



Eighty-Sixth Session
10 – 13 October 2017

EC-86/DG.24^{*}
27 September 2017
Original: ENGLISH

NOTE BY THE DIRECTOR-GENERAL

COMMENTS ON THE REPORT OF THE ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS AT ITS FORTY-THIRD SESSION

1. At its Thirty-Fourth Session, the Executive Council (hereinafter “the Council”) requested that the Director-General, when submitting reports of the Advisory Body on Administrative and Financial Matters (ABAF) to the Council for its consideration, indicate what actions the Technical Secretariat (hereinafter “the Secretariat”) has taken in response to the recommendations of the ABAF, and what decisions are required by the Council on the report being submitted (paragraph 21.4 of EC-34/5, dated 26 September 2003).
2. The Director-General welcomes the continuing advice and support provided by the ABAF, as reflected in the conclusions it reached during its Forty-Third Session (ABAF-43/1, dated 1 September 2017), which was held from 28 August to 1 September 2017.

Review of the report of the previous session of the ABAF (paragraph 4 of ABAF-43/1)

Cash position update (paragraph 3.3 of ABAF-43/1)

3. The Secretariat notes the ABAF was pleased to understand the improvement in the OPCW’s cash situation and forecast and noted that the Secretariat is forecasting a slightly positive General Fund cash position for 2017.

Status of assessed contributions and Article IV and V reimbursements (paragraphs 3.5 and 3.6 of ABAF-43/1)

4. The Secretariat notes the ABAF’s concern at the number of States Parties that were in arrears in respect of annual contributions assessed for previous years and the cumulative outstanding balance for the reimbursement of inspections invoiced under Articles IV and V. The Secretariat will continue to remind States Parties to fulfil their obligations in this regard.

* Reissued in English for technical reasons.



Recommendations for write-offs (paragraph 3.7 of ABAF-43/1)

5. The Secretariat notes that the ABAF reviewed the Note by the Director-General: “Recommendation for Write-Offs of Irrecoverable Accounts Receivable and Losses of Assets” (EC-86/DG.4 C-22/DG.7, dated 24 July 2017) and that the ABAF noted the recommendation for the write-off of irrecoverable accounts receivable, irrecoverable foreign VAT and losses of assets.

Status of 2017 financial performance (first half of 2017) (paragraph 3.8 of ABAF-43/1)

6. The Secretariat welcomes the ABAF’s positive remarks on the initiatives taken to remove contingency margins on allotments only for certain Programmes (ICA, PMO, OSP, OIO, LAO) while at the same time maintaining controls to remain within overall budget, utilising available allotments to the maximum extent possible in line with organisational priorities.

Draft Programme and Budget for 2018 (section 5 of ABAF-43/1)

7. The Secretariat welcomes that the ABAF commented with satisfaction that the 2018 Draft Budget and Programme is based on zero nominal growth, including the costs incurred for the Fourth Review Conference¹.
8. The Secretariat notes the ABAF’s reference to the decision on the 2017 Programme and Budget (C-21/DEC.6, dated 1 December 2016) requiring the Secretariat to focus its resources on operational programmes and to reduce by the end of 2019 the number of fixed-term positions for non-operational programmes by 10 from the existing 228 authorised fixed-term staff positions. The ABAF noted a reduction of eight such positions in the 2018 Draft Programme and Budget (EC-86/CRP.1, dated 7 July 2017), bringing the number to 220.
9. The Secretariat notes the ABAF’s various comments on ways to improve the Programme and Budget presentation, improved linkage between resources required and the results to achieve, and key performance indicators.
10. Based on the ABAF’s request for further detail on the efficiency and savings gained by having a combined Twenty-Third Session of the Conference of the States Parties (hereinafter “the Conference”) and Fourth Review Conference, the Secretariat wishes to confirm that it provided to States Parties these details at the budget facilitations in September. They will also be shared with the ABAF at its next session.
11. The Secretariat notes the ABAF’s comments that reductions in staff positions as presented in the draft Programme and Budget, and in particular the significant reduction in the Administration Division, are consistent with the requirement to reduce non-operational positions.

¹ The Fourth Special Session of the Conference of the States Parties to Review the Operation of the Chemical Weapons Convention

12. The Secretariat appreciates the ABAF's agreement with the merger to form the Budget and Finance Branch (BFB) and will continue to ensure that the BFB structure is sustainable.
13. Noting the ABAF's suggestion that, in future Programme and Budget documents, the Programme to Strengthen Cooperation with Africa on the Chemical Weapons Convention (hereinafter "the Africa Programme") be reflected in more detail, the Secretariat would like to highlight at this time the Note by the Director-General on the fourth phase of the Africa Programme (EC-84/DG.18, dated 17 February 2017) which provides further details on the Africa Programme. At its upcoming Eighty-Sixth Session, the Council will consider a Note (EC-86/DG.18 C-22/DG.14, dated 12 September 2017) by the Director-General on the Africa Programme. This Note provides an overview on the specific activities initiated by the Secretariat in 2017 for the implementation of the seven objectives of the Africa Programme, covering the following areas of the Chemical Weapons Convention: national implementation (Article VII), assistance and protection (Article X), and the peaceful uses of chemistry (Article XI).
14. The Secretariat will continue to monitor and look for reduction in the future for costs related to travel and consultancy and contractual services as these expenditure categories are traditional ones in international organisations for cost increases.

