



OPCW

**Advisory Body on Administrative and
Financial Matters**

Forty-Ninth Session

28 – 31 July 2020

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**REPORT OF THE FORTY-NINTH SESSION OF THE ADVISORY BODY ON
ADMINISTRATIVE AND FINANCIAL MATTERS**

1. Opening of the session

- 1.1 The Forty-Ninth Session of the Advisory Body on Administrative and Financial Matters (ABAF) was held from 28 to 31 July 2020. The following members participated: Mr Seyed Mehdi Hosseini Esfidvajani, Mr John Foggo (Chairperson), Mr Vladimir Kuznetsov, Mr Hans-Christian Mangelsdorf, Mr Arata Mizukami, and Ms Qian Wang. Mr Pankaj Agarwal and Mr Milan Kerber (Vice-Chairperson) did not participate. Ms Hollie Mance attended as an observer.
- 1.2 The list of documents presented to the ABAF for this session is included as the 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. She expressed appreciation for the ABAF’s continued flexibility in conducting the Forty-Ninth Session virtually, given the continuing restrictions in place due to the COVID-19 pandemic. She noted that the Secretariat had taken in earnest the ABAF’s comments from its Forty-Eighth Session highlighting the utility of having an application available to accommodate online discussion.
- 1.4 In this regard, an online conferencing application was being utilised to support the deliberations of the Forty-Ninth Session, as coordinated with the ABAF members on behalf of its Chairperson. Understanding that there were still challenges in conducting the Forty-Ninth Session in a virtual manner, the Deputy Director-General assured the ABAF that the Secretariat would work to the best of its ability to ensure that the session was fully supported.
- 1.5 Referring to the agenda for the session, the Deputy Director-General noted that a number of important issues were to be addressed by the ABAF, including the Draft Programme and Budget of the OPCW for 2021 (EC-95/CRP.1, dated 3 July 2020), and the progress in transitioning to a biennial Programme and Budget for 2022 and 2023.
- 1.6 The Deputy Director-General noted that other important topics, such as the prevailing and tightening negative interest rate environment within which the Organisation operates, the Statement of Internal Control survey implemented in 2019 in response to



both external and internal audit recommendations, the Director's Vision for the Office of Internal Oversight (OIO), and an update on the tenure policy would all be considered at this session of the ABAF.

- 1.7 The Deputy Director-General informed the ABAF that updates on the Organisation's financial position in 2020 and the financial outlook given the impact of the COVID-19 pandemic would also be discussed.
- 1.8 On the issue of COVID-19, the Deputy Director-General indicated that, due to continuing restrictions in place in the Netherlands and throughout much of the world, some programmatic activities, primarily in the areas of inspections and international cooperation and assistance, remained postponed for the time being. Work was being undertaken in operational areas of the Organisation to identify measures that could feasibly be implemented in the remaining months of the year, in light of the still dynamic pandemic situation, and consistent with the required health and safety measures.
- 1.9 The Deputy Director-General informed the ABAF members that they would receive updated information on two of the Organisation's most significant initiatives: the upgrading of the OPCW Laboratory and Equipment Store to a Centre for Chemistry and Technology, which was nearing the completion of the final design phase; and the enterprise resource planning (ERP) system project which, although delayed, had made progress of late and had also seen important measures taken with regard to enabling the implementing partners to move forward towards a phase one System of Record (SoR) go-live.
- 1.10 Regarding the Draft Programme and Budget for 2021, the Deputy Director-General informed the ABAF that, as in past years, its formulation had been guided by the Organisation's seven core objectives and had followed the principles of results-based management (RBM).
- 1.11 The ABAF members were informed that the Draft Programme and Budget for 2021, including special provisions, amounted to EUR 71.74 million, representing a 1.1% (EUR 0.783 million) increase compared to the Programme and Budget for 2020. This was due to the inclusion of extra-ordinary provisions through the use of the 2018 cash surplus, in the amount of EUR 2.34 million.
- 1.12 Regarding the extra-ordinary provisions, the ABAF members were informed by the Deputy Director-General that they included funding in the existing structures of the Major Capital Investment Fund, the special fund for the OPCW Equipment Store, and the special fund for OPCW designated laboratories and laboratory equipment.
- 1.13 The Deputy Director-General noted that the Secretariat was conscious of the budgetary constraints caused in part by the Organisation's cash situation, but also by the economic realities arising from the continuing impact of the COVID-19 pandemic. As a result, as part of the extra-ordinary provisions for 2021, the ABAF members were informed that the Secretariat proposed to establish the COVID-19 Variability Impact Fund. The Deputy Director-General emphasised the need to remain attentive to the continuing uncertainty brought by the COVID-19 pandemic and its possible impact on programmatic activities in 2021, specifically worldwide travel.

- 1.14 The ABAF was informed by the Deputy Director-General that it was important to note that the Draft Programme and Budget for 2021 represented zero nominal growth with regard to the assessed contributions of States Parties, which remained at EUR 67.12 million, the same level as in both 2019 and 2020. In consideration of maintaining assessed contributions at the same level as in the prior year, and the need for the Secretariat to preserve its programmatic operational capabilities during a challenging time, the Deputy Director-General indicated that some costs had been moved from the core regular budget to extra-ordinary provisions through the previously referenced COVID-19 Variability Impact Fund. These costs included a portion of travel costs included in the regular budget of the Inspections Programme and the International Cooperation and Assistance Programme, and some costs related to the rental of equipment for conferences included in the Programme for the Support to the Policy-Making Organs.
- 1.15 Apart from taking into account the already increased staff costs experienced in both 2019 and 2020, the Deputy Director-General highlighted that the budget did not include any provision for inflation or the expected increase in costs in 2021, which was why a concerted move towards the formulation of zero real growth programme and budgets in the future, with the agreement of States Parties, was essential for the financial health of the Organisation.
- 1.16 On the issue of special provisions, the Deputy Director-General recalled that the Programme and Budget for 2020 had included special provisions totalling EUR 1.75 million, funded from the 2017 cash surplus, for capacity building for laboratories in developing countries and those with economies in transition, initial capitalisation of the newly formed Major Capital Investment Fund, and recapitalisation of the special fund for ERP. The ABAF members were informed that in the Draft Programme and Budget for 2021, these one-time provisions had been removed.
- 1.17 The Deputy Director-General noted that the Draft Programme and Budget for 2021 was formulated to ensure the allocation of adequate resources to the operational programmes. In doing so, the resource split between operational and support programmes (before extra-ordinary provisions) had changed from the 2020 levels, with a slight decrease from 55.4% in 2020 to 54.5% in 2021.
- 1.18 On the issue of fixed-term positions, the Deputy Director-General informed the ABAF that the overall number of fixed-term positions for the Organisation would decrease by one, from 462 in 2020 to 461 in 2021, following a reprioritisation effort and addressing knowledge-management initiatives within existing resources.
- 1.19 Regarding the budget facilitation process to consider the Draft Programme and Budget for 2021, the Deputy Director-General informed the ABAF that the process had commenced earlier this month, taking into account the continuing restrictions due to the COVID-19 pandemic. She noted that a recorded announcement of the issuance of the Draft Programme and Budget for 2021 by the Director-General and a digital copy of the budget document had been made available electronically to the Permanent Representations. In addition, overview presentations for each of the programmes had been provided electronically to States Parties instead of the usual in-person consultation with the Secretariat. Work would continue during the Programme and

Budget facilitation sessions in September, during which the Secretariat would make thematic presentations on issues requested by States Parties.

- 1.20 Referring to the Programme and Budget process, the Deputy Director-General stated her hope that an agreement would be reached so that the Executive Council (hereinafter “the Council”), in its forthcoming session in October, would be able to recommend to the Conference of the States Parties (hereinafter “the Conference”) that it adopt the Draft Programme and Budget for 2021 at its Twenty-Fifth Session later this year.
- 1.21 The Deputy Director-General concluded her remarks by expressing her appreciation of the ABAF’s contributions to the work of the OPCW and underlined the importance of the ABAF’s consideration of the range of important topics at its Forty-Ninth Session.

