) are special accounts which do not qualify as general trust funds and therefore do not require formal terms of reference. Therefore, when the BWC fund was established in 2008, there were no specific terms of reference, only a description of the purpose of the fund, which indicated that it was "a special account for the BWC, approved by the Secretary-General to account for services provided to others."

15. In addition, extra-budgetary funding of any kind is subject to Rule 103.4 of the Financial Regulations and Rules of the United Nations states that "Voluntary contributions, gifts or donations which directly or indirectly involve additional financial liability for the Organization may be accepted only with the approval of the General Assembly." Further, in its resolution 50/214 of 29 February 1996, the General Assembly endorsed a recommendation of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) to the effect that core budget activities are not to subsidize XB activities. These UN policies underlie the requirement for full funding in advance of any financial commitment for the BWC.

16. Cost estimates are prepared based on the agreed meeting schedules and the costs for the ISU (staff salaries, travel and equipment costs) and are agreed every five years at Review Conferences, subject, since 2017, to modifications at the annual Meeting of States Parties. The cost estimates also include a 13% charge for "programme support costs" (PSC) as well as an amount for "other requirements". The PSC is intended to recover incremental indirect costs incurred supporting activities financed from extra-budgetary contributions (e.g. payroll, human resources, contract administration, procurement, travel, UNLPs, cartes de legitimisation, office space, IT resources, etc.). "Other requirements" cover dedicated assistance provided for accounting services and administration of financial resources.

17. Specifically, UNODA has described the procedures as follows:

"Based on the agreed cost estimate, the costs for a given year are allocated among all States Parties to the Convention based on the Official United Nations Scale of Assessment pro-rated to take into account differences in membership between the Convention and the United Nations, in accordance with the decision of the Seventh Review Conference. Following this allocation of cost, an invoice for the assessed contribution is then issued and sent to the States Parties usually at the end of the preceding year ..."

"Assessed contributions are due on the 1st day of the next calendar year as funds must be received in advance of entering into any financial commitments. For States Parties with credit carried forward from prior years, these credits are automatically applied to the assessed contributions due ..."

"At time of the calculation of the final costs of the [meetings] and ISU for a given year, the assessed contributions received are deducted from the final cost due by the State Party. In this case, if the estimated costs are higher than the final ones, then the assessed contribution paid is higher than the final cost and a balance is owed to the State Party. If the estimated costs are lower than the final ones, then the assessed contribution paid does not cover the actual cost and a balance is due by the State Party. If the State Party has not paid its assessed contribution, then its assessed contribution is closed and is replaced by the final balance due based on actual costs."

C. The current situation

18. Since February 2017, UNOG has issued monthly reports on the status of financial contributions. These reports provide some information on the current financial situation of the Convention. More detailed information, including a cash flow analysis for the

Convention, has been posted on the restricted area of the UNODA website, to which all States Parties have access.

19. The most recent such report with data as of 31 October 2018 shows that a total of 84 States Parties had not paid their assessed contributions for 2018 leading to a shortfall of USD 126,373.19 in the payment of 2018 assessed contributions. Many of the amounts owed are quite small; three-quarters of the shortfall is owed by just five States Parties and 23 of these States Parties only have outstanding contributions in 2018 and can therefore be considered as delayed/late payers. Given their history of payments in previous years, they can be expected to pay before the end of the year. Often delayed/late payment is due to national practices and policies.

20. Of these 84 States Parties, however, 61 have also not paid their assessed contributions for one or more years prior to 2018. These States Parties can be considered as non-payers. The following amounts are outstanding from previous years:

Table 1

<i>Year</i>	<i>Amount</i>
2013 (and before)	\$18 756 73
2014	\$10 604 32
2015	\$9 139 59
2016	\$43 439 28
2017	\$49 353 76
Total	\$131 293 68

III. A comparison of Financing Structures of Arms Control and Disarmament Conventions in Geneva

21. A comparison of the financing structures and practices of other arms control and disarmament conventions working in Geneva might be valuable in identifying good practices for the BWC. Table 2 shows an overview.

22. For each, there are two key aspects: the meetings, and the secretarial and administrative structure that exists to service the given convention. There are three main approaches, or models:

(a) “Embedded in the UN” — most specifically the NPT. It is fully funded by extra-budgetary contributions from States Parties, but it is supported entirely by UN structures, most significantly, the Office for Disarmament Affairs. Its staff have UN contracts and may work on a range of other UNODA issues as well as the NPT. UNODA is fiduciary responsible.

