

**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**

Geneva, 3-6 December 2019

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To the Permanent Representatives of the States Parties  
and Signatories to the Convention on the Prohibition  
of the Development, Production and Stockpiling of Bacteriological  
(Biological) and Toxin Weapons and on their Destruction

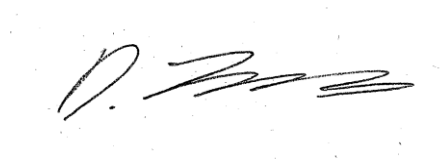
31 January 2019

**BIOLOGICAL WEAPONS CONVENTION – BUDGETARY AND FINANCIAL  
MATTERS**

Excellency,

I am writing with reference to the draft letter from the Chairman of the 2018 BWC Meeting of States Parties, Mr Ljupčo Jivan Gjorgjinski, which was circulated on 16 January 2019. I am now pleased to be able to send you the attached final version of the letter as it was sent to Ms. Anja Kaspersen, Director of the Geneva Branch of the United Nations Office for Disarmament Affairs and Mr. Clemens Adams, Director of Administration of the United Nations Office at Geneva on 31 January 2019. The letter provides additional clarification to assist the United Nations in understanding the intent of States Parties and to facilitate implementation of the measures approved by the Meeting of States Parties.

Please accept, Excellency, the assurances of my highest consideration.



Daniel Feakes  
Chief, BWC Implementation Support Unit



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## PERMANENT MISSION OF THE REPUBLIC OF MACEDONIA

TO THE UN, WTO AND OTHER INTERNATIONAL ORGANISATIONS IN GENEVA

N° 16 - 01 - 42/1

31 January 2019

Dear Mr. Adams,

Dear Ms. Kaspersen,

The States Parties to the BWC adopted a package of financial measures that aim to provide a better foundation for financial predictability and sustainability of the Convention. To do this, it was first necessary to understand all aspects and views, and only then to provide suitable measures. The Information Paper that the incoming Chair of the 2018 MSP was mandated to prepare (BWC/MSP/2018/5) aimed to clearly describe the current structure of finances – which would not have been possible to be done without the high quality of information provided by your kind offices, the Implementation Support Unit, and the valuable input provided by States Parties.

The States Parties to the BWC, understanding the serious and ongoing financial issues, adopted a set of financial measures, as set out in the Report of the Meeting of States Parties (BWC/MSP/2018/6, paragraphs 20-23). While some of these measures apply directly to States Parties (such as a call to all States Parties to seek to pay invoices at the earliest possible date, and where feasible, in advance of the beginning of the year), many require implementation by the United Nations Office of Disarmament Affairs and/or the United Nations Office at Geneva.

This letter provides additional clarification to assist the UN in understanding the intent of States Parties and to facilitate implementation of the measures approved by the MSP.

Mr. Clemens Adams,

Director of Administration of the UN Office in Geneva

Ms. Anja Therese Kaspersen,

Director of the UN Office for Disarmament Affairs in Geneva



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## PERMANENT MISSION OF THE REPUBLIC OF MACEDONIA

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### A. Measures to Encourage Timely Payment (paragraph 21)

Under this section, the UN Office at Geneva is requested to send invoices to States Parties at least 90 days prior to the start of the year for which the invoices apply (subparagraph (e)), following the successful practice of this year. This measure is intended to facilitate early receipt of contributions and thus ensure initial liquidity, but is problematic in practical terms if States Parties have not approved the budget for the year in question by that date. This is likely to be the case with respect to a) the year in which a Review Conference is held, and b) the first year of a new intersessional period. States Parties did not discuss this issue during their deliberations. I would therefore recommend that this question be addressed by the Chair in 2019 consistent with paragraph 24(b) and (c) of the MSP report.

### B. Measures to Ensure Liquidity (paragraph 22)

Working Capital Fund: In paragraph 22(a), States Parties agreed "to establish a Working Capital Fund (WCF), to be financed by voluntary contributions and used solely as a source of short-term financing pending receipt of reasonably-anticipated contributions". In order to fulfill the basic objectives of the WCF, voluntary contributions should be irrevocable: that is, contributions to the WCF should remain the property of the UN for the lifetime of the fund and cannot be withdrawn by the donor. Their use should also be unrestricted other than by the terms applied to the WCF as a whole (e.g., a donor should not be permitted to restrict use of a contribution exclusively to, e.g., temporary financing of expert meetings). Although no specific level was set for the WCF, a minimum target for planning purposes should be fifty percent of one year's estimated expenditure (\$759,900), as set out in my information paper (BWC/MSP/2018/5). Voluntary Contributions to the WCF should be accepted in accordance with the Financial Regulations and Rules of the United Nations.

Any interest earned on funds held in the WCF should accrue to the WCF.

To minimize the risk of the WCF being depleted, use of the WCF should be guided by the principle set out in paragraph 23(a): that is, total obligations for a given year should be limited to an amount based upon the average collection rate for the preceding three years until/unless collections exceed that level. For example, if that three-year average were 92 percent, the WCF should not be used to finance any expenditure for the year that would exceed 92 percent of the approved budget estimates. Any decisions on how to appropriate the 92% of the initially assessed contributions should preferably be made early in the year.





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States Parties agreed that in drawing on the WCF, priority should be given to funding the contracts of the ISU in order to ensure the continuity of programs and activities. In order to ensure such continuity and ensure the ability to attract and retain highly qualified personnel, the UN should seek, subject to the availability of funds, to provide the ISU contracts of a minimum 12 months' duration.

States Parties also agreed to review the functioning of the WCF at the Ninth Review Conference and to explore the possibility of financing via assessed contributions. The current WCF should be maintained, however, until and unless States Parties agree to replace or eliminate it. Should this happen, the WCF should be closed and funds returned to the original contributors unless otherwise directed by those contributors.