2. Adoption of the agenda

The ABAF adopted the following agenda:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session
4. Review of the status of previous ABAF recommendations
5. Introductory matters
 - (a) ABAF members as per EC-94 decision
 - (b) Financial updates: cash position, status of collection of assessed contributions and reimbursements, Working Capital Fund, recommendations for write-offs (if any)
6. Update of COVID-19 impact on OPCW activities
7. Status of 2020 financial performance (first half of 2020)
8. External Auditor briefing (if possible)
9. Draft Programme and Budget for 2021
10. Progress in transitioning to a biennial Programme and Budget for 2022 and 2023
11. Update on negative interest and the OPCW (deferred from ABAF-48)
12. OPCW Statement of Internal Control update (deferred from ABAF-48)
13. Tenure policy update (deferred from ABAF-48)

14. Director's Vision for the Office of Internal Oversight (deferred from ABAF-48)
15. Status of the ERP project
16. Update on the OPCW Centre for Chemistry and Technology
17. Election of the Chairperson of the ABAF
18. Any other business
 - (a) OPCW Financial Statements for 2020 and exceptional closure extension (if required, contingent on ERP go-live)
 - (b) Status of implementation of the recommendations of the External Auditor
 - (c) Update on nominations and selection of the next External Auditor of the OPCW
19. Next session and agenda
20. Adoption of the report

3. Review of the report of the previous session

- 3.1 The report of its previous session (ABAF 48/1, dated 5 June 2020) was reviewed by the ABAF, which did not have any specific comments of note. The ABAF agreed that all follow-on actions from its previous session had been reflected in the agenda for the current session.
- 3.2 The ABAF expressed its appreciation for the work done by the Secretariat, and noted that the Secretariat had again given serious attention to its observations and recommendations, as outlined in the Director-General's Note entitled "Comments on the Report of the Advisory Body on Administrative and Financial Matters at its Forty-Eighth Session" (EC-94/DG.22, dated 6 July 2020).
- 3.3 Furthermore, the ABAF noted and expressed its appreciation for the improvements and greater level of detail provided in the Director-General's Note following its previous suggestions that these notes could be more substantive and comprehensive. The ABAF reiterated the need for specific detail on, inter alia, the Secretariat's views of the observations and recommendations, together with clear statements as to whether there was intent to implement the recommendations, as well as specific timelines for consideration or implementation, and whether there were any concerns or objections.
- 3.4 The ABAF agreed that the newly implemented (at least annual) review of the status of ABAF recommendations between the Secretariat and ABAF would help provide the foundation for even further detail in the Director-General's Note. In this regard, the ABAF agreed that the review should occur at the second ABAF session of each year, to allow sufficient time for the Secretariat to properly consider its suggestions.

- 3.5 On the topic of the whistle-blower policy, the ABAF noted that it would have expected more detail on this important topic in the Director-General's Note. The Secretariat indicated that it was considered in the Director-General's Note as part of the context of the explanation provided on the anti-fraud policy. However, in the future, the Secretariat would look to be more explicit about this topic in its reporting on related policy developments. The ABAF also commented that it did not see a reference to this topic in the vision report of the Director of the OIO, which was being considered at this session of the ABAF. The ABAF emphasised that the whistle-blower policy was an integral part of a comprehensive anti-corruption and occupational health and safety policy that ensured trust on the part of Organisation's staff and prevented possible retaliation.
- 3.6 Regarding the analysis of long-standing trust fund and reserve balances, an area also highlighted by the External Auditor, the ABAF enquired as to when it might receive an update on progress in this area. The Secretariat informed the ABAF that this analysis was currently under way and that the timeline indicated to the External Auditor was from 2020 into 2021. The Secretariat indicated that many trust funds were active and a number of them were not specially purposed for possible events or future activities. It was not likely that the outcome of this exercise would generate significant funds that could be repurposed. In addition, any repurposing of funds from trust funds would require donor agreement. Nonetheless, the Secretariat agreed that it was an important exercise, and proposed to provide an update to the ABAF at its Fiftieth Session, to which the ABAF expressed its agreement.
- 3.7 On the issue of programme support costs, the ABAF emphasised the importance of formulating a policy, a subject that had been raised at previous ABAF sessions. The ABAF suggested that a two-phased approach might be practicable, with the development of a methodology, taking into account those of other international organisations as a first step, followed by an analysis of the programme support costs with financial figures and a forecast provided for the Organisation. The ABAF suggested that the methodology be brought forward as an agenda item for its Fiftieth Session and the financial analysis at its Fifty-First Session. The Secretariat indicated that it had many significant initiatives in the first half of 2021, including the ERP system go-live, year-end financials, and the transition to a biennial Programme and Budget to contend with within the Budget and Finance Branch, but would look to see what would be realistically feasible.

4. Review of the status of previous ABAF recommendations

- 4.1 On the subject of its previous recommendations, the ABAF expressed its sincere appreciation for the extensive work done by the Secretariat in the preparation of a comprehensive working note analysing the ABAF's recommendations from its Forty-Fourth Session to its Forty-Eighth Session. This note recorded the nature of the recommendations made, their status, and comments on progress. The ABAF agreed that this note would serve as an excellent working document going forward and could be updated as matters developed and as subsequent sessions of the ABAF took place. The ABAF suggested that for its Fifty-First Session there could be some refinement, consolidation, and further elaboration on some points.

- 4.2 The ABAF raised the issue of previous discussions on the tenure policy, and indicated that in some respects, the discussions on this topic so far could be seen to have fallen short of expectations. The ABAF requested additional statistical information in terms of turnover rates, how these compared to other international organisations, and what approaches could be taken to reduce the rate of turnover in the event that the OPCW's rate proved to be higher than average. The Secretariat was also requested to investigate what the costs of turnover would be, specifically looking at the direct and indirect cost elements and how these costs related in comparison to the wider United Nations system.

5. Introductory matters

Subitem 5(a): ABAF members as per EC-94 decision

- 5.1 The Chairperson of the ABAF welcomed all members and observers to its Forty-Ninth Session.
- 5.2 Regarding nominations to the ABAF, the Chairperson noted that one nomination to the ABAF membership had been presented to the Council at its Ninety-Fourth Session for decision. This nomination had been deferred by the Council for further consideration at its Ninety-Fifth Session, in October of this year. As a result, there were no new members of the ABAF for its Forty-Ninth Session.

Subitem 5(b): Financial updates

Cash position

- 5.3 The ABAF was provided with a Note by the Director-General containing the monthly financial situation report as at 30 June 2020 (S/1883/2020, dated 14 July 2020). The Secretariat noted, however, that in the intervening month since the circulation of that report, the financial figures had changed (with the month of July still to be completed and reported on), and therefore provided updated financial figures as at 27 July 2020.
- 5.4 At the start of the session, the Secretariat informed the ABAF that the cash balance of the OPCW General Fund as at 27 July 2020 was EUR 17.8 million, higher than at the same time in the previous year. Nearer to the closing of the Forty-Ninth Session of the ABAF, the Secretariat updated the ABAF on the 30 July 2020 cash position of the General Fund, which then stood at EUR 14.14 million compared to EUR 10.42 million in the same period in the previous year. The ABAF noted that the cash position was higher than the previous year, which was a positive sign, especially in view of the COVID-19 pandemic, and the effect this was having financially on States Parties. The ABAF noted, however, that the cash position of the Organisation remained uncertain, and urged the Secretariat to take all necessary measures to remind States Parties of their payment obligations.
- 5.5 In addition, the Secretariat informed the ABAF that the Working Capital Fund (WCF) stood at a level of approximately EUR 8.1 million as at 27 July 2020.
- 5.6 The ABAF noted that the Secretariat was forecasting a negative cash position at the end of the year, taking into account forecast early contributions for 2021 anticipated to be received in 2020. The Secretariat informed the ABAF that there was still some

uncertainty as to the level of programmatic activity requiring cash outflow due to the COVID-19 pandemic, as well as uncertainty surrounding how the pandemic would affect cash inflows the longer it continued. The ABAF noted that it could still prove necessary to utilise the WCF in the later part of this year and into early next year, to maintain liquidity.

