

# Review Conference of States Parties to the Convention on Cluster Munitions

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English only

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## Second Preparatory Meeting for the Second Review Conference

Geneva, 4 September 2020

Item 6 of the provisional agenda

### Financial Status of the Convention

## Elements on possible measures to address the financial predictability and sustainability of United Nations assessed contributions

Submitted by the President of the Second Review Conference

### I. Introduction

1. The Ninth Meeting of States Parties “expressed deep concern about the financial situation due to the arrears in payment of the assessed contributions” and “underlined the importance of ensuring full compliance with article 14 obligations and called upon all the States Parties and States not Parties participating in the meetings of the States Parties to address issues arising from outstanding dues.”. It requested the President of the Second Review Conference to conduct consultations on “Possible measures to address financial predictability and sustainability of the Convention on Cluster Munitions”.

### II. Background

2. The costs of servicing annual Meetings of the States Parties (MSP) of the Convention are financed by assessed contributions from States participating therein, in accordance with the United Nations scale of assessment adjusted appropriately. The assistance rendered by the Secretary-General to CCM States Parties in organising the MSP and Review Conference is provided on the understanding that it will not have implications for the regular budget of the United Nations and that costs will be borne fully by States taking part in the meeting.

3. As a rule, invoices are issued at the end of the year prior to the following year’s meeting. Assessed contributions are due within 30 days following their issuance by UN services. The UN must have received funds three months prior to entering into any financial commitment, this meaning for the CCM that funds covering the costs of the MSP must have been collected three months prior to the meeting.

4. Though the United Nations financial regulation dictate that extra budgetary activities such as the meetings of the Convention must not give rise to additional financial liabilities for the Organization, upon closing the account for annual activities each year, the United Nations has been required to return any excess of estimates over actual expenditures as credits to those States that have paid their contribution in full. Meanwhile, unpaid assessed contributions from other States have left the United Nations with unfunded liabilities. In response to this situation, the United Nations informed States Parties in a Note Verbale dated



1 April 2019 that the accounts for each year will not be closed until all contributions due are collected or new financial measures adopted.

### **III. The CCM financial situation and challenges**

5. The CCM MSP has been affected by (growing) financial difficulties since the First Review Conference. The Ninth MSP was affected more significantly and only informal consultations without interpretation were held on its second day. Official documents were only gradually translated as funds were made available

6. Financial difficulties stem from essentially two different reasons, late payments and non-payments.

7. The Convention is facing a liquidity challenge due to late payments. The UN services need liquidities in hand three months before a meeting for preparations to go ahead. The CCM usually holds its MSP in early September, which implies that all contributions should be received at the latest at the beginning of June. Yet, this is far from being the case and a significant part of the MSP is received later in the year.

8. The liquidity challenge is compounded by the non-payment of assessed contribution within the financial year. If the overall collections rate has been higher than for other disarmament conventions, the cumulated deficit today equals already close to 20% of the CCM yearly budget (approximately \$ 230,000). Non-payments are spread out across a number of States owing relatively limited amounts to the Convention. In all, 53 States are concerned by non-payments. 26 States have non-payments covering one financial cycle, 13 have non-payments covering two cycles and 14 have non-payments covering three cycles or more. It must also be underlined that 21 of the 53 States concerned by non-payments are observer States, and that they collectively owe slightly more than \$16,000 (or roughly 1/2 of the non-payments).

9. Late payments together with accumulated deficits make the situation increasingly challenging. Costs incurred by the UN in one financial cycle are only settled several months in the following year with contributions provided for the following cycle. This obviously implies that the financial problem is at this stage being pushed into future and is likely to worsen unless appropriate measures are put in place.

### **IV. Measures implemented or considered to address financial challenges**

#### **Measures already implemented in the context of the CCM**

10. A number of measures have already been implemented by the CCM MSP, the CCM Presidency or the UN in the last few years to address financial challenges.

11. Financial issues has been included on the agenda of meetings of the Convention, including presentation by UN services, and texts has been included in their final document calling States to pay assessed contributions in full and in a timely manner and requesting that outstanding arrears be paid promptly.

12. The Presidency has contacted States Parties that were late in their payment or that had arrears on a regular basis, underlining the difficulties posed to the Convention as a result and encouraging them to settle all dues as rapidly as possible.

13. The United Nations has been issuing a monthly update on the status of assessed contributions on its website and informed the Convention's Coordination Committee of the financial situation at each of its meeting. The United Nations is also now sending individualised digital invoices to States, and not simply posting them on the UNOG website.

#### **Measures considered or adopted by other disarmament conventions**

14. If these measures have been useful (in particular to help build awareness of the financial situation), they have not been sufficient to ensure the financial sustainability of the

Convention. A number of other measures will be necessary to achieve this objective. A number of such possible additional measures have already been discussed in the framework of the Convention and/or adopted by other treaties in a similar situation (i.e. conventions based in Geneva and whose formal meetings are organised by the UN).