(b) “Fully out of the UN” — most specifically, the “Ottawa Convention.” The secretarial function, the ISU, is hosted by the Geneva International Centre for Humanitarian Demining,” its staff are employed under Swiss labour laws. “Deloitte SA, Geneva” is fiduciary responsible.

(c) “Mixed model” — CCW and BWC. The account is considered extra-budgetary, with a normative framework outlined here and mostly applicable to both. Staff have fixed-term UN contracts and work exclusively on tasks mandated by the States Parties. UNODA is fiduciary responsible.

23. Systemic non-payment and delayed payment seem to permeate most disarmament and arms control conventions, in Geneva and beyond. A focused analysis of best practices in, on the one hand, taking effective measures to manage non-payment, and on the other, to continue to work unhindered under the circumstances, could go a long way to improve many disarmament and arms control regimes globally.

24. Some good practices that may be highlighted include: employing a Results-Based Management framework that allows for decisions to be made in an agile and transparent manner, based on any given financial reality; the use of reserve funds to ensure liquidity; the use of a two-year financial period, with an operational budget and a preliminary budget; modern accounting practices that plan and implement activities based on an accrual basis; a globally attractive employment package that ensures competent professionals who provide stable and expert secretarial and implementation support, under a flexible normative environment; events organised with competitive bids for all aspects – from the selection of venue, to translation and interpretation services – ensuring excellence, efficiency and accountability; and similar.

Table 2

Overview of financing structures of arms control and disarmament conventions¹

	<i>Budgets</i>	<i>Contributors</i>	<i>Billing practice past</i>	<i>Remarks</i>	
CCW	MSPs (ISU budget is included)	<ul style="list-style-type: none">- States Parties to the Convention participating in the Review Conference. *5 and- States which are not States Parties to the convention but accept invitation.*3	<ul style="list-style-type: none">- See footnote *7.- The CCW financial rules changes in 2017 and now preliminary invoices are sent to all High Contracting Parties, and final invoices are sent out to the High Contracting Parties who accepted the invitations	<ul style="list-style-type: none">- Assessed contributions are sent to states on the basis of participation in the previous year.- Final bill is only sent to states that participated in the meetings.- ISU staff has UN contracts to which UN staff rules and regulations apply.	
	CCW Sponsorship programme	Voluntary			
BWC	ISU (part of ISP)	<ul style="list-style-type: none">- All States Parties *5 irrespective of attendance.	<ul style="list-style-type: none">- See footnote *7.- The 2015 billing cycle covered 18-20 months.	<ul style="list-style-type: none">- Non-member states do not pay at all, even when they attend MSPs.- ISP costs are shared by all States Parties.- Final document 8th BWC Review Conference refers specifically to the costs of the ISU, as part of the ISP.- ISU staff has UN contracts to which UN staff rules and regulations apply.	
	MSPs				
	BWC Sponsorship programme	Voluntary			
CCM	ISU	<ul style="list-style-type: none">- 40% earmarked for organizing MSPs.- 60% reserved for core activities.	<ul style="list-style-type: none">- Non-voluntary Contribution States Parties taking part in MSPs.- Voluntary Contributions by States Parties. *2- Other voluntary Contributions.	<ul style="list-style-type: none">- See footnote *7- ISU notifies all States parties of their indicative contributions specifying the 40%/60% amounts.- Voluntary ISU contributions are to be transferred to the Trust Fund ISU-CCM.	<ul style="list-style-type: none">- Views vary on the voluntary/ obligatory status of the 40% rule in the finance model for the ISU.- 40 % rule is formulated in articles 7a,7b and 7c of Annex 5, of the Dubrovnik Final Report.- Although the Dubrovnik outcome

¹ Information collected by the Netherlands Disarmament Delegation.

