



OPCW

**Advisory Body on Administrative and
Financial Matters**

Thirty-Ninth Session
31 August – 3 September 2015

ABAF-39/1
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**REPORT OF THE THIRTY-NINTH SESSION OF THE ADVISORY BODY ON
ADMINISTRATIVE AND FINANCIAL MATTERS**

1. Opening of the session

- 1.1 The Thirty-Ninth Session of the Advisory Body on Administrative and Financial Matters (ABAF) was held from 31 August to 3 September 2015. The following members participated: Ms Katrina Leonard-Johnston, Mr Nikolay Lozinskiy, Ms Mary B. Rios (Chairperson), Ms Gönke Roscher, Mr Khodayar Rouzbahani, Mr Hiroshi Sanomura, and Mr Zhongkun Hu. Mr Max McClellan, Mr Shoaib Sarwar, and Mr Takao Yoshizawa attended as observers.
- 1.2 The list of documents presented to the ABAF for this session is included as an annex to this report.
- 1.3 The Deputy Director-General of the Technical Secretariat (hereinafter “the Secretariat”) of the Organisation for the Prohibition of Chemical Weapons (OPCW) welcomed the ABAF members. Referring to the agenda for the session, the Deputy Director-General noted that a number of important issues were to be addressed, in particular the draft Programme and Budget for 2016 (EC-80/CRP.1, dated 3 July 2015).
- 1.4 With regard to the draft Programme and Budget for 2016, the Deputy Director-General stated that this document had been prepared over a number of months. He stated that the Secretariat had sought to further strengthen the links between its operational plans and strategic planning documents when preparing the Programme and Budget, as the work programmes for 2016 must fit within the framework of the strategic thinking of the Organisation. The Deputy Director-General declared that the core objectives of the Organisation will remain unchanged and that the Secretariat will continue to be committed to the full implementation of results-based management (RBM). In this regard, he added that the programme objectives and key performance indicators (KPIs) had been further strengthened and streamlined. Addressing the core activities of the Organisation, the Deputy Director-General stated that efforts will continue to verify the destruction of chemical weapons stockpiles and prevent their re-emergence and noted that 64 Article IV and V inspections, as well as 241 Article VI-related inspections, would be conducted in 2016. Addressing the number of inspector days, the Deputy Director-General affirmed that a total of 7,677 days will be required in 2016, 44% less than in 2015.



- 1.5 After briefly outlining the Secretariat's planned programme of work for 2016, incorporating the areas of education and outreach, national capacity development, and contingency operations (including the Capacity-Building and Contingency-Planning Cell), the Deputy Director-General turned to resource requirements, stating that the draft Programme and Budget for 2016 totals EUR 68.1 million, which reflects a EUR 1.2 million decrease in comparison to the Programme and Budget for 2015.
- 1.6 The Deputy Director-General outlined the efforts of the Organisation to seek staff efficiencies and stated that the number of fixed-term posts will reduce to 462 in 2016, down from 481 in 2015. The Deputy Director-General added that 19 posts are to be abolished and 28 posts downgraded. These adjustments to the staffing table will see staff costs reduce by EUR 2.2 million compared to the 2015 Programme and Budget.
- 1.7 The Deputy Director-General outlined the planned steps in the Programme and Budget facilitation and approval process and concluded by stating that the Organisation is concerned by its current cash position. In this regard, he stated that the primary sources of income to fund budgeted activities are assessed contributions and reimbursements relating to Article IV and V inspections, and that the late or non-payment of assessed contributions and inspection reimbursements is creating a serious cash flow issue, which the Working Capital Fund may not be able to fully cover.

2. Election of the Chairperson of the ABAF

Under Rule 4 of its Rules of Procedure (Annex 2 of ABAF-27/1, dated 3 September 2009 and Corr.1, dated 15 October 2009), the ABAF **elected** Ms Mary B. Rios as its Chairperson for one year.