Status of collection of assessed contributions

- 5.7 The ABAF noted that as at 27 July 2020, the Secretariat had collected 75.70% of assessed contributions for the year, which was higher than the same period last year, when 65.10% of assessed contributions for 2019 had been received.
- 5.8 The ABAF also noted that 93.63% of assessed contributions for 2019 had been received by 27 July 2020. The ABAF expressed concern that the payment of assessed contributions continued to lag, and encouraged the Secretariat to continue to remind States Parties of the importance of the timely payment of assessed contributions.
- 5.9 Regarding outstanding contributions for the period from 1993 to 2019, the ABAF noted that the total outstanding assessed contributions due from States Parties totalled approximately EUR 5.91 million (as at 30 June 2020) and reduced slightly to EUR 5.89 million by the end of July 2020. In addition to this amount, outstanding reimbursements due for inspections under Articles IV and V of the Chemical Weapons Convention (hereinafter “the Convention”) amounted to a further EUR 6.44 million (as at 27 July 2020). The ABAF commented that these were significant amounts that had been outstanding for an extended period of time.
- 5.10 The ABAF emphasised that collection of these owed funds was imperative to the financial health of the Organisation. In addition to reminders to States Parties for payments, States Parties should continue to be encouraged to enter into multi-year payment plans.
- 5.11 In this regard, the ABAF commented that it might be seen as a paradox to adhere to a zero growth approach in the assessed contributions of States Parties when there was such a significant amount in prior year assessments and reimbursements due to the Organisation, let alone delays in payments in the current year. There was a possibility that those States Parties that paid in full and on time may begin to take exception in the future, until the collection of outstanding payments was properly addressed by States Parties with outstanding balances.

Status of Article IV and Article V reimbursements

- 5.12 The ABAF noted with continuing concern the status of Article IV and V reimbursements as at 27 July 2020, the cumulative outstanding amount of which stood at EUR 6.44 million.

Recommendations for write-offs

- 5.13 The ABAF was informed that the write-off cases, including irrecoverable accounts receivable, irrecoverable foreign value-added tax (VAT), and losses of assets for this year had been reviewed and that the Budget and Finance Branch had determined that there would be write-off amounts totalling approximately EUR 2,567. Of this,

approximately EUR 227 related to irrecoverable accounts receivable, and EUR 2,340 to irrecoverable foreign amounts.

- 5.14 As the irrecoverable amounts did not exceed EUR 500 per item, and did not exceed a total amount of EUR 10,000 in the financial period, the write-offs had been authorised by the Director-General. Only for amounts exceeding these thresholds were recommendation of the Council and approval of the Conference required, which was not the case in the current situation.
- 5.15 The ABAF was informed that the Budget and Finance Branch continued to review the process by which VAT is paid to European Union-based suppliers, in order to minimise the need to pay, and then reclaim, VAT.
- 5.16 The ABAF reiterated the suggestion it had made at its Forty-Seventh Session that the Secretariat should explore whether national tax authorities could intervene on behalf of the Secretariat to recover VAT amounts due. The ABAF also suggested that vendors that had not returned VAT amounts be placed on a list of entities that the Secretariat would consider not engaging for future activities.

6. Update of COVID-19 impact on OPCW activities

- 6.1 The ABAF reviewed the Note by the Secretariat entitled “Update on the Impact of the Outbreak of the Novel Coronavirus (COVID-19) on the Organisation for the Prohibition of Chemical Weapons Programme in 2020” (S/1876/2020, dated 3 June 2020), and noted that the COVID-19 pandemic was having a substantial impact on the Organisation. The ABAF noted in particular that the programme areas for inspection-related activities and international cooperation and assistance had already been impacted, as evidenced in the continuing postponement of planned activities.
- 6.2 Regarding the wider financial impact on the Organisation, the ABAF agreed to consider these matters in the context of the mid-year review of budgetary implementation and the financial outlook for the remainder of the year (see agenda item 7 below).
- 6.3 The Secretariat indicated that a portion of the resulting savings, especially in the areas of travel expenditure from the postponement of some activities due to COVID-19, would be required to offset the obligatory yet unforeseen staff cost increases. However, the Secretariat confirmed that in some areas, programme activities for 2020 would have to be reconsidered in order to determine what could be feasibly implemented within the year and how the resultant savings could be applied.
- 6.4 The ABAF commented that, in future Notes by the Secretariat on the impact of COVID-19, the Secretariat may wish to consider including a concise paragraph with an analysis of the financial impact on the Organisation.
- 6.5 Regarding lessons learned from the Organisation’s experience throughout the COVID-19 pandemic, the ABAF recommended that the Secretariat ensure that the situation was analysed holistically and properly reflected in the Organisation’s business continuity plan, or, in the absence of such a plan, in the development of one for future situations should they arise.

7. Status of 2020 financial performance (first half of 2020)

- 7.1 The ABAF reviewed the Secretariat's implementation of the Programme and Budget for 2020 and was informed that, as at 30 June 2020, the budget of EUR 69,208,792 (before extra-ordinary provisions) had been obligated (53.36% against allotment and 51.18% against budget), which was lower by EUR 0.8 million compared to the same point in the previous year. The Secretariat informed the ABAF that savings incurred so far had also factored in the significant increase in staff costs with which the Organisation had begun the year.
- 7.2 On the issue of the staff cost increases, the Secretariat indicated that the expected overall unbudgeted staff cost increase—initially forecast at the beginning of the year at EUR 4.7 million, and then subsequently reassessed and reported to the ABAF at its Forty-Eighth Session as EUR 4.1 million—had further reduced by EUR 0.2 million to an expected overrun of EUR 3.9 million by year-end.
- 7.3 The Secretariat informed the ABAF that the mitigation measures in place were proving successful, including the increase of the contingency margin of the non-staff portion of the 2020 budget from 10% to 15% from the beginning of the year and the withholding of this amount from budgetary allotment. This measure in itself was expected to provide coverage of EUR 2.83 million of the expected staff cost overrun. The remaining EUR 1.1 million of the projected staff cost overrun was expected to be fully covered through other continuing mitigation measures and expected under-utilisation of travel-related budgets due to postponements in this area as a result of the continuing COVID-19 pandemic.
- 7.4 The Secretariat noted also that the contingency margin was planned to ensure that 2020 income exceeded expenditure, taking into consideration assessed contribution collection patterns over past years, and mitigation of the potential risks of exposure to exchange rate fluctuations and other unforeseen factors such as price adjustments or unplanned activities. The margin was also intended to mitigate the risk of non- or delayed payment of assessed contributions, and to provide cover for the aforementioned staff cost increases. Close control over the use of the contingency margin continued to be applied to the 2020 budget in accordance with the OPCW Financial Regulations and Rules.
- 7.5 The ABAF was informed that the impact of the COVID-19 pandemic on budgetary implementation was still unpredictable. The postponement of travel at the mid-year point had led to EUR 2.5 million less in travel costs, as compared to the same point in 2019. The Secretariat noted that its projections indicated that, should travel restrictions continue with an extended and severe pandemic situation, the reduction in travel expenditure against budget could potentially reach EUR 4.5 million by year-end.
- 7.6 With these mitigation measures and the slowdown in programmatic activity, particularly in travel expenditure, the Secretariat was confident that the budgetary gap due to the increases in staff costs would be filled, and that there would be reprogramming opportunities in respect of other priority activities.

7.7 The ABAF welcomed the update and was encouraged to learn that the substantial increase in staff costs from the onset of the year was forecast to be fully covered. The ABAF encouraged the Secretariat to maintain close management of the contingency margin and budget forecast and to take proactive measures to reprogramme residual expected savings, especially from the travel expenditure category, to other areas of organisational and programme priorities. The ABAF also highlighted the importance of continuing close monitoring of the Organisation's cash forecast given that, although cash outflows may reduce somewhat, cash inflows could be impacted by the COVID-19 pandemic, especially into the latter part of the year, including advance contributions for 2021.