<i>Budgets</i>		<i>Contributors</i>	<i>Billing practice past</i>	<i>Remarks</i>
				document states that all MSP attending States pay 40% of the ISU costs. Only Member States do receive the notification.
				- ISU is hosted by GICHD and staff contracts are administered by GICHD.
				Voluntary Security Buffer (worth one year funding of ISU).
	MSPs	- States Parties and States not Party participating therein *2	- UNOG finance office handles billing procedure. - Bills for outstanding invoices may follow later. Sometimes accompanied with outstanding invoices from other conventions also administered by the UNOG financial office.	- Preliminary budget is based on States Parties' and Non States Parties' attendance in precious year. - When the meetings are over, States that paid, but did not participate receive a credit note. - States that did participate but did not pay, are notified of their respective share.
ATT	Secretariat - 70% Core tasks	- Covered by States Parties only.	- ATT secretariat handles billing procedure. - States Parties receive a bill with the assessed budget for the next financial year that specifies the total contribution for the CSP and the secretariat.	- More than two years in arrears: States Parties' voting rights suspended, not be eligible to nominate a representative as an office-holder, nor become a member of any committee or subsidiary body of the CSP.
	CSPs budget - includes 30% of secretariat's Budget.	- Costs are covered by States Parties (irrespective of attendance CSP). - And the Signatory- and Observer States (assessed based on attendance of previous year CSP). *1	- Signatory and Observer States receive a bill for taking part in CSP (CSP budget includes the 30% secretariat budget). - Contributions are due and payable in full within 90 days of the receipt of the invoice from the Secretariat.	- Unless the State has entered into arrangements with the Secretariat. - ATT Secretariat staff has four year contracts, only once renewable (administered via DCAF).
	Sponsorship programme	Voluntary contributions		
APMBC	ISU	- Yearly pledging conferences to assess and estimate budget coming year. - Voluntary contributions of States Parties (in accordance to their	- States voluntary contributions.	- As adopted in Maputo (2014) the ISU proposes every four years a work plan for four years (including a financial assessment).

<i>Budgets</i>		<i>Contributors</i>	<i>Billing practice past</i>	<i>Remarks</i>
		pledges).		<ul style="list-style-type: none"> - ISU is hosted by GICHD and staff contracts are administered by GICHD. - Voluntary Security Buffer (worth one year funding of ISU).
MSPs		<ul style="list-style-type: none"> - Costs shared by States Parties, observers and signatories participating in MSPs. *2 	<ul style="list-style-type: none"> - See footnote *7. 	<ul style="list-style-type: none"> - Preliminary budget is based on States Parties' and Non States Parties' attendance in previous year. - When the meetings are over, States that paid, but did not participate receive a credit note. - States that did participate but did not pay, are notified of their respective share.
NPT	Review Conferences and Preparatory Committees	<ul style="list-style-type: none"> - Shared by States Parties Participating in the conference. *6 	<ul style="list-style-type: none"> - Contributions are calculated at the beginning of the cycle on the assumption that all Parties will attend. The dues are recalculated at the end of the cycle on the basis of actual participation. - Notifications are sent to all SPs before sessions based on the respective estimated costs. - These notifications also include a financial statement regarding the past conference and the debit/credit status of respective Member State. - In any case of overpayment, the UN SG proposes to carry forward the credit to help meet the costs of the next meeting of States Parties. - If there is still credit at the end of the review cycle, the UN SG proposes to carry forward the credit to help meet the costs of the next review cycle. 	<ul style="list-style-type: none"> - UN Secretary-General provides a financial report to the Review Conference and each session of its Preparatory Committee, to be circulated as an official document. - These financial reports provide insight in States Parties' outstanding arrears. - Secretarial support for the NPT is drawn from UNODA P-staff, who are funded by the UN regular budget. UN staff rules and regulations apply.

*1 Based on UN scale of assessment, adjusted to take into account the difference between the UN membership and the number of States Parties. The adjustment shall ensure that

<i>Budgets</i>	<i>Contributors</i>	<i>Billing practice past</i>	<i>Remarks</i>
			no one state's contribution exceeds 22 per cent of the total. The adjustment shall also ensure that no state contributes less than US\$100;
*2			In accordance with the United Nations scale of assessment adjusted appropriately.
*3			Will share in the costs to the extent of their respective rates of assessment under the United Nations scale.
*4			The share will be determined on the basis of the similarly pro-rated scale in force for determining this share in the activities in which they take part.
*5			States Parties participating in the Review Conference in accordance with the United Nations scale of assessment, adjusted to take into account differences between the United Nations membership and the participation of States parties in the Conference.
*6			Balance of costs will be divided among the other States parties in accordance with the United Nations assessment scale prorated to take into account differences between the United Nations membership and the number of States Parties.
*7			The billing practice until 2018 for CCW, BWC, CCM and APMBC was as follows (info provided by UNOG):
			One invoice per convention sent at the beginning of the year N for the assessed contribution for the same year N. The four invoices (for the four conventions) sent at the same time with an accompanying Note Verbale. Invoices were due within 30 days of the issuance of the invoice. One final invoice was sent per convention for closing of the past year. This invoice aims to calculate the difference between the cost estimates and the final/actual costs. This difference leads then either to a credit to be given back or an additional amount to be paid. This final invoice is sent whenever one convention is closed so it is not sent at the same time for all the conventions. Starting August 2018, one single invoice per convention is sent. This single invoices includes the assessed contributions for 2019, the final costs for the closed 2017 conferences as well as any due or overpayments from past conferences.