3. Adoption of the agenda

The ABAF **adopted** the following agenda:

1. Opening of the session
2. Election of the Chairperson of the ABAF
3. Adoption of the agenda
4. Review of the report of the previous session
5. Status of the 2015 financial performance (first half of 2015)
6. Draft Programme and Budget for 2016 (including the Medium-Term Plan and the programme performance report for 2014)
7. Any other business
8. Next session and agenda
9. Adoption of the report

4. Review of the report of the previous session

- 4.1 In paragraph 8.8 of ABAF-38/1 (dated 3 June 2015), the ABAF requested that more detail be provided on the estimated total cost of the enterprise-resource-planning (ERP) project at its Thirty-Ninth Session, once more information was available following the evaluation of potential solutions. The ABAF was informed that during the past several months the Secretariat had conducted a thorough review of its business processes. It was also informed that a request for information had been sent to potential suppliers and that ERP product evaluations would be conducted in September 2015. The ABAF was told that the Secretariat would have a clearer picture of indicative project costs by the end of October 2015 and that it aimed to select a potential supplier or suppliers by the end of 2015. The ABAF was advised that the Secretariat will continue to provide the Council with updates on the implementation of the project, as required by the decision on ERP by the Conference of the States Parties (hereinafter “the Conference”) at its Nineteenth Session (C-19/DEC.7, dated 3 December 2014). The ABAF **requested** that it be briefed on the project’s progress at its next session.

5. Status of the 2015 financial performance (first half of 2015)

- 5.1 The ABAF **reviewed** the report by the Director-General entitled “OPCW Income and Expenditure for the Period 1 January to 30 June 2015 (First Half of the Financial Year ending 31 December 2015” (S/1298/2015, dated 21 July 2015) and **noted** that 77.68% of the assessed contributions for 2015 had been received as at the report date, consistent with the 78.97% received in the same period in 2014. The ABAF **received** a further update on the status of assessed contributions as at 31 August 2015 and **noted** the collection rate of 87.5%, leaving an outstanding balance of EUR 8.2 million. Although nine States Parties have paid in full since 30 June 2015, the ABAF **noted with concern** the fact that several major contributing States Parties, which usually settle their assessed contributions by the end of August, were behind schedule with their payments this year.
- 5.2 The ABAF was informed that while 2014 budgetary implementation was around 98%, 4.6% (EUR 3.1 million) of the 2014 assessed contributions still remained outstanding and EUR 3.1 million of Article IV and V inspection mission costs for 2014 had not been reimbursed by States Parties. Thus, a gap between cash collected and disbursed with regard to the 2014 Programme and Budget might result in a final cash deficit for that year, which would be calculated in accordance with Financial Regulation 6.3.¹ The ABAF **encouraged** States Parties to pay their current and prior years’ assessed contributions in a timely manner to ensure that the cash flow situation and programme implementation of the Organisation are not negatively affected.

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At the end of the twelve-month period after each financial period, the cash surplus for the financial period shall be determined by crediting to the provisional cash balance: any arrears of prior years’ contributions received during that period; any savings from the provisions made for unliquidated obligations pursuant to Regulation 6.2(b); and any receipts of miscellaneous income relating to prior years.

- 5.3 As in previous sessions, the ABAF **expressed concern** that, as at 30 June 2015, 32 States Parties were in arrears in respect of annual contributions assessed for previous years, in an amount equal to or exceeding the amount of contributions due from them for 2013 and 2014.² The ABAF **reviewed** a Note by the Director-General reporting on the status of implementation by States Parties of agreed multi-year payment plans (EC-80/DG.6 C-20/DG.7, dated 28 August 2015) that detailed the status of multi-year payments plans as at 25 August 2015 and **recommended** that the Executive Council (hereinafter “the Council”) continue to encourage these States Parties to regularise the payment of their outstanding annual contributions, if necessary by making use of the multi-year payment plans developed to that end, which had been approved by the Conference at its Eleventh Session (C-11/DEC.5, dated 7 December 2006).
- 5.4 The ABAF **noted with concern** the cumulative outstanding balance of EUR 3,433,061 for reimbursements relating to inspections invoiced under Articles IV and V and **requested** the Secretariat to advise on the steps being taken to recover these amounts, given the adverse impact non-payment would have on the Organisation’s cash position. The ABAF was informed that the normal procedures in terms of payment follow-up are being adhered to, in accordance with the Convention. The ABAF **reiterated** its concern regarding the impact of non-payment and **recommended** that the Council address this issue.
- 5.5 The ABAF **reviewed** the status of appropriations by funding programme and was advised that the 2015 Programme and Budget was 60% obligated at the end of June 2015, which was higher than a linear rate of implementation but not unusual in international organisations at the midpoint of the financial year. This was due to the advance obligation of contracts, higher than budgeted staff costs, and the impact of funding deployments of the OPCW Fact-Finding Mission in Syria. The ABAF was informed that staff costs were above budget due to a reduction in the vacancy rate, an unexpected increase in the Post Adjustment Multiplier (PAM) resulting from a United Nations review, and the adverse impact of the appreciation of the United States dollar against the euro. The ABAF was advised that the Secretariat is in the process of implementing mitigating measures to protect against any potential budget deficit and is carefully monitoring the budget through the quarterly budget tracking reports, which were introduced in 2014. The ABAF **commended** the efforts made to ensure the effective and efficient use of resources and **encouraged** the Secretariat to continue to make every attempt to utilise available allotments to the maximum extent possible.
- 5.6 The ABAF was informed that the Secretariat is continuing to implement its 2015 programme of work independent of the challenges caused by the late payment of assessed contributions of previous years and Article IV and V invoices, as

