



NOTE BY THE DIRECTOR-GENERAL

**COMMENTS ON THE REPORT OF THE ADVISORY BODY
ON ADMINISTRATIVE AND FINANCIAL MATTERS AT ITS FORTY-FIFTH 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-Fifth Session (ABAF-45/1, dated 3 August 2018), which was held from 31 July to 3 August 2018.

Cash position (paragraphs 3.2 and 3.3 of ABAF-45/1)

3. The Secretariat notes the ABAF’s strong concern with regard to the risks to the Organisation’s operations posed by its tenuous cash position and the potential use of the Working Capital Fund before year end owing to a possible cash shortage in the General Fund.

Status of assessed contributions and Article IV and V reimbursements (paragraphs 3.4 to 3.6 of ABAF-45/1)

4. The Secretariat notes the ABAF’s concern regarding the lag in receipt of assessed contributions for 2018 and the fact that the collection rate is noticeably lower when compared to the previous year, and the stresses this situation places on the Organisation’s operations. With regard to the cumulative outstanding balance for the reimbursement of inspections invoiced under Articles IV and V of the Chemical Weapons Convention, the Secretariat notes the ABAF’s concern in this area. The Secretariat will continue to remind States Parties of their outstanding balances through a number of means.



Status of the 2018 financial performance report (first half of 2018) (paragraphs 3.8 to 3.13 of ABAF-45/1)

5. The Secretariat will continue to closely monitor the Organisation's budget implementation and management of the contingency margin, noting especially the budgetary pressures being encountered within Chapter 2. As encouraged by the ABAF, the Secretariat will remain vigilant and take action when required to ensure budgetary margin is maintained through to the year end.

ERP Project update (paragraphs 5.1 to 5.7 of ABAF-45/1)

6. The Secretariat welcomes the ABAF's encouragement towards completing the Enterprise Resource Planning (ERP) Project and ensuring the project delivers the intended benefits. In this regard, the Secretariat will provide the ABAF with a project update at its next meeting and will continue to keep States Parties informed as the project progresses.
7. The Secretariat agrees with the ABAF's recommendation that a lessons-learned exercise be performed once the ERP project is implemented. Such an exercise will be performed at that time.

Office of Internal Oversight revised draft charter (paragraphs 6.1 to 6.4 of ABAF-45/1)

8. The Secretariat appreciates the ABAF's review of the Office of Internal Oversight (OIO) draft Charter. The Secretariat notes the recommendations of the ABAF, and in particular the ABAF's suggestion that consideration be given to any potential impact the OIO draft Charter may have on the OPCW's Financial Regulations and Rules (FRR). The Secretariat will take into consideration the ABAF's view that should a revision to the FRR be required, the FRR would allow both for an independent and objective OIO and for future updates of the Charter (based on States Parties' approval) to be made without having to amend the FRR each time.
9. The Secretariat welcomes the fact that the ABAF will review at its next meeting the OIO listing of management processes (used as part of the OIO's annual risk assessment), in conjunction with its review of risk management.

Upgrading of the OPCW chemical laboratory to a centre for chemistry and technology (paragraphs 7.1 to 7.12 of ABAF45/1)

10. The Secretariat notes that its presentation on the project to upgrade the OPCW Laboratory to a Centre for Chemistry and Technology (ChemTech Centre) was welcomed by the ABAF.
11. The Secretariat notes that the ABAF considers the ChemTech Centre project to be highly worthwhile and timely. The ABAF's suggestions concerning the project are noted and will be implemented as possible. These suggestions include increased use of metrics to further highlight the project's business case; improved clarity in project documentation and communication to States Parties that the project, as one ChemTech Centre, consists of four components (a chemical laboratory, an equipment store, training facilities, and disaster recovery/business continuity); emphasis in

project documentation that the role of the OPCW Laboratory will not change as a result of the new ChemTech Centre; and early engagement of the local population around the proposed new site for the centre.

12. The Secretariat acknowledges the ABAF's understanding that once the ChemTech Centre is completed it, including its operating and maintenance costs, will become a core activity of the Organisation. Furthermore, the Secretariat notes the ABAF's recommendation that appropriate consideration be given by States Parties to incorporating the project (construction) requirement as part of the regular budget with the cost shared by all States Parties.
13. The Secretariat will comply with the ABAF's request to receive project updates at its next and subsequent meetings and will also ensure that States Parties receive regular project updates.