15. In order to improve predictability, consideration has been given to the question of the billing of States not party participating in the MSP. This is particularly topical for the CCM as States not party owe about 50% of total arrears. Today, observer States that have participated in past CCM meetings are included in the adjusted scale of assessment for the billing and invoiced ahead of the following meeting. If an observer decides not to participate in the event, this will become a liability for the UN. Accordingly, one option would be to invoice observers only after they have effectively taken part in a meeting. Another option is to not invoice observers at all, but this would require to amend CCM Article 14.1 Both the CCW (2017) and the BWC (2018) decided that they would invoice States other than States Parties retrospectively.

16. In order to address long-standing non-payments, measures have been adopted where each State that have arrears for two or more years have to inter into a payment schedule with the Presidency of the Convention, supported by the United Nations.

17. In order to discourage non-payment, different conventions have decided that arrears for unpaid contributions should remain the amount of the initial assessment invoiced to the relevant State Party for the year in question. Currently the State Party in arrears receives a final invoice reflecting its share of the actual costs which in the majority of cases is lower than the estimated costs. This effectively rewards a State Party for paying after the end of the financial year.

18. Diverse type of measures have been considered or adopted to address the liquidity challenge. This notably includes the following:

- The establishment of a contingency provision, which effectively takes the form of a one-time budget increase that is then rolled over. Both the Non-Proliferation Treaty and the Anti-Personnel Mine Ban Treaty established a contingency provision set at 15% of budget.
- The establishment of a working capital reserve. Capital reserves established under disarmament treaties rely on voluntary contributions and enables temporary drawdowns that are being repaid from the annual assessed contributions.
- The adoption by the MSP of cost estimates for not only the upcoming financial cycle but also the following one (i.e. adoption of cost estimate for a two-year period) and the issuing of invoices as rapidly as possible following the MSP (90 days before the start of the financial period) to encourage early payment and improve the liquidity in the first half of each year.

19. Another measure that has been considered or adopted to improve liquidity is to close the accounts for a given financial cycle not directly when the next one starts, but several months later (usually up to 12 months later) when a final balance will be determined and any credits or debits arising will be applied to the calculation of the contributions in the next invoice. Some conventions have adopted such a measure but the UN has indicated that it would not be in a position to implement it. As indicated in paragraph 4 above, the UN is not in a position to close books and return credits (unless all dues are collected) as it would have to assume liabilities which is contrary to its rules and regulations. The fact that books are not closed raises issue for States that have paid their contributions as it means that the credits that they may be owed are not returned.

20. One option to explore to meet both UN rules and regulations and expectations from States regarding the return of credits could be as follow a) upon the closing of accounts for a financial cycle, calculate and return credits based on the difference between paid contributions and actual expenditures (i.e. based on cash in hand), b) record the credits that could not be paid back to States in good standing with their obligations as they are not funded (due to unpaid assessment) and c) return these credits at a later date as arrears are actually paid, the periodicity of this settlement happening every three or five years.

## V. Options for consideration by the Review Conference

21. While it must be underlined that only payment of annual assessed contributions in full and on time can fully guarantee the financial sustainability of the Convention, a number of additional measures could be considered in order to improve the situation. These could include the following:

- Continue all the measures described in paragraphs 11 to 13 above, whether implemented by the MSP (item on the MSP agenda, presentation by UN services, text in final document), the Presidency (demarching of States late in their payment or with arrears) or the UN (monthly financial update, briefing of the coordination committee, individualized invoicing).
  - Request the ISU to circulate the monthly UN financial update on the status of assessed contributions to all States Parties to further build awareness and encourage timely payment.
  - Decide that a State whose contributions are in arrears for two or more years shall enter into a payment schedule with the President of the Convention and/or the United Nations to permit it to clear outstanding arrears.
  - Decide that States other than States Parties will be invoiced retrospectively for their participation in the MSP/RC.
  - Decide that arrears for unpaid contributions should remain the amount of the initial assessment invoiced to the relevant State Party for the year in question, unless expenditures are higher than initial cost estimates.
  - Establish a contingency provision in the yearly cost estimate amounting to 15% of the overall budget.
  - Request the United Nations to prepare a multi-year cost-estimate that covers a two-year period for the approval by States Parties and to issue invoices based on these estimates at least 90 days before the start of the financial period.
  - Request the United Nations to close the accounts for each financial period within 12 months of the conclusion of that financial period, at which time a) funded credits will be returned to States having paid their contributions, and b) unfunded credits will be recorded and returned at a later date as arrears are paid, this settlement occurring every 5 years.
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