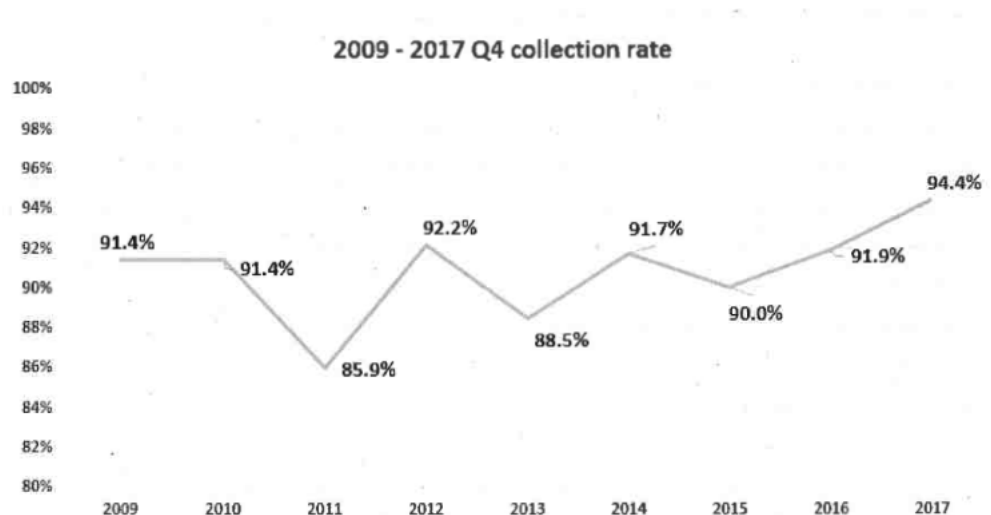
IV. A closer look at the difficulties hampering financial predictability and sustainability

25. The key difficulty to ensuring the financial predictability and sustainability of the BWC is that there are not sufficient funds on account when needed to cover the commitments of the intersessional programme.

26. There are three main factors contributing to this difficulty: (i) Structural non-payment; (ii) Delayed payment; and (iii) Inadequacy in applying the Financial Regulations and Rules of the United Nations to the intersessional programme.

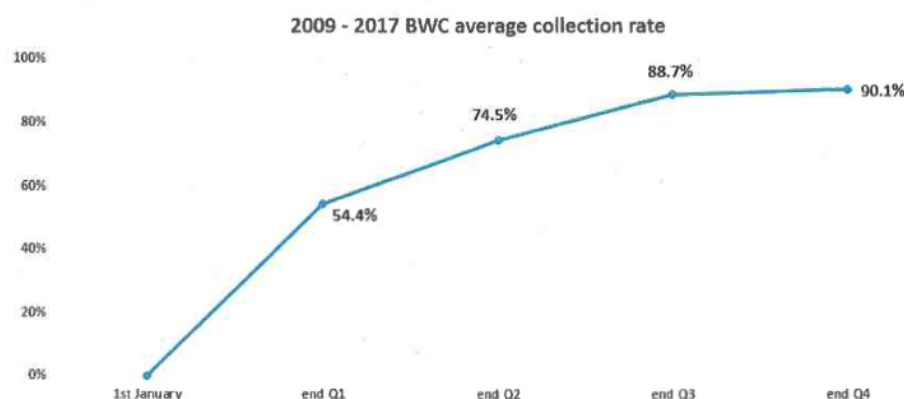
27. There is a rough average of about 10% of assessed contributions that are unpaid by the end of each year. This is by far the greatest difficulty. A systemic non-payment of contributions that results in income every year that is 10% less than what is necessary to accomplish the mandated activities is unsustainable. It creates a financial hole for the Convention and an accounting difficulty for the UN. Although some portion of these unpaid contributions is received after the end of the financial year, these funds are not available when needed to finance activities.

Figure 1



28. Delayed payment is also problematic. Invoices are due 30 days after receipt. Yet, funds have historically been received in different parts of the year: about 50% in the first quarter, another 25% in the second and still another 15% staggered throughout the last two quarters. About 10% of the initially assessed contributions, as mentioned above, are not paid within the budget year. The UN's requirement for cash-in-hand prior to entering into any financial commitments for the BWC means that even though 90 percent of contributions predictably arrive within the calendar year, if the funds are not on hand at the time they are needed, meetings cannot be held and contracts cannot be renewed.