8. External Auditor briefing (if possible)

The ABAF noted that a briefing with the External Auditor had not proved possible for this session. However, the ABAF commented that it was satisfied with the deliberations on the matter of the 2019 Financial Statements at its Forty-Eighth Session. The Secretariat informed the ABAF that usually the External Auditor addressed States Parties at an informal session on the status of audit recommendations in September and again at the Council session in October on the matter of the previous year's Financial Statements.

9. Draft Programme and Budget for 2021

9.1 The ABAF was briefed on the Draft Programme and Budget for 2021 (EC-95/CRP.1), which was presented for its consideration. It was recalled that the Draft Programme and Budget had been developed over a period of a number of months beginning early in the year, starting with the issuance of budget instructions to Secretariat Programme Managers, as well as meetings and discussions with Programme Managers, taking into account priority areas.

9.2 The ABAF was informed that the internal processes in the formulation of the Draft Programme and Budget had been significantly improved, including interactive and improved budget formulation templates for use by Programme Managers, which also included elements of "real-time" numerical and graphical views of overall programme budget as subprogramme cost elements were built. In addition, tangible efforts were introduced to improve linkages between cost elements and programme and organisational priorities. The ABAF was also informed that the Draft Programme and Budget format and book had been revised to present a more graphical and visual approach to the Programme and Budget presentation, following similar improvements made in the OPCW Financial Statements and other financial reporting of the Organisation made available to States Parties.

9.3 The ABAF commended the Secretariat for the improvements to the Programme and Budget format and book, indicating that it was providing more detail than in past years, it was clear and concise, and rich in information in an improved format and presentation.

9.4 The ABAF was informed that the Draft Programme and Budget had been announced by the Director-General on 3 July, and programmatic presentations on the proposal had been provided by email to States Parties on 15 July. The ABAF was informed that

there would be a series of consultations on the Programme and Budget with States Parties in September.

- 9.5 The ABAF was informed that the Draft Programme and Budget was based on the operational core activities, including destruction of chemical weapons (with 63.6 planned Article IV and V inspections), industry inspections (with 241 planned Article VI inspections), and international cooperation and assistance activities. New and continuing priorities in the Draft Programme and Budget for 2021 included cybersecurity, business continuity, and physical infrastructure security, knowledge management, capacity building for laboratories, the Centre for Chemistry and Technology project, the ERP project, and supplemental funding for the Major Capital Investment Fund.
- 9.6 The ABAF was presented with an overview of the Draft Programme and Budget (before extra-ordinary provisions) which totalled EUR 69.40 million, reflecting a slight increase of EUR 0.2 million over 2020, before extra-ordinary provisions.
- 9.7 Extra-ordinary provisions were proposed to be funded from the 2018 cash surplus of EUR 2.34 million to allow for high priority investments in the special fund for the OPCW Equipment Store (EUR 0.32 million), the special fund for OPCW designated laboratories and laboratory equipment (EUR 0.45 million), supplemental funding for the Major Capital Investment Fund (EUR 0.20 million), and funding for the proposed COVID-19 Variability Impact Fund (EUR 1.37 million).
- 9.8 The ABAF noted that, despite the increase in the total Programme and Budget, the level of assessed contributions for States Parties remained the same as in 2019 and 2020, at EUR 67.12 million.
- 9.9 The ABAF noted that the extra-ordinary provisions for 2021 in the amount of EUR 2.34 million represented a 33.8% (EUR 0.591 million) increase in extra-ordinary provisions for the proposed budget compared to the extra-ordinary provisions of EUR 1.75 million for 2020, which were removed from the 2021 Draft Programme and Budget. With the extra-ordinary provisions for 2021, the Draft Programme and Budget totalled EUR 71.74 million.
- 9.10 The ABAF was provided with details of the budget allocation for 2021 for operational programmes, support programmes, and executive management. The ABAF noted that the budget (excluding the extra-ordinary provisions) decreased slightly for Chapter 1 to 43.7% for 2021, from 44.4% in 2020. The ABAF noted that the decrease reflected the move of provisions within the Chapter One regular budget to the special fund for the OPCW Equipment Store and the special fund for OPCW designated laboratories and laboratory equipment, as well as funding for the establishment of the COVID-19 Variability Impact Fund.
- 9.11 Resources for Chapter 2 increased from 55.6% in 2020 to 56.3% for 2021, mainly due to increased standard staff costs.
- 9.12 The ABAF noted that the budget allocated to the operational programmes in the Draft Programme and Budget for 2021 decreased slightly from 55.4% in 2020 to 54.5% in 2021, due to certain costs having been moved from the core regular budget to extra-ordinary provisions.

- 9.13 The ABAF reiterated the need for a clearer linkage in the budget formulation between resources required and the results to be achieved as part of the implementation of RBM. The ABAF noted the Secretariat's assurances that, with improvements to be brought about by the new ERP system (once operational), there would be an opportunity to make a clearer linkage in future programme and budgets. The Secretariat also indicated that the determination of results from a key performance indicator (KPI) level to an impact measurement level was a process that took time.
- 9.14 On the topic of fixed-term staffing, the ABAF noted that the Draft Programme and Budget for 2021 showed a slightly reduced staffing level from 2020, with a reduction of one net position to bring the number of fixed-term positions for 2021 to 461. This reduction comprised a reduction of two professional-category positions and an increase of one fixed-term position in Chapter 1. The number of fixed-term positions remained the same in Chapter 2 as in 2020.
- 9.15 The ABAF recalled its previous suggestion and further encouraged the Secretariat to present the extra-budgetary elements in the context of the regular budget, and to show requirements that went unfunded in the Programme and Budget document in order to provide a comprehensive view of programme delivery.
- 9.16 The ABAF suggested, as in the past, that the Secretariat consider classifying temporary assistance costs as non-staff costs, where they would be best placed, instead of as salaries, and that it consider the feasibility and application of developing standard rates for temporary assistance in the future.
- 9.17 The ABAF enquired about the benefits and entitlements in the temporary assistance categories and noted that the Secretariat had indicated that it would further consider the ABAF's suggestion that the classification of temporary assistance (short-term appointments) be placed under the non-staff portion of the regular budget and that standard cost rates be developed specifically for temporary assistance. The Secretariat had refined the costs of short-term assistance to include common costs specific to these types of contract. Temporary assistance, in particular short-term contracts, were governed by the Staff Regulations and Rules, and may be eligible for certain common staff costs (such as medical insurance, appointment and separation travel, and settling-in grant).
- 9.18 The ABAF also enquired about costs included in the "other staff costs" portion of the Draft Programme and Budget for 2021. The Secretariat informed the ABAF that these costs included a nominal provision distributed across the programmes for a social security insurance review, as well as other staff costs under the Programme for the Support to the Policy-Making Organs that included costs that could not be attributed to specific short-term positions, but instead were related to daily hires (for example, ushers at sessions of the Council and the Conference), and were thus classified as "other staff costs".
- 9.19 The ABAF enquired about the minor increases in salaries in some subprogrammes at a time when staff costs were increasing due to the significant and unavoidable International Civil Service Commission (ICSC)-mandated increases in both the general service and professional staff categories. The Secretariat explained that standard costs had been revised for each grade, taking into account historical costs

that were incurred (for example, also looking at the costs based on the average step population for each grade). As a result, the standard staff costs for the salary component for positions in the Director category reduced considerably compared to the prior year.