I strongly recommend that the WCF, and funds contributed to it, be maintained as a distinct sub-account within the existing BWC Special Account, with funds transferred between the WCF and the main account as needed; this will ensure maximum transparency and facilitate reporting and analysis.

Closing of Accounts: Paragraph 22(b) clarifies the procedure for closing of the annual accounts and provides for short-term use of any cash balances for liquidity purposes. It should be read in conjunction with paragraph 23 (b), (c), and (d). At the end of the financial year, a provisional cash balance is determined, taking into account income for the year actually received, expenditures made, and provision for any unspent obligations. The account for the financial year will remain open for a period up to 12 months (although accounts may be closed earlier to facilitate early issuance of invoices), at which time it is to be closed and a final cash balance determined. This balance will then be credited against the subsequent assessments of States Parties who paid their contributions for the year in question. In the interim, these funds may be used as an additional source of short-term liquidity. Thus the account for 2018 will be closed and final balances determined as of 31 December 2019, or on the date the account is closed.

### C. Measures to Avoid Deficit Spending/Accumulation of Liabilities

Limitation on financial obligations: States Parties agreed that financial obligations, in future, should be limited to reflect the reality that not all contributions are actually paid within the financial period to which they apply – specifically, limited to “an amount based on the average collection rate for the preceding three years.”



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**PERMANENT MISSION OF THE REPUBLIC OF MACEDONIA**  
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For 2019, the calculation would be as follows:

- 2016 percentage of invoiced contributions paid by December 31: 91.9%
- 2017 percentage of invoiced contributions paid by December 31: 94.4%
- 2018 percentage of invoiced contributions paid by December 31: TBD (93.07% as of 31/11/2018)
- Average of the above (using the 31 November figure to illustrate): 93.1%

Thus spending for 2019 should be held to approximately 93.1 percent of the approved estimates, or \$1,414,934, until and unless it is clear that collections for 2018 will exceed that amount. Obviously, this figure should be adjusted to take into account any contributions received in December of 2018.

Calculation of Arrears, Credits, and contributions from States Not Party: The MSP agreed that in future, credits should be calculated as the difference between income received for the year and actual expenditure – that is, any residual cash should be returned to those member states that contributed, on a *pro rata basis*. Consistent with this approach, it also agreed that the arrears of States Parties that have not paid should remain the amount originally invoiced – as opposed to the previous system, which effectively awarded States Party for paying after the end of the financial year.) It also agreed that signatory and non-signatory observer states should contribute to the costs of the meetings they attend on the basis of their shares in the UN Scale of Assessments. Such participation cannot be reliably anticipated, so such states should be invoiced at the time of closing of the account, on the basis of the approved budget estimate for the meeting in question.

To illustrate this calculation, as well as the closing of accounts process described in the previous section, I provide the following (hypothetical and illustrative) example:

1. Amount invoiced for Financial Year A:	\$1,519,800
2. Contributions received from States Parties by Dec. 31:	\$1,448,000
3. Financial obligations incurred for Financial Year A:	\$1,400,000
4. Outstanding arrears for Financial Year A:	\$ 71,800

The provisional cash balance for Financial Year A is thus \$48,000 (subtract line 3 from line 2 ), which may be used as a temporary source of liquidity until such time as it is credited back to States Parties. The accounts for Year A remain open for a further period of up to 12 months (until the end of Financial Year B).





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At the end of this period, a final cash balance is determined by crediting to the provisional cash balance:

- Any arrears in respect of Financial Year A received during this period (let us assume a further \$20,000 is collected)
- Any adjustments to financial obligations for Financial Year A (assume a \$4,000 saving in final translation costs for the MSP)

The final cash balance would then become \$72,000, which would be provided to States Parties who had paid their contributions as a credit against their next invoices.

Arrears for years prior to 2018 should be dealt with separately. Given the method used to calculate these amounts, such arrears represent both an amount due AND a liability, as the arrears were calculated on the basis of actual expenditure. Payments against these arrears should therefore be used to offset these liabilities. This should be done transparently, but the UN should find the best way to track and reflect this information.

#### **D. Further Measures**

This section of the Report largely consists of a charge to the 2019 Chair and MSP; however, it requests regular reporting from the UN Office at Geneva and the Office of Disarmament Affairs on expenditure, collections, and use of the WCF. The current “status of contributions” report and cashflow document are useful, but the clear intention of States Parties is that they should be augmented:

- With respect to the Working Capital Fund, reports should show the total amount of any new contributions to the fund, the overall level, and progress toward the target level. Any use of the fund to meet operating costs, as well as replenishment following such use, should also be shown.
- With respect to income, reporting should continue to show the status of contributions received. It would be useful to add the total collected (in addition to the total outstanding, which is currently provided) and the percentage of contributions received.
- With respect to expenditure, both financial obligations and, if possible, the status of disbursements against those obligations should be reported.



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These data should be reported monthly. In addition, an annual statement should be generated reporting on provisional and final cash balances for preceding years, year-end fund balances, and outstanding receivables (assets) and liabilities.

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The package of measures adopted during the 2018 MSP can be instrumental in providing better financial predictability and long-term sustainability of the Convention. States Parties and your kind offices – all of us together – may indeed be proud to have contributed with focused commitment and dedication to long-lasting peace, which is the reason for existence of the BWC and other such conventions.

Please accept, Ms. Kaspersen, Mr. Adams, the assurances of my highest consideration.

Ljupčo Jivan Gjorgjinski

Minister Counsellor and Chargé d'Affaires

of the Republic of Macedonia in Geneva

Chair of the 2018 BWC Meeting of States Parties