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Paragraph 8 of Article VIII of the Chemical Weapons Convention (hereinafter “the Convention”) states the following: “A member of the Organization which is in arrears in the payment of its financial contribution to the Organization shall have no vote in the Organization if the amount of its arrears equals or exceeds the amount of the contribution due from it for the preceding two full years.” In assessing Member States’ voting rights in any given year, the Secretariat, following past practice, does not factor into its calculation of arrears any amounts still outstanding for the current year, and takes into account only amounts outstanding from annual assessments for previous years. Member States that joined the Convention during the preceding two years are not included in this assessment.

mechanisms for short-term solutions are available to address cash-flow shortfalls, such as utilisation of the Working Capital Fund. The ABAF was advised that although current forecasts indicate that the cash balance could fall below zero before 31 December 2015—unless the Working Capital Fund and other mechanisms are utilised—this should not have an impact on the implementation of the 2015 programme of work. The ABAF **recommended** that careful monitoring of the cash flow position continue and **reiterated** its recommendation that all States Parties comply with their obligations under the Convention.

6 Draft Programme and Budget for 2016 (including the Medium-Term Plan and the programme performance report for 2014)

- 6.1 The ABAF **received** a briefing on the main highlights of the draft Programme and Budget for 2016, which has once again been prepared following RBM principles. The ABAF **noted** that the proposed budget for 2016 totals EUR 68.1 million, EUR 1.2 million less than the approved budget for 2015 and EUR 5.2 million less than the budget for 2014. The ABAF **also noted** that the 2016 budget requires annual assessed contributions of EUR 66.6 million, which represents an increase of 1.6% in comparison to the assessed contributions for 2015, given the EUR 2.1 million reduction in budgeted income from the reimbursement of Article IV and V inspections.
- 6.2 The ABAF **expressed appreciation** for the Secretariat's continued efforts to implement RBM and its improvements to the budget formulation process, notably the progress made in strengthening the links between the operational plan, as reflected in the Programme and Budget, and strategic guidance documents, such as the Medium-Term Plan (MTP) (EC-77/S/1 C-19/S/1, dated 23 April 2014). The ABAF **encouraged** the Secretariat to continue its efforts to strengthen the budget process, including its work reviewing and sharpening programme objectives and KPIs. The ABAF **welcomed** the use of zero-based and activity-based costing when formulating the 2016 budget estimates, as well as the increased use of standard costing. It **also expressed appreciation** for the revisions that have been made to the format of the Programme and Budget document, which better highlight links between objectives, strategies, activities, and resources.
- 6.3 Notwithstanding these continued improvements, the ABAF **encouraged** the Organisation to take further steps to implement RBM and **recommended** that the format of the Programme and Budget be strengthened in future years by presenting financial information by objective rather than by the organisational structure, to better highlight the link between financial resources and results, consistent with best practice in a number of other international organisations. The ABAF was advised that the Secretariat had been looking into ways to improve the presentation of financial data consistent with this recommendation and **added** that the recent initiatives to link resource requests to specific programme activities and objectives, which were introduced for the 2016 Programme and Budget, were important steps in this regard. The ABAF **noted** these comments with satisfaction and **also recommended** that more details of cross-cutting strategies (e.g. knowledge management and education and outreach) be included in future budget documents.
- 6.4 The ABAF **noted** that the draft Verification Programme budget reflects an overall increase of 12.5% against 2015, mostly due to increases for equipment and supplies.