- 9.20 Regarding standard staff costs, the ABAF noted that, in its estimation, the Secretariat had made improvements. The ABAF encouraged the Secretariat to work further in this area to ensure that the standard staff costs were fully reflective of the costs to be incurred in the budget year.
- 9.21 While understanding and respecting the strong insistence of many States Parties that there be zero growth in assessed contributions for the regular budget, the ABAF raised serious concern again and strongly reiterated, as in previous reports, that this may not represent sound budgetary practice. When deciding on a budget level, there should be a considered agreement among States Parties on what priorities must be supported. If a full examination indicated that overriding needs could not be absorbed within an existing budget ceiling, then good budgetary discipline required acceptance of an increased budget level. To ignore this reality would be a disservice to the Organisation and risked leading the Organisation down a dangerous and unsustainable path.
- 9.22 The Secretariat informed the ABAF that there had been significant inflationary erosion in the overall budget. From 2009 to 2018, taking an indexed inflation effect (based on the Consumer Price Index inflation indicator of the Organisation for Economic Co-operation and Development for the 28 countries of the European Union), the General Fund had experienced an approximate 14.6% decrease and a programmatic decrease of 10.31%, resulting in an annual decrease in the General Fund budget year to year of approximately 24.9% by 2018.
- 9.23 In terms of budget methodology, the ABAF strongly encouraged the Secretariat to provide States Parties with a forecast for inflation in the Programme and Budget. The ABAF noted that the Secretariat had indicated the decrease in Programme and Budget level for the period from 2009 to 2018, but suggested that information for the inflationary impact on the Draft Programme and Budget also be included in the future. In the same light, the ABAF suggested that a forecast for post adjustment and staff costs should also be provided, if feasible.
- 9.24 In addition, resorting to the use of extra-budgetary funding from donors that are able and willing to provide financing for what are recognised as central and essential needs, especially on a recurring basis, ultimately undermined both the integrity of the budget process and a necessary shared sense of corporate responsibility among States Parties. The ABAF suggested that in Programme and Budget deliberations, this should continue to be considered by States Parties. The ABAF noted that the Secretariat had taken into account economic realities when preparing the budget for 2021 and that, as it had at the Forty-Seventh Session of the ABAF, the Secretariat noted the concerns raised by the ABAF that current practice may not represent sound budgetary principles, as well as the ABAF's recommendation that this issue be considered by States Parties in Programme and Budget deliberations.

- 9.25 The ABAF noted, similarly to the External Auditor, that there had been growth in the establishment and use of special funds. Although the ABAF recognised that this was a means to address the zero nominal growth pressures, it suggested that, in the longer term, many of the activities supported by these funds could be reflected in the core budget. The ABAF emphasised again that this practice was not sustainable and was a direct result of the approach of zero growth in States Parties' assessments.
- 9.26 Furthermore, the ABAF emphasised that cash surpluses were not a certainty and that States Parties would need to decide whether the costs in the future would find their way into the core Programme and Budget of the Organisation.
- 9.27 With regard to the newly proposed COVID-19 Variability Impact Fund, the ABAF enquired as to its purpose and modality. The Secretariat informed the ABAF that the Draft Programme and Budget took into account budgetary implications and economic conditions stemming from the COVID-19 pandemic. The COVID-19 Variability Impact Fund had been proposed as a mechanism to help mitigate uncertainty on programmatic activity in the General Fund due to the continuing pandemic. Furthermore, the fund helped to achieve zero growth in States Parties' assessments.
- 9.28 The Secretariat commented that the COVID-19 Variability Impact Fund was intended to be a temporary measure in 2021 to address uncertainty during the continuing global pandemic, with its expenditure areas to be regularised as necessary in future programme and budgets, post-pandemic.
- 9.29 The ABAF enquired further as to which programmes would be eligible to use the COVID-19 Variability Impact Fund and requested a breakdown of costs and expenditure categories being placed in this fund. The Secretariat informed the ABAF that the fund was being capitalised in the amount of EUR 1.37 million from a portion of the 2018 cash surplus and was being allocated to three programmes—the International Cooperation and Assistance Programme, the Inspections Programme, and the Programme for the Support to the Policy-Making Organs. As it was envisaged that the expenditure area with the most uncertainty due to the continuing COVID-19 global pandemic would be travel costs, EUR 0.2 million had been allocated to the International Cooperation and Assistance Programme and EUR 1.087 million to the Inspections Programme, both for travel-related costs. EUR 85,000 had been allocated to the Programme for the Support to the Policy-Making Organs for equipment-related costs. The Secretariat informed the ABAF that the funding allocated would be restricted to the programme, amount, and specified expenditure category, so as to ensure full control and oversight of the fund.
- 9.30 The ABAF noted with concern that it was clear that the Secretariat was under considerable pressure to make ends meet under a decree of zero nominal growth in assessed contributions and was being forced into a pattern of budgeting that was probably not sustainable and could prove potentially dangerous for the Organisation in the long term. The ABAF reiterated that the core functions of the Organisation should be recognised as such by States Parties, including their associated costs, and retained within the core regular budget, which may then result in an increase in assessed contributions. The practice of the establishment of special funds as a regular occurrence in order to cover core programme requirements would ultimately be neither sound nor sustainable.

- 9.31 The ABAF recommended that in future programme and budgets, the regular budget and extra-budgetary amounts be shown for each programme, in order to provide a comprehensive picture of the overall cost of programme delivery. Extra-budgetary funds could mask the full cost of an activity. Furthermore, the ABAF suggested that forecast extra-budgetary needs could also be shown.
- 9.32 On the issue of extra-budgetary funding, the ABAF reiterated its previous suggestion that the Secretariat revisit the level of programme support costs to ensure that the level charged did indeed cover costs incurred.
- 9.33 For the Verification Programme (excluding the IIT), the ABAF noted that the proposed budget had decreased by 0.8% (EUR 68,000) compared to 2020. The ABAF also noted that the staffing for the programme in 2021 was 60 fixed-term posts, due to a decrease of one position in the professional category.
- 9.34 The ABAF was informed that the strategic focus areas of the Verification Programme included chemical weapons disarmament, the non-proliferation of chemical weapons, technical competencies, and technical support to States Parties. In terms of emerging and continuing priorities, it was expected that the Verification Programme would return to pre-pandemic verification processes for Article VI inspections and the optimisation of the Article VI inspection cycle, together with the Inspectorate Division and the Office of Strategy and Policy. Knowledge management, the upgrading of IT systems for data management, analysis and reporting, the expansion of the OPCW Laboratory's capability and continuation of the project for the purpose-built facility, as well as synergies with other Divisions, would be priorities in 2021.
- 9.35 With regard to staff costs, the ABAF noted that the Verification Programme had been impacted by a 5.2% increase, primarily the result of the four ICSC-mandated increases in 2019 and 2020 that carried forward into 2021. This increase was offset in part by a decrease in non-staff costs achieved mainly through a reduction in official travel costs (22.9%), and a move of laboratory equipment costs of EUR 0.45 million to the special fund for OPCW designated laboratories and laboratory equipment.
- 9.36 Regarding the COVID-19 Variability Impact Fund, the ABAF requested clarification as to whether costs associated with the Verification Programme were part of this fund. The Secretariat commented that the Verification Programme was not part of this fund and that the fund was restricted to costs associated with the International Cooperation and Assistance Programme, the Inspections Programme, and the Programme for the Support to the Policy-Making Organs.
- 9.37 Regarding the IIT, the ABAF noted that its budget allocation had remained at the same level as in 2020.
- 9.38 The ABAF enquired as to the placement of the IIT within the Verification Programme and, given its reporting line to the Director-General, why it was not placed within, for example, the Executive Management Programme in a similar way to other offices that had a comparable reporting line. The Secretariat informed the ABAF that it had been decided in 2018 through the Programme and Budget consultations that the IIT would be best placed in Chapter 1 under the Verification Programme. In terms of reporting structure, the IIT continued to report directly to the Office of the Director-General.

