

Fourteenth Meeting of the States Parties
 Concept note on strengthening financial governance and transparency within the ISU

In 2001 the Third Meeting of States Parties decided to establish an Implementation Support Unit (ISU) for the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction. In 2011, a new agreement was concluded between the States Parties and the GICHD clarifying the housing arrangements for the ISU and the financial oversight. However the States Parties did not adopt a comprehensive framework specifying how the ISU should manage its finances and interact with the Coordinating Committee and the States Parties on budgetary issues.

Hence, the practice has set in to collect funds and spend them in the same year. It worked well as long as the contributions from the States Parties materialized at a level equal or higher from one year to another. When contributions followed a downward trend however, as happened in 2014, a deficit could not be avoided. The GICHD, which covered the deficit from its own reserves, understandably asked States Parties to take corrective action.

For this reason, the Presidency proposes to adopt a decision at the 14th Meeting of the States Parties that would establish a more rigorous budgeting process. The purpose is to introduce proper financial management along with increased transparency, predictability and accountability, and to achieve this while upholding the principle of ensuring the functioning of the ISU by means of voluntary contributions only. When this more rigorous budgeting process would be adopted, it would strengthen the relationship between the States Parties and the ISU, i.e. increase the sense of ownership of the work performed by it. In turn, it would have a positive influence on the flow of voluntary contributions.

Elements suggested to be included in such a decision are:

1. Introduction of four-year work plans with budgetary estimates.
 - Meetings of the States Parties or, as the case may be, Review Conferences should at regular four year intervals adopt a four-year work plan identifying, on the one hand, the expected workload of the ISU and, on the other, the estimate of the budgetary cost, indicated year by year. The rough estimates of the different categories of expenditures would be specified : personnel, travel, communication, public relations, etc...
 - The first four-year work plan would cover the years 2016, 2017, 2018 and 2019, would be aligned with the Maputo Action Plan and would be presented to the 14th Meeting of the States Parties for adoption.
 - The four-year work plans would distinguish between “core support” activities to be performed by the ISU and “enhanced support” activities that could be taken on by the ISU only when resources permit. In the budgetary estimates part, the four-year work plans would hence distinguish between “expenditures related to core support” and “expenditures related to enhanced support”.

- The existence of four-year work plans would clarify the ISU needs over time. They could constitute an encouragement for States Parties to plan their contributions on a multi-annual basis.
- Four-year work plans are to be submitted at least 60 days before the opening of, as the case may be, the Meeting of the States Parties or the Review Conference at which they are scheduled to be adopted.

2. Yearly budgets.

- Every year, through the Presidency, the ISU would propose for approval by, as the case may be, a Meeting of States Parties or a Review Conference, a yearly budget within the range and limits of the applicable multi-year work plan, both in terms of basic expenditures and expenditures related to enhanced support contained therein.
- Early in each ensuing year, as a rule, a conference would be held to collect pledges and contributions and obtain an overview of the funds that can be expected for the current year as well as for the foreseeable period. Considering that the ISU provides services of interest to the Convention as a whole, all States Parties should consider it a duty to make contributions. States Parties who are in a position to do so would even be invited to make multi-annual pledges in accordance with the four-year work plan. The pledging conference would be chaired by the Presidency-designate.
- Yearly budgets are to be submitted at least 60 days before the opening of the Meeting of the States Parties or the Review Conference at which they are scheduled to be adopted.
- At each meeting of the Coordinating Committee, the ISU shall provide an update of the contributions received and of the expenditures paid out as well as a schedule of its planned activities, upon which the Coordinating Committee may decide to provide guidance to the ISU in order to avoid any situation of shortfall.

3. Adoption of a financial security buffer.

- The four-year work plans and the yearly budgets would provide for the progressive constitution and thereafter maintenance of a financial security buffer. Once up and running, the financial security buffer would carry at all times an amount equivalent to one year of expenditures related to core support as provided for in the yearly budget and thus guarantee the basic operation of the ISU for any foreseeable year.
- The financial security buffer would be called upon only in case of a shortfall in contributions at the closure of the accounts of a given year. Its only permitted use would be to reimburse the GICHD for the cash advances it would, as at present, continue to consent on a voluntary basis to the ISU in the course of that year. As a rule, the financial security buffer would cover only the deficit attributable to core support activities. The Coordinating Committee would be required to allow calls on the financial security buffer when the said conditions are fulfilled.
- Both the budgetary estimates of the first four-year work plan and the yearly budget for 2016 to be submitted to the 14th Meeting of the States Parties would prioritize the build-up of the financial security buffer with the objective of reaching the desired level at the closure of year 2019 at the latest. The financial security buffer would be constituted from contributions that do not preclude such a use.