Draft Programme and Budget for 2019 (paragraphs 8.1 to 8.37 of ABAF-45/1)

14. The Secretariat welcomes the ABAF's consideration of the draft Programme and Budget for 2019 (EC-89/CRP.1, dated 6 July 2018).
15. The ABAF's comments with regard to the need for a clear linkage in budget formulation between resource requirements and results to be achieved is noted by the Secretariat. In this regard, the Secretariat agrees that the implementation of the ERP Project will help in this regard. The Secretariat notes that impact-based results measurement is a longer-term process and will take time.
16. The Secretariat will further consider the ABAF's suggestion that the classification of temporary assistance (short term appointments) be placed under the non-staff portion of the draft budget.
17. The ABAF's recommendation to show unfunded requirements for 2019 to States Parties will be considered and made available as part of the September budget consultation process, in the most useful format possible.
18. With regard to the Office of the Legal Adviser (LAO), the Secretariat notes the ABAF's suggestion that the Secretariat consider an additional legal staff member instead of consultancy if the need is constant from year to year.
19. The Secretariat notes the ABAF's recommendation that the Programme and Budget include an expanded narrative to explain the four functional areas of the OIO.
20. The Secretariat will consider, as part of the drafting of next year's programme and budget book, the ABAF's recommendation that programmes and budgets include for each programme a section on its emerging and continuing priorities, with associated costs as well as a comprehensive list of changes.
21. The Secretariat will consider and implement in future programmes and budgets, where possible, the ABAF's comments and suggestions regarding key performance indicators and results-based management.

22. The Secretariat acknowledges that the ABAF has noted that the programmatic and budgetary requirements of the recent decision “Addressing the Threat from Chemical Weapons Use” (C-SS-4/DEC.3, dated 27 June 2018) are not part of the current draft 2019 Programme and Budget and will form part of an addendum outlining the requirements of the decision. The Secretariat will provide States Parties with the budgetary revisions associated with implementation of this decision, for consideration as part of the September budget facilitations.

Financial Regulation 6.3 (paragraphs 9.1 to 9.5 of ABAF-45/1)

23. The revised wording for Financial Regulation 6.3, developed at the ABAF meeting, will be sent by the Secretariat to the LAO for review. The Secretariat notes that the final wording will then be brought forward as a proposed decision by the requesting State Party, first to the Council and subsequently to the Conference of the States Parties (hereinafter “the Conference”) for approval.

Election of the Chairperson and Vice-Chairperson of the ABAF (paragraph 10 of ABAF 45/1)

24. The Secretariat notes that the ABAF re-elected, for a period of one year, Mr John Foggo as Chairperson and Mr Khodayar Rouzbahani as Vice-Chairperson, both with immediate effect following the close of its Forty-Fifth Session. The Secretariat reaffirms its full support to the Chairperson and Vice-Chairperson of the ABAF and its appreciation for the ABAF’s contributions to the work of the OPCW.

Any other business (paragraphs 11.1 to 11.9 of ABAF 45/1)

25. The ABAF’s consideration of the Organisation’s initiative to streamline the OPCW Financial Statements is welcomed by the Secretariat. The approach will also be confirmed with the External Auditor prior to the implementation of any changes.
26. The Secretariat notes the ABAF’s agreement, given the anticipated ERP go-live in 2018, to an exceptional request for extension of the deadline for submission of the financial statements to the External Auditor, to be submitted by the Secretariat to the Council at its Eighty-Ninth Session and to the Conference at its Twenty-Third Session for approval.
27. The Secretariat appreciates the ABAF’s agreement to consider the 2018 OPCW Financial Statements and External Auditor’s report at its second, rather than first, session in 2019, should the preparation of the Financial Statements need to be delayed because of the planned ERP project go-live.

Next session and agenda (paragraphs 12.1 and 12.2 of ABAF 45/1)

28. The Secretariat notes the dates agreed by the ABAF for its Forty-Sixth Session, which is to be held from 4 to 7 June 2019, and for its Forty-Seventh Session, which is to be held from 30 July to 2 August 2019.
29. The agenda set by the ABAF for its Forty-Sixth Session is noted by the Secretariat.