- 9.39 The ABAF noted that for the IIT, the extra-budgetary requirement was stated within the Draft Programme and Budget, yet for other offices or programmes it was not. The ABAF suggested again that in future programme and budgets, the Secretariat provide both regular budget and extra-budgetary budget requirements for each programme to clearly show the total requirement for programmatic activity. Furthermore, the ABAF commented that, if resources from other parts of the Organisation were involved in IIT work, those efforts should be quantified financially, noting that this might be the case not only for the IIT but also for other programmatic activities of the Organisation.
- 9.40 The ABAF noted that the proposed budget allocation for the Inspectorate Division showed a decrease of 1.6% (EUR 0.3 million). The Secretariat explained that the Inspectorate, given the large number of staff in the Division, was significantly impacted by the increase in staff costs, with a 7.5% increase compared to 2020 levels, again due to the ICSC-mandated staff cost increases.
- 9.41 With regard to travel costs, the Draft Programme and Budget for 2021 proposes a 26.9% decrease for the Inspections Programme, representing the move from the regular budget of travel funding in the amount of EUR 1.087 million to the proposed COVID-19 Variability Impact Fund and a move of EUR 315,000 (83.4%) to the special fund for the OPCW Equipment Store.
- 9.42 The ABAF noted that the proposed budget for the International Cooperation and Assistance Programme had decreased by 1.6%, and that an amount of approximately EUR 0.2 million related to travel had been moved to the newly proposed COVID-19 Variability Impact Fund. The Secretariat indicated, upon ABAF enquiry, that this was driven by the unpredictability of travel costs in a COVID-19 environment. The Secretariat noted that in 2020 there had already been a significant decrease in travel expenditure in this programme, and that there were very real uncertainties surrounding the level of travel that would be possible in 2021.
- 9.43 The ABAF also noted the increase in consultancy costs and asked about the rationale for this increase. The Secretariat responded that the use of consultants was not a substitute for staff functions, but was intended to assist in those areas in which specific in-house expertise was not available. These areas of consultancy expertise include programme evaluation and IT aspects of e-learning development.
- 9.44 The ABAF asked about the share of extra-budgetary resources as compared to the regular budget of the International Cooperation and Assistance Programme. The Secretariat responded that extra-budgetary resources for the programme represented a very small portion of the overall programmatic activities.
- 9.45 For the Programme for the Support to the Policy-Making Organs, the ABAF noted that the programme's proposed budget for 2021 had increased slightly by EUR 0.1 million (2.4%) from 2020. A 5.5% increase in staff costs driven primarily by the ICSC-mandated staff cost increases resulted in a EUR 0.2 million increase in this expenditure area, which was partially offset by a EUR 85,000 (38.4%) decrease in the rental of furniture, equipment, and vehicles, for which the costs were moved to the COVID-19 Variability Impact Fund.

- 9.46 Regarding the budget proposed for the External Relations Programme, the ABAF noted that the programme's budget had changed slightly compared to the 2020 budget, with an increase of EUR 69,706 (3.4%). The increase was due to a 4% increase in staff costs compared to 2020 due to the upward revision in staff standard costs, primarily driven by ICSC-mandated increases.
- 9.47 Regarding the budget requested for the Office of Strategy and Policy, the ABAF noted that the Office had no significant change from the previous year, with a small increase of EUR 40,000 (2.7%) compared to 2020, due primarily to a EUR 76,000 (6.9%) increase in staff costs, largely resulting from the ICSC-mandated staff cost increases. This increase was partially offset by reductions in travel, consultancy and special-service agreements, other contractual services, and other nominal decreases in other expenditure categories.
- 9.48 The ABAF also noted that the budget for the OIO had increased by 4.8%, owing primarily to a 5.2% increase in staff costs.
- 9.49 The ABAF noted with satisfaction that the OIO training budget had increased. The ABAF reiterated its comment made at its Forty-Seventh Session encouraging the Secretariat to ensure that the training budget for the OIO was sufficient given the importance of OIO staff staying abreast of current developments and best practices in and modern approaches to audit and evaluation. The OIO commented that training was indeed of high importance for the Office. This year, staff performance goals included a line for training—both technical and soft skills—as, in the modern audit function, auditors required an equal measure of both of these skill sets. OIO staff needed to have effective communication skills to explain and expand the function of the OIO in the Organisation and to foster strong relationships with the various programmes.
- 9.50 With regard to the investigations function within the OIO, the ABAF was pleased to learn that this area of mandate for the Office was being developed. The ABAF asked whether the OIO had a certified investigator, and if not, how this function was to be accommodated given that there was no increase in staff resources. The OIO indicated that the post of a staff member who had recently left the Organisation would be used to accommodate investigatory functions within the Office, with recruitment and on-boarding expected by the end of this year or early next year.
- 9.51 The ABAF enquired about the KPIs for the OIO and suggested that having measures in place in respect of the timelines associated with internal audits and internal investigations would be good practice. In this regard, the OIO indicated that in relation to timing, it was important to distinguish between internal investigations and internal audits. The Director of the OIO indicated that she had taken up her post in late August 2019, and with the 2020 work plan, the OIO had implemented an internal timing tracker, as one way to allow the Office to improve the design of KPIs on audits, evaluations, and advisory services. In addition, beginning this year, some KPIs for staff performance reviews already contained goals linked to these specific activities. Understanding this was the first year of taking lead of the OIO team, additional time to assess the capacity of the OIO was required.

- 9.52 The OIO indicated that it would be pleased to share more details with the ABAF next year. With regard to internal investigations, a limit on timing could be incorporated, but in the OIO's view this would not be prudent as the OIO needed to develop the investigative function first and the new investigator position, once recruited, would greatly assist in this regard.
- 9.53 The OIO indicated that it was looking into a comprehensive legal framework—a code of conduct, together with related policies (whistle-blower, non-retaliation policy, harassment, conflict of interest, and so on)—such that when the new staff investigator was on board, there would also be a framework in place.
- 9.54 The OIO noted that it would be difficult for 2021, but once the framework was launched, it might take a year or so for the process to mature (also considering the impact on constructing these concepts and on organisational culture).
- 9.55 The ABAF asked about the impact the COVID-19 pandemic had had on the OIO's work. The OIO commented that the COVID-19 pandemic had affected the entire Organisation, but that the Secretariat had responded positively and adapted quickly. The OIO in this regard was a unique team, as most of the OIO staff already had laptops prior to the pandemic. The COVID-19 situation affected OIO operations for about two to three weeks. Even though the team was not prepared to run virtual online audits, the Director of the OIO expressed satisfaction with the results achieved. The OIO plan had been and would continue to be affected as the pandemic situation continues, but not as much as expected. The OIO had worked with the Information Services Branch (ISB) to overcome challenges. Today, the Office was running the third audit launched since May and it continued to participate in all boards and committees as before.
- 9.56 With regard to the ERP project, the ABAF asked for the OIO's view on the project. The OIO indicated that the ERP was one of the audit topics included in the biannual plan. This topic had also been discussed with the External Auditor to avoid duplication of audit effort. With the delays in the ERP implementation, audit work on the ERP had also been pushed forward. Discussions with the Director of Administration would continue in this regard.
- 9.57 The ABAF noted that the proposed budget for the Office of the Legal Adviser (LAO) had decreased by 0.5% (EUR 6,000) compared to 2020. Although the LAO experienced a EUR 66,000 (6.6%) increase in staff costs, primarily due to the ICSC-mandated staff cost increases, this was offset by a decrease of approximately EUR 3,000 (11.3%) in the travel expenditure budget, as well as a EUR 69,000 (34.5%) decrease in consultancy and contractual services.
- 9.58 The ABAF questioned the KPIs for the LAO and suggested that they be revisited in the future. The ABAF was of the view that the KPIs for the LAO currently reflected the actual job of the LAO to work effectively, without errors, and to have on-time delivery of duties. However, the ABAF suggested that KPIs be incorporated in the LAO that were broader and more forward-looking.