Introduction to strategic financing strategy for the OPCW (section 6 of ABAF-43/1)

15. The Secretariat notes with appreciation the ABAF's recommendations for the structure and content of the strategic financing non-paper.
16. The Secretariat notes the ABAF's view that budgeting for review conferences should be done in a sustainable manner.
17. The Secretariat notes with appreciation the ABAF's timeline for review and consultation of the strategic financing non-paper. The Secretariat also notes the ABAF's recommendation that the Strategic Financing non-paper be incorporated into the work of the Open-Ended Working Group on the Future Priorities of the OPCW (OEWG-FP) and the agenda of the Fourth Review Conference.

Proposed changes to the Financial Regulations and Rules/Administrative Directives (section 7 of ABAF-43/1)

18. The Secretariat welcomes the ABAF review of the proposed changes to the OPCW Financial Regulations and Rules due to the forthcoming introduction of the enterprise resource planning (ERP) system and additional changes.
19. The Secretariat notes that the ABAF invites the Secretariat to present a separate list of those amendments unrelated to the introduction of the ERP to States Parties. In response, the Secretariat issued a Note entitled "Proposed Amendments to the OPCW Financial Regulations and Rules" (S/1553/2017, dated 14 September 2017), which separately shows the changes required for the ERP and those which are not ERP related.

Proposed changes to the Staff Regulations and Rules due to compensation package (section 8 of ABAF-43/1)

20. The Secretariat appreciates the ABAF review of the proposed changes to the OPCW Staff Regulations and Interim Staff Rules. The Secretariat notes that the ABAF considered the vast majority of the proposed changes as unavoidable and consistent with changes made by other organisations.
21. The Secretariat notes the ABAF suggestion that the Council and the Conference review the non-compensation related changes to the OPCW Staff Regulations and Interim Staff Rules and consciously decide on those. In response, the Secretariat issued a Note entitled “Proposed Amendments to the OPCW Staff Regulations and Interim Staff Rules” (S/1535/2017, dated 15 September 2017), which separately shows the changes to those that are related to the compensation package and those that are unrelated.

Re-hiring of former inspectors (section 9 of ABAF-43/1)

22. The Secretariat acknowledges that the OPCW is a non-career organisation and considers that, as in all such organisations, maintaining the necessary skills, competence and experience in-house is more difficult than in career organisations due to the constant turnover created by the tenure policy. In this regard, the Secretariat notes that similar non-career organisations such as the IAEA and CTBTO are allowed to retain a certain percentage of their staff for longer periods than initial tenure, including through the use of mechanisms to rehire technical staff.
23. Having the possibility of rehiring former staff with valuable knowledge and experience that may be missing or may not be sufficiently available within the Organisation is not only a key component of a knowledge management system, but a critical requirement to ensure that the OPCW is fit for purpose when new challenges are presented. This is particularly true in the case of inspections and other types of non-routine missions which rely on the qualifications and experience of inspectors to ensure their quality and reliability. Moreover, some key expertise in the chemical weapons field has become increasingly rare, as fewer new professionals are available from States Parties as they disinvest in this area, and former experienced professionals have reached retirement age, thus impacting the possibility of replenishing key knowledge through the hiring of new inspectors.
24. The Secretariat also notes that the specific circumstances during the last three years in which the Organisation has had to operate, including many non-routine requirements, have created additional challenges in the execution of routine inspections and non-routine missions. By training and coaching new inspectors, assuming some critical functions and developing new initiatives such as the Rapid Response and Assistance Mission (RRAM), rehired inspectors have been an important component in helping the Inspectorate respond to the demanding tasks it has been charged to perform. Details of rehired inspectors’ roles and contributions are presented in an addendum to the report by the Director-General entitled “Implementation of the Tenure Policy in 2016” (EC-85/DG.6/Add.1, dated 25 September 2017).
25. The Secretariat considers that the maximum term of service of a rehired inspector should be increased from three to five years, promoting savings to the OPCW as a

result of reduced recruiting, training, hiring and repatriation costs, as well as enhancing the use of the knowledge and experience possessed by the rehired staff member.

26. The Secretariat is of the view that a rehiring regime, which is fully integrated within a holistic system that covers the initial recruitment of inspectors and their capacity building across their tenure, should be seen not as an interim measure but rather as a permanent component of a sound knowledge management system and a key feature to sustain the quality and consistency of core operations.

Audit committee follow-up (paragraph 10 of ABAF-43/1)

27. The Secretariat noted that the ABAF will further consider the issue of an audit committee for the Organisation at its next meeting.

Risk management and internal controls with regards to External Auditor recommendations (section 11 of ABAF 43/1)

28. The Secretariat welcomes that the ABAF noted with satisfaction in its review of the “Report on the Status of Implementation of the Recommendations of the External Auditor” (EC-86/S/2, dated 21 August 2017) and notes that no issues of high risk to the Organisation were identified.

Any other business (section 12 of ABAF 43/1)

29. The Secretariat notes the ABAF suggestion that should the National Audit Office be appointed for a second three-year term, they be approached within the extension period to assist the Secretariat with identifying possible successors.
30. The Secretariat welcomes that the ABAF elected Mr John Foggo as Chairperson for a period of one year and took the opportunity to re-elect Mr Khodayar Rouzbahani as Vice-Chair, both with immediate effect.

- - - 0 - - -