Figure 2



* As preliminary invoices were sent in different months over past years (January – April), we had to ‘normalize’ the trend, meaning that we assumed the start of Q1 as the month following the month in which the invoices were sent out.

** As of 2014 overall part of the assessed contributions paid by member states during the quarter when the invoices were sent out include application of the prior year credits.

29. Table 3 below shows (all in US\$): the initially approved estimate, the actual final costs, the amount collected by the end of the year and the corresponding collection rate, the difference of income as compared the initial estimate, the resulting year-end cash balance, the credit (negative in 2009 and 2010 since actual costs exceeded the approved estimate) owed by the UN to those who have paid on time, as well as the arrears (based on actual financial costs) incurred for the year due to non-payment (some of which has since been paid). The grey rows are Review Conference years, hence the higher amounts. Also, 2017 should be noted for its higher collection rate: since this is the year that the UN automatically applied all credits for 2016 and prior years to 2017 invoices, it does not represent a change in payment patterns by States Parties.

30. This table illustrates a key defect of the BWC’s financing system: in any year where collections are less than 100 % of estimates, the amount due back to States Parties as credit far exceeds the available cash. This is inherently unsustainable.

Table 3

Calendar Year	Approved Estimate	Actual Final Costs	Final Collected by end of Year	Year-End Collection Rate	Collected vs Estimate	Year-End Cash Balance	Credit Owed for Year	Arrears Incurred for Year
2009	721,701	771,039	659,634	91.40%	62,066	- 111,404	- 45,094	66,309
2010	721,700	835,145	659,633	91.40%	62,066	- 175,512	- 103,689	71,822
2011	2,010,300	1,571,180	1,726,847	85.90%	283,452	155,666	377,203	221,536
2012	1,387,200	1,079,675	1,278,998	92.20%	108,201	199,322	283,537	84,214
2013	1,387,200	1,074,403	1,227,672	88.50%	159,528	153,268	276,825	123,556
2014	1,387,200	995,812	1,272,062	91.70%	115,137	276,250	358,902	82,652
2015	1,387,200	900,405	1,248,480	90.00%	138,720	348,074	438,115	90,040
2016	1,966,700	1,668,877	1,807,397	91.90%	159,302	138,519	273,698	135,179
2017	1,109,500	779,025	1,046,849	94.35%	62,650	267,824	311,814	43,989

31. Every year, there are significant amounts of credits due to States Parties that have paid on time, but also significant amounts of arrears that are accumulated. Every year, the collection rate is about 10% less than the estimated amount required to fulfil the intersessional programme, which demonstrates the disruptive nature of non-payment.

32. However, to fully understand the difficulty, it is easier to simplify the analytical framework. Below are two scenarios. In both, the approved estimate is \$1,000,000. In the first scenario, all States Parties pay in full and on time (100% collection). In the second scenario, 10% do not pay by the time the account is closed (90% collection rate). In both scenarios, the actual expenditure is varied at 80%, 90%, and 100%.

Table 4

*CURRENT BWC FINANCING SYSTEM: SCENARIO 1**All States Parties Pay In Full/On Time (100% Collection), Vary Actual Expenditure*

	<i>Approved Estimates (illustrative)</i>	<i>= \$1,000,000</i>			
	<i>Amount Collected during year</i>	<i>= \$1,000,000</i>			
	<i>Expenditure</i>	<i>Year-End Cash</i>	<i>Credit owed to SP that have paid</i>	<i>Arrears incurred by SPs that have not paid</i>	<i>Cash After Credit</i>
80% of Estimate	\$800,000	\$200,000	\$200,000	-	-
90% of Estimate	\$900,000	\$100,000	\$100,000	-	-
100% of Estimate	\$1,000,000	-	--	-	-

*CURRENT BWC FINANCING SYSTEM: SCENARIO 2**Not All States Parties Pay In Full/On Time (90% Collection), Vary Actual Expenditure*

	<i>Approved Estimates (illustrative)</i>	<i>= \$1,000,000</i>			
	<i>Amount Collected during year</i>	<i>= \$900,000</i>			
	<i>Expenditure</i>	<i>Year-End Cash</i>	<i>Credit owed to SP that have paid</i>	<i>Arrears incurred by SPs that have not paid</i>	<i>Cash After Credit</i>
80% of Estimate	\$800,000	\$100,000	\$180,000	\$80,000	- \$80,000
90% of Estimate	\$900,000	--	\$90,000	\$90,000	- \$90,000
100% of Estimate*	\$1,000,000	- \$100,000	--	\$100,000	- \$100,000