- 9.59 Regarding training travel, the ABAF questioned the increase in the LAO budget of EUR 3,250 (32.5%) in this area. In response, the ABAF was informed that the expected significant staff turnover in the LAO meant that additional training would be required in the course of 2021.
- 9.60 Regarding the budget requested for the Office of Confidentiality and Security (OCS), the ABAF noted that the budget had increased by EUR 0.126 million (3.9%). This was due to staff cost increases of EUR 0.136 million, offset partially by nominal decreases in various expenditure categories.
- 9.61 For the Health and Safety Branch, the ABAF noted that there had been an overall increase of EUR 46,000 (5.7%), primarily due to an increase in staff costs and a nominal increase in non-staff costs.
- 9.62 The ABAF noted that the proposed budget for the Administration Programme showed an overall increase of EUR 0.18 million (1.3%) from the previous year.
- 9.63 The Secretariat commented that the overall increase was primarily due to increased standard staff costs as a result of the ICSC-mandated increases. This amounted to an additional EUR 0.3 million (3.9%) in this area. The ABAF noted that this was substantially offset by a reduction in non-staff costs of 0.12 million (1.8%) mainly due to the use of programme support costs to cover a part of the general operating costs and a significant reduction in the rental and maintenance of furniture/equipment/vehicles categories.
- 9.64 On the topic of resources for consultancy that are used for investigations, the ABAF questioned why this was placed within the Administration Programme budget and not within the OIO. The Secretariat indicated that the investigation function did indeed fall under the OIO, but had not necessarily been performed by the OIO in the recent past. The recent resignation of a P-4 level officer in the OIO was allowing the position to be recast to include investigator expertise that did not exist previously. In addition, the relevant administrative directive was structured in a way that harassment cases were usually brought forward within the Administration Division and were then presented to the Director-General to determine whether to authorise an investigation. When a case was opened, the Administration Division was responsible for contracting an external investigator.
- 9.65 On the issue of staff costs within the Office of the Director of Administration, the ABAF inquired as to why there was a decrease when there had been four ICSC-mandated staff cost increases. The Secretariat explained that staff costs overall for the programme were increasing by approximately 2.7%. These costs, based on standard costs, are developed across the various staffing grades of the Organisation and take into account the population within those grades, as well as the step levels. In addition, for the Director level, the standard staff costs in the previous year included extra provisions for the on-boarding of new Directors and separation of outgoing Directors to reflect the significant turnover in that category of staff, which would not be required for 2021. Similarly to other programmes, the standard staff costs had reduced slightly for the Director level.

- 9.66 Regarding the ISB, the ABAF noted that there were EUR 1.7 million in costs budgeted for information and communications technology (ICT) services, yet there were also ICT services costs found in other programmes. The ABAF asked how this was divided; whether the ISB was only for IT infrastructure and other Divisions were responsible for their own software; and whether there was any coordination with other Divisions to avoid overlap and additional costs. The Secretariat explained that the Organisation employed a federated IT system, with the ISB as the backbone. The delineation could be viewed generally in terms of unclassified versus classified information handling. Discipline centred on the two-tiered governance process. There was an IT Steering Committee meeting periodically on IT projects to ensure they were moving forward in the right direction and to avoid redundancies, and there was the IT Strategy Advisory Committee, chaired by the Deputy Director-General, to review and direct IT strategies. Through these governance structures, harmonisation across key platforms was facilitated, although there was still room for improvement.
- 9.67 With regard to staff retention, the ABAF asked whether participation in the United Nations Joint Staff Pension Fund (UNJSPF) was being considered. The Secretariat indicated that this had been considered a few years ago by Secretariat staff and it was decided via a staff vote at that time not to join the UNJSPF and to remain in a provident fund mechanism. The Secretariat commented that interest amongst staff varied, with some being more interested than others, depending on occupational role and career tracks. In some cases, however, it has been an issue in terms of both staff retention and recruitment from within the United Nations common system. Areas such as the Administration Division might be more affected than others.
- 9.68 The ABAF commented that a number of other organisations with a tenure policy, including the International Atomic Energy Agency and more recently the Comprehensive Nuclear-Test-Ban Treaty Organization, were members of the UNJSPF. Indeed, the UNJSPF had announced at a recent Board meeting that it was open to new members and would be admitting the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies to the compendium of organisations that are members of the UNJSPF. The ABAF noted that if the Organisation were looking to join the UNJSPF, it may wish to expedite any such process as the UNJSPF would begin to charge administrative costs for new members. The ABAF commented that a pension scheme may afford better long-term financial security for Secretariat staff than a provident fund mechanism.
- 9.69 On the issue of knowledge management, which had been placed within the Administration Programme, the ABAF asked about its relation to the other parts of the Organisation. The Secretariat indicated that the knowledge management function was cross-cutting in the Organisation, with growing synergies now that the Senior Knowledge Management Officer was in place. The ABAF encouraged the Secretariat to ensure that the knowledge management function across the Organisation was complementary and that it avoided undue overlap of functions.
- 9.70 The ABAF requested the Secretariat to further develop its RBM efforts and to embed them within future programme and budgets.

10. Progress in transitioning to a biennial Programme and Budget for 2022 and 2023

- 10.1 The ABAF was provided with an update on progress, including through a high level timeline of the Organisation's transition to a biennial Programme and Budget starting for the 2022 – 2023 biennium.
- 10.2 The Secretariat recalled that a transition to a biennial Programme and Budget for the 2022 – 2023 biennium had been approved by the Conference at its Twenty-Fourth Session (C-24/DEC.11, dated 28 November 2019). The Secretariat highlighted that biennial budgeting would provide the Organisation with clear benefits, including improved and longer-term programme planning, a more efficient Programme and Budget preparation process, enhanced effectiveness, and—importantly—efficiency of programme delivery in a more predictable fashion.
- 10.3 In addition, the ABAF was reminded that no changes to the Convention were required, and that the States Parties' assessments would continue on an annual basis, rather than for both years of the biennium up front. Financial reporting to States Parties would remain essentially unchanged, with no loss of information or transparency. The issuance of the Organisation's International Public Sector Accounting Standards-based Financial Statements would remain on an annual basis, including the annual external audit.
- 10.4 A budget review process would occur in the first year of the biennium, allowing for adjustment for the second year of the biennium should there be significant changes in budgetary assumptions or priorities, with any revision, if required, to be approved by States Parties.
- 10.5 The ABAF noted with satisfaction that the draft amendments to the Organisation's Financial Regulations and Rules to enable the transition to a biennial Programme and Budget, as well as other minor adjustments as considered by the ABAF at its Forty-Seventh Session, had been approved by the Council at its Ninety-Fourth Session (EC-94/DEC.1, dated 8 July 2020). The ABAF understood that, following Council approval, these amendments would be transmitted to the Conference for approval at its Twenty-Fifth Session. The ABAF noted that, once approved by the Conference, the amendments to the Financial Regulations and Rules would be effective from 1 January 2021 to allow for the preparation of the biennial Programme and Budget for 2022 and 2023.
- 10.6 The ABAF noted positively that the Secretariat was in the process of establishing other required internal structures to support a biennial Programme and Budget. In this regard, the ABAF was informed that the detailed costing sheet and Programme and Budget templates necessary for Programme Managers to formulate biennial programme and budgets were to be completed by August of this year.
- 10.7 With regard to change management, the ABAF was informed that this was planned to occur in 2020 and would best take place after conclusion of the consultations on the Programme and Budget for 2021, to allow the Budget and Finance Branch and Programme Managers to then focus on the aspects of a biennial Programme and Budget formulation. The ABAF was informed that important aspects going forward would be the assessment of performance measures for the first year of a biennium, the establishment of instructions for Programme Managers for the biennial Programme

and Budget preparation, and the close monitoring of their understanding and progress, especially during the formulation of the first biennial Programme and Budget for 2022 and 2023. Furthermore, the Secretariat understood the importance of a lessons learned exercise after the first biennial Programme and Budget formulation for subsequent use in future Programme and Budget formulation exercises.