The ABAF **also noted** that in Annex 9 of S/1298/2015, the balance of the special account for designated laboratories totalled EUR 761,570 at the end of June 2015. The ABAF was informed that this balance will be used to partially fund the procurement of a nuclear magnetic resonance spectrometer and that the special account will be reduced to a level that is appropriate to cover contingencies for off-site analysis and emergency equipment needs.

- 6.5 The ABAF **noted** that the draft Inspections Programme budget reflects an overall decrease of 15.3% from the 2015 level and provides for a net reduction of 24 staff. The ABAF was informed that the number of inspectors budgeted for 2016 is determined by the number of inspector missions/days and staffing requirements to implement the programme's core activities, as detailed in its KPIs, and is considered by the Secretariat to be adequate to perform the planned programme of work. The ABAF was briefed on the issue of contingency operations and was informed that, although resources are provided to cover contingency operations planning, no funds have been included in the 2016 Programme and Budget to cover contingency operation deployments. This is because the budget was formulated based on the planning assumption that there would be no such deployments in 2016. The Secretariat advised the ABAF that it was looking into how contingency operations could be funded and outlined a proposal to fund them through a special fund or special account and/or extra-budgetary resources as an alternative to the regular budget. The ABAF **expressed support** for the special fund or account as an option and **recommended** that a mechanism be considered similar to the one used to establish the special fund for the ERP project or the special account to fund verification and inspection equipment requirements. The ABAF **also expressed support** for the Secretariat's proposal to use the 2013 cash surplus as the seed money for the new special fund or account, noting that this would require a decision by the Conference.
- 6.6 The ABAF **noted** that the draft International Cooperation and Assistance Programme budget reflects an overall increase of 15.8%, which it believed is ambitious. The ABAF **questioned** the rationale behind the increase and was advised that the budget reductions planned in the Inspections Programme provided an opportunity to augment the current level of International Cooperation and Assistance Division (ICA) activities, which fitted in with the strategic direction included in the MTP. The ABAF **also noted** that careful planning is needed to ensure that programmes of work do not go beyond the scope of the Convention. The ABAF **recommended** that a prioritisation of planned ICA activities should take place, with a view to reducing the number, in case the need arises to minimise the impact of the proposed increase on the assessed contributions that will be required to fund the overall 2016 Programme and Budget.
- 6.7 The ABAF was briefed on the planned programme of work and resource requirements of the Office of Strategy and Policy for 2016. Although no significant changes are requested, the ABAF **encouraged** the Office to play an active role in improving the coordination of cross-cutting issues between relevant programmes, such as knowledge management and education and outreach.
- 6.8 The ABAF was briefed by the Office of Internal Oversight (OIO) on its proposed programme of work for 2016. Although the OIO proposes no new staff positions, the

ABAF **expressed concern** about the issue of vacancies and **reiterated** its recommendation that the recruitment of OIO fixed-term posts be expedited as quickly as possible in order to prevent a negative impact on the audit plan, as was the case in 2013. The ABAF also **cautioned against** the automatic downgrading of posts when they become vacant, given the plan to downgrade the Internal Auditor position once the incumbent leaves the Organisation.