* Precluded by UN "cash-in-hand" requirement; would result in supplemental invoice rather than credit

33. These scenarios demonstrate two points:

(a) With the exception of the perfect scenario – in which approved estimates = the amount collected = final expenditures – most other situations are problematic for different reasons;

(b) In the most common scenario historically, in which the total amount collected during the year is about 90% of estimates and then expenditures vary, even when expenditures equal the amount collected, there is a problem in that there is a credit owed to those who have paid that is exactly equal to the new arrears created by non-payment, and there is no cash to cover these credits.

34. The problem is further complicated by the consistent pattern of payment later in the year, rather than at the very beginning of the year, since funds are not available when needed to finance meetings or staff contracts. For example, to fund one-year contracts for the three current ISU staff members and associated costs for travel and equipment would require that approximately \$900,000 (60% of current total annual estimates) be on hand at one time).

35. The financial situation described in this paper creates a problem for States Parties and the Convention as a whole by impacting the intersessional programme; it is a problem for the ISU staff who cannot have job security they deserve because contracts cannot be signed with an asset against to fund the lifetime of the contract; and it is a problem for the UN, which needs to administer the funds and hold credits that may be withdrawn at some moment and arrears that are unfunded.

36. To create financial predictability and sustainability for the Meetings agreed by States Parties and for the ISU will require addressing each of the three principal causes of the BWC's financial difficulties. Urgent action is needed to stabilize a rapidly deteriorating situation, as the curtailment of the 2018 MSP clearly demonstrates. Without prompt action to remedy this situation, further deterioration is inevitable, possibly leading to the loss of critical staff support and further curtailment or even cancellation of planned meetings.

Once the situation is stabilized, more fundamental structural measures might be considered for the medium- or long-term. In considering possible measures, States Parties may wish to take into account, *inter alia*, measures adopted under other arms control and disarmament agreements to deal with similar problems.

V. Possible Measures

A. Near-term measures

The key possible measures that can be undertaken in the near term are described generally here:

37. Systematic Non-Payment: States Parties could take steps to ensure ongoing review of payment issues; they could also consider a range of possible disincentives for non-payment, as well as measures to facilitate/encourage payment of arrears. States Parties could also take steps to ensure that non-payment does not precipitate a crisis, by either deliberately over-budgeting or by limiting expenditure to reflect realistically anticipated income for the year.

38. Delayed Payment: States Parties could consider measures to facilitate national budget planning and prompt payment of invoices and communicate with the UN to find suitable solutions for their specific circumstances.

39. Inadequacy in applying the UN financial rules, regulations, and practices and the requirements of the approved intersessional programme: States Parties could:

(a) Consider measures, such as a buffer or working capital fund, to ensure adequate cash flow during the financial year. Such a fund could be capitalized either through assessments or through voluntary contributions. To ensure sustainability and avoid subsidizing non-payment, such a fund could be strictly limited to use as a source of temporary financing in anticipation of contributions expected to arrive during the calendar year based on historical experience.

(b) Take steps to minimize the impact of late- and non-payment on the programme of work and prevent future financial crises, such as adopting estimates as a firm budget: under such an approach – the standard one used by most multilateral bodies and institutions – States Parties would be responsible for contributions based on the approved estimates, and contributions due from them would not be subject to recalculation after the fact. This would remove perverse disincentives (under the current system, the reward for not paying within the calendar year is that the amount due is recalculated so that nonpayers receive a discount), would provide predictability, and would ensure that credits allocated back to States Parties were backed by cash;

(c) Specific proposals for action at the 2018 Meeting of States Parties are set out in BWC/MSP/2018/CRP.1.

B. Medium- and long-term measures

40. There can be three types of medium- to long-term measures that can be considered by the States Parties during a Review Conference to address the financial predictability and sustainability of the Convention:

(a) The financial functioning of the Convention is fully absorbed by the UN, specifically UNODA/Geneva, such as is the case with the NPT;

(b) An outside institution to host the ISU and perhaps to help organise the meetings, or for the meetings to be organised separately, such as is the case with APMBC and CCM, via a host-country agreement; and

(c) Stay with current normative framework, but create much more clarity on financial governance.