4. Management of expenditures related to core support and of the financial security buffer.
- Shortly after the closure of the accounts of a given year, the ISU would provide the Coordination Committee with the financial situation resulting from the implementation of the yearly budget of the preceding year.
 - When contributions would have covered the expenditures related to core support provided for in that budget and leave a surplus, that surplus will be provisionally placed in the financial security buffer. At the next occasion, as part of the yearly budget approval process, the Meeting of States Parties or the Review Conference would decide on how to apportion the surplus.
 - When contributions would not have been sufficient to cover the expenditures related to core support provided for in the budget of the preceding year, the Coordination Committee would be under the obligation to call on the financial security buffer to reimburse the GICHD for the shortfall. It would simultaneously be under the obligation to depart from the budget adopted for the current year :
 - either, by instructing the ISU to reduce the expenditures related to core support of the current year with an amount identical to the shortfall of the preceding year,
 - or, by ordering the set aside of contributions of the current year to the financial security buffer up to an amount at least identical to the shortfall of the preceding year, and this, in addition to the amount ordered to be set aside in the budget adopted for the current year,
 - or, by a combination of these two measures.

The Coordinating Committee would report on these actions to the next Meeting of States Parties or Review Conference.

- As from the budget for the year 2020, the Meeting of the States Parties or the Review Conference would be held to the firm rule that the yearly budget they adopt for expenditures related to core support would not exceed the amount available in the financial security buffer. This would guarantee that the ISU would be in a position to implement the budget as planned. At the same time, it would constitute a strong incentive to maintain the financial security buffer at the level commensurate with the ambitions which the States Parties have in terms of expenditures related to core support of the ISU.
5. Activities and expenditures related to enhanced support.
- Activities and expenditures related to enhanced support would be taken on by the ISU under two conditions. First, that earmarked resources for them have been identified in advance of the adoption of the budget either in the form of paid contributions or at least of written pledges. Second, that the enhanced support activities can be performed without prejudice to the implementation of the core support activities of the ISU.
 - As a consequence, the yearly budget would include expenditures related to enhanced support only if the expenditures related to core support are provided for in the form of a sufficient financial security buffer. Concretely, during the transition period, while the buffer has not reached the level required to cover the expenditures related to core support, no expenditures related to enhanced support would be planned in the yearly budgets.

- Expenditures related to enhanced support can be financed from surplus financial means not needed for the financial security buffer if the Meeting of States Parties or the Review Conference so decides as part of the yearly budget approval process.
- In case contributions towards expenditures related to enhanced support do not materialize, the Coordination Committee would be in a position to order the immediate discontinuation of the implementation of the activities related to enhanced support.

6. Extra-budgetary activities.

- The ISU can undertake activities or projects that do not feature in its yearly budget, including at the invitation of State Parties or third parties not signatory to the Convention, when full additional financing is being provided in the form of paid contributions or at least of written pledges and when the Coordinating Committee is consenting thereto.
- The Coordinating Committee would only give its consent when it is satisfied that there is no cross-subsidization from ISU resources covering expenditures related to core support or to enhanced support and when these extra-budgetary tasks can be taken on without prejudice to the implementation of the core support activities and the enhanced support activities of the ISU.
- Furthermore, extra-budgetary activities could be taken on only when the expenditures related to core support are provided for in the form of a sufficient financial security buffer. Concretely, during the transition period, while the buffer has not reached the level required to cover the expenditures related to core support, no extra-budgetary activities would be accepted.
- In case contributions towards extra-budgetary expenditures do not materialize, the Coordination Committee would be in a position to order the immediate discontinuation of the implementation of extra-budgetary tasks.

7. Reporting.

- The ISU would submit an annual report on the implementation of its budget. This report would integrate the reporting elements owed by the Coordinating Committee under 4. above.

A draft decision will be submitted to the States Parties for comments in open-ended working group format and subsequently presented to the 14th Meeting of the States Parties.