- 6.9 The ABAF was briefed by the Office of Confidentiality and Security (OCS) on its draft budget for 2016, which increases by 16.7% against 2015. The ABAF was informed that the planned budget increases are primarily the result of a EUR 300,000 provision for a Security Control Centre (SCC) upgrade, a EUR 120,000 project to replace the Security Incident and Event Management system deployed in both the Security Critical and Security Non-Critical Networks and a provision to provide for additional Secure Information Exchange security penetration testing. The ABAF **questioned** what the risks would be to the OPCW if the SCC upgrade were not implemented and was informed that the investment is important, as the current systems have not been upgraded for 10 years and will soon be unfit for purpose. The ABAF was informed that the failure of the SCC systems could pose significant security risks and that the upgrades could not be implemented following a phased approach. The ABAF **noted** the potential risks and **recommended** careful consideration of the 2016 resource requests, which would provide a facility that meets the latest industry standards and enables the Organisation to effectively respond to any crisis and/or major security incident.
- 6.10 The ABAF was briefed by the Office of the Legal Adviser (LAO) on its 2016 programme of work. The ABAF was informed that the Office had significantly changed its KPIs for 2015 in order to better reflect its planned results. The ABAF **noted** that the new KPIs do not measure the positive impact of the work of the LAO and **recommended** that this be addressed in future budget proposals. The ABAF **questioned** the staffing level of the Office based on the projected high workload and **recommended** that fixed-term staffing be set at a level that meets longer-term needs, as this would eliminate the dependency on long-term special-service agreements. The ABAF **also questioned** the current practice of decentralising legal advice to the programmes, such as ICA and Administration, rather than consolidating all resources within the LAO. The ABAF was informed that there are strong arguments for having dedicated Legal Officers within the programmes, given the specialised nature of the work they perform. The ABAF **recommended** that the activities of the Legal Officers be closely coordinated to avoid duplication and ensure due diligence in all legal matters.
- 6.11 The ABAF **noted** that the draft Administration Programme budget proposal reflects an overall increase of 3.1% compared to 2015. The ABAF was informed that the increase is primarily due to the transfer of the Head, Protocol and Visa Branch (P-5) post from the External Relations Programme to create the post of Senior Knowledge Management Officer (P-5), with responsibility for coordinating Organisation-wide knowledge management activities; and the transfer of two general-services (GS) visa services posts from the External Relations Programme as part of the initial steps in the Organisation's transition project. Other programme increases are the result of the transfer of a GS post from the Inspections Programme to create the post of Senior Training Clerk, and a provision for legal and meditation consultancies within the

Human Resources Branch. The ABAF was advised that the visa function is proposed for transfer in order to consolidate it with the travel function, as is the practice in some other international organisations.

- 6.12 The ABAF **commented** that knowledge management was identified as a priority by the Third Special Session of the Conference of the States Parties to Review the Operation of the Chemical Weapons Convention and that past Programme and Budget proposals had addressed this issue. The ABAF **noted** that although the 2016 Programme and Budget proposal includes several requests for new staffing and associated knowledge management tools, there was no clear strategy provided on how this cross-cutting initiative would be implemented. The Secretariat then outlined the planned Organisation-wide approach to developing knowledge management capability, following which the ABAF **recommended** that the Organisation set up mechanisms, such as a task force, to plan and coordinate activities in order to ensure efficiencies and avoid overlaps in strategy implementation.
- 6.13 During the programme briefings the ABAF **raised** a number of questions on operational efficiencies that the Organisation is implementing to ensure the optimal use of financial resources. The ABAF was briefed on a number of individual initiatives being taken but **noted** that a cross-cutting, Organisation-wide approach to this issue could produce more comprehensive results. The ABAF **recommended** that future Programme and Budget documents include an annex detailing planned efficiencies and the projected savings that they will deliver. The ABAF **requested** that a briefing be provided at its next session on current recruitment processes and procedures, with a view to identifying possible efficiency savings.
- 6.14 The ABAF **received** the MTP for the period from 2015 to 2019 (EC-77/S/1 C-19/S/1). This document had been discussed at its Thirty-Sixth Session and the ABAF had noted that the current document featured several plausible scenarios for the future operating environment. The ABAF **received** an update stating that the Secretariat has begun the process of revising the MTP so that it defines a future vision for the Organisation based around a single strategic scenario. It was also informed that views from States Parties on the vision paper entitled “The OPCW in 2025: Ensuring a World Free of Chemical Weapons” (S/1252/2015, dated 6 March 2015) are being taken into consideration as part of the drafting process, as revising the MTP without addressing States Parties’ comments on the vision paper would be premature, given that their feedback will shape its development. The ABAF was also informed that the Secretariat aims to issue a revised MTP by the end of 2015.
- 6.15 The ABAF **reviewed** the “Programme Performance Report for the Year 2014” (S/1267/2015, dated 20 April 2015 and Corr.1, dated 18 May 2015). The ABAF once again **noted** the importance of this document and **encouraged** the Secretariat to utilise the report, and notably the lessons learned, in its future planning. It **also encouraged** the Secretariat to further improve the format of the document. The ABAF **further encouraged** States Parties to review the document thoroughly, consistent with the principles of RBM.