- 10.8 The ABAF noted with appreciation the clear presentation from the Secretariat, which provided an update on progress towards the transition to a biennial Programme and Budget. The ABAF took the opportunity to reinforce a number of previous recommendations of the External Auditor and ABAF. These included ensuring that there are clear accountabilities and performance measures for the first year of a biennium, to further develop the programme performance report into a Programme and Budget performance report, and one in which financial performance is taken into account.
- 10.9 The ABAF commented that it was important to undertake this exercise in the context of the preparations for the transition to a biennial Programme and Budget. Furthermore, the ABAF suggested that the performance reports in the biennium should continue on an annual basis, with a first or interim Programme and Budget performance report for the first year of the biennium, followed by one for the second year, to provide transparency for States Parties.
- 10.10 Continuing on the issue of biennial Programme and Budget formulation, the ABAF stressed, as it had done at previous ABAF sessions, the importance of clear linkages in budget formulation between resources and results, noting that this was indispensable for biennial budgeting to be transparent, workable, and efficient.
- 10.11 The ABAF emphasised, as it had done previously, the importance of having regular budgetary and extra-budgetary amounts shown for each programme, with the benefit of providing a comprehensive picture of the overall cost of programme delivery. The ABAF noted that this would be of increased relevance in the context of biennial Programme and Budget processes.
- 10.12 Regarding KPIs, the ABAF highlighted the importance of more structured and meaningful indicators and pointed out that a number of recommendations had been made in this regard over the years by the ABAF and the External Auditor. The ABAF encouraged the Secretariat to show tangible movement in this area. The ABAF emphasised that, as part of change management efforts, the Secretariat should build a more strategic RBM approach and thinking on the part of Programme Managers.
- 10.13 With reference to the new ERP system, the ABAF suggested that the Secretariat ensure that the system would accommodate and facilitate biennial budgeting, understanding the transition to a biennial budget would be for the 2022 and 2023 biennium.

11. Update on negative interest and the OPCW (deferred from ABAF-48)

- 11.1 Following the ABAF's request at its Forty-Seventh Session, the Secretariat provided the ABAF with a comprehensive presentation on "Negative Interest Rates and the OPCW" at this session. This followed a detailed presentation on the OPCW's banking arrangements, which had been provided at the ABAF's Forty-Seventh Session.

- 11.2 The presentation on negative interest rates covered the European Central Bank's (ECB) negative interest rate policy (NIRP) which is applied to bank deposits. The Secretariat informed the ABAF that the purpose of the NIRP is to stimulate Eurozone economic growth by incentivising commercial banks to lend money instead of holding ECB deposits and in turn then pushing depositors to spend instead of accumulating cash. As a result, banks in the Eurozone pay interest on balances held at the ECB. The ECB deposit facility has moved increasingly into negative territory with five reductions since 2014, the most recent of which was in September 2019, to a rate of -0.50% per annum.
- 11.3 The ABAF was informed that the ECB's policy was to continue with the NIRP, with the result that an increasing number of banks in the Eurozone, including those in the Netherlands, had announced that they would pass negative interest rates on to retail customers. It was anticipated that negative interest rates were likely to remain at -0.50% well into 2021 and perhaps beyond.
- 11.4 The impact of COVID-19 has constituted an unprecedented shock globally and in the Eurozone, with the impact remaining highly uncertain at the current time. Consequently, investment options are increasingly also restricted due to negative interest rates.
- 11.5 The NIRP was having a tangible impact on the OPCW. Short-term interest rates dropped below zero in 2015. The number of financial institutions with which the OPCW maintained current and savings accounts reduced from six to four as, with the negative interest rate, environment financial institutions were growing increasingly cautious in respect of their levels of cash holdings. This had significantly reduced the banking flexibility for the Organisation and increased its exposure to possibly incurring negative interest rate charges which, to date, the Organisation had managed to avoid through vigilant treasury management.
- 11.6 OPCW General Fund cash inflows in the last number of years had been tenuous, with an increasing pattern of fourth quarter cash receipts. In addition, the cash holdings of the Organisation had steadily increased due to receipts of extra-budgetary contributions, most notably for the OPCW Centre for Chemistry and Technology project.
- 11.7 From 1 January 2021, the Organisation would face increasingly stringent negative interest rate thresholds. Some financial institutions had indicated provisionally that interest-bearing deposits might only be those that are six to 10 years in duration. The economic environment in the Eurozone was becoming increasingly difficult with regard to negative interest rates and tightening thresholds. It was increasingly likely that from 2021, the OPCW may begin at different points to incur negative interest rate charges.
- 11.8 The Organisation had been actively looking to expand its banking relationships. In this regard, the Organisation's banking relationships are overseen by the Organisation's Investment Committee, in line with the Organisation's investment policy and its Financial Regulations and Rules. Only those financial institutions of sound reputation, financial standing, and credit rating of no less than P-1 according to Moody's Investors Service are considered.

- 11.9 The ABAF was informed that challenges exist for the Secretariat in establishing new banking relationships. The impact of the global financial crisis had resulted in a significant reduction in the number of eligible financial institutions that would satisfy the Moody's Investors Service P-1 rating, with a number of financial institutions being downgraded as a result.
- 11.10 The Secretariat was also restricted to establishing banking relationships located in those States Parties for which privileges and immunities agreements had been concluded and had entered into force. These included Austria, Finland, Switzerland, the United Kingdom of Great Britain and Northern Ireland, and the Host Country.
- 11.11 The ABAF was informed that a banking relationship with a bank previously used by the Organisation was resumed in 2019, giving the Organisation four financial institutions. In addition, a number of financial institutions had been contacted to determine the possibilities for the establishment of banking relationships. However, due to the tightening negative interest rate thresholds, none of these had been interested in establishing banking relationships. The Organisation was currently in detailed discussions with a banking institution outside the Netherlands that was also used by many organisations in the United Nations common system for the establishment of banking arrangements. Once completed, this would provide the Organisation with an additional financial institution and a degree of added flexibility, although this in itself may not fully insulate the Organisation from the future incurrence of negative interest rates.
- 11.12 Regarding the charging of negative interest, the ABAF recalled its comment from its Forty-Seventh Session, when it indicated that negative interest could be viewed as taxation on assessed contributions and could become an unnecessary burden for the Organisation. The ABAF reiterated its suggestion that the Finance and Budget Network's Working Group on Common Treasury¹ should discuss the matter and collectively approach the banking industry and the ECB on behalf of all Europe-based international organisations. The Secretariat indicated that it was not part of this fee-based network and had investigated obtaining membership, but found the annual cost to be somewhat prohibitive. The Secretariat commented that it was, however, aware that other United Nations common system organisations based in Europe were facing the same challenges as the OPCW, and that the Budget and Finance Branch would continue its engagement with counterparts, including those based in The Hague, to learn of their experiences, mitigation approaches, and new opportunities.
- 11.13 Recalling its suggestion from its Forty-Seventh Session, the ABAF also suggested that a survey of the financial institutions across the countries in which the Organisation has privileges and immunities be undertaken to determine the best available financial institutions and financial instruments and returns, noting now that, with the tightening negative interest thresholds, any options might be increasingly reduced. Furthermore, the ABAF recommended again that the Secretariat explore with Permanent Missions ways to extend the privileges to include those countries in which good financial options exist.

¹ Of the United Nations System Chief Executives Board for Coordination.

- 11.14 The ABAF asked whether the NIRP had any impact on the OPCW Provident Fund holdings and performance. The Secretariat indicated that the Organisation's Provident Fund holdings were retained in individual bank accounts for each Provident Fund member. Thus, the negative interest rate thresholds were not having an impact on the Provident Fund or its members, as the threshold limits were significantly higher than the balance of an individual's provident fund. The NIRP environment was nevertheless a definite factor in any interest returns on provident fund holdings.
- 11.15 The ABAF commended the Secretariat for the presentation, which it found clear, informative, and concise on a very important topic given the current economic situation, in which liquidity management and investment activities take increased importance and require constant vigilance. Furthermore, the ABAF took note of the positive developments regarding the re-engagement of a financial institution, bringing the total to four for the Organisation, with a possible fifth currently under negotiation. The ABAF also noted with satisfaction that the Organisation had succeeded in avoiding negative interest charges to date, but also noted that this would become increasingly difficult from 2021.
- 11.16 The ABAF requested the Secretariat to provide a short update at its Fiftieth Session in the context of the Organisation's cash position on any additional developments regarding the engagement of financial institutions, and to indicate whether the tightening of negative interest rate thresholds from the beginning of 2021 had had an adverse impact on the Organisation.

12. OPCW Statement of Internal