7. Any other business

Status of the implementation of the External Auditor's recommendations from 2013 and 2014

- 7.1 The ABAF was briefed on the report on the status of implementation of the recommendations of the External Auditor from both 2013 and 2014 (EC-77/S/2, dated 5 August 2014 and EC-80/S/2, dated 26 August 2015). With regard to the recommendations from 2013, the ABAF was informed that all had been implemented, with two exceptions: one related to restructuring the Secretariat and one addressing the reimbursement of verification activities in Libya and the Syrian Arab Republic, both of which had been carried forward into 2014. The ABAF **noted** the current status of the recommendations from 2014, which had recently been issued, and was satisfied with the steps being taken to address them. The ABAF will continue to monitor their status at future meetings and **requested** a further update on their implementation at its Fortieth Session. The ABAF **also requested** that the status report on the External Auditor's recommendations be presented at the spring ABAF session in the future.

Recommendation for write-offs of irrecoverable accounts receivable and of losses of assets

- 7.2 Financial Regulation 10.5 of the OPCW stipulates that the write-off of losses exceeding EUR 500 per item and exceeding a total amount of EUR 10,000 in a given financial period is subject to the recommendation of the Council and the approval of the Conference. A total amount of EUR 4,633.69, including losses of assets and irrecoverable accounts receivable, will be presented to the Council for consideration at its Eightieth Session.
- 7.3 The ABAF **commended** the Secretariat on its pro-active approach to reducing the level of write-offs and **encouraged** the Secretariat to apply lessons learned to strengthen its procedures to reduce these amounts in the future.

8. Next session and agenda

The ABAF **adopted** the following provisional agenda for its Fortieth Session, which will be held from 6 to 10 June 2016:

1. Opening of the session
2. Adoption of the agenda
3. Election of the Vice-Chairperson
4. Review of the report of the previous session
5. Status of the 2016 financial performance (first quarter of 2016)
6. Financial Statements of the Organisation for the Prohibition of Chemical Weapons and the report of the External Auditor for the year ending 31 December 2015

7. Report of the Office of Internal Oversight for the year ending 31 December 2015
8. Any other business
9. Next session and agenda
10. Adoption of the report

9. Adoption of the report

The ABAF **adopted** the report of its Thirty-Ninth Session on 3 September 2015.

Annex:

List of Information Papers and Other Documents Presented to the Advisory Body on Administrative and Financial Matters at its Thirty-Ninth Session

Annex

**LIST OF INFORMATION PAPERS AND OTHER DOCUMENTS
PRESENTED TO THE ADVISORY BODY ON ADMINISTRATIVE AND
FINANCIAL MATTERS AT ITS THIRTY-NINTH SESSION**

	Title
1.	Agenda for the Thirty-Ninth Session of the Advisory Body on Administrative and Financial Matters
2.	Report of the Thirty-Eighth Session of the Advisory Body on Administrative and Financial Matters (ABAF-38/1)
3.	Note by the Director-General: Comments on the Report of the Advisory Body on Administrative and Financial Matters at its Thirty-Eighth Session (EC-79/DG.14, dated 22 June 2015)
4.	Report by the Director-General: OPCW Income and Expenditure for the Period 1 January to 30 June 2015 (First Half of the Financial Year ending 31 December 2015 (S/1298/2015)
5.	Note by the Director-General: Draft Programme and Budget of the OPCW for 2015 (EC-80/CRP.1)
6.	Note by the Technical Secretariat: Medium-Term Plan for the Period from 2015 to 2019 (EC-77/S/1 C-19/S/1)
7.	Note by the Technical Secretariat: Programme Performance for the Year 2014 (S/1267/2015, dated 20 April 2015 and Corr.1, dated 18 May 2015)
8.	Opening Statement by the Deputy Director-General to the Thirty-Ninth Session of the Advisory Body on Administrative and Financial Matters
9.	Note by the Director-General: Recommendation for Write-Offs of Irrecoverable Accounts Receivable and of Losses of Assets (EC-80/DG.3 C-20/DG.5, dated 4 August 2015)
10.	Reports on the status of implementation of the recommendations of the External Auditor for 2013 and 2014 (EC-77/S/2 and EC-80/S/2)
11.	Status of the Implementation by States Parties of Agreed Multi-Year Payment Plans (EC-80/DG.6 C-20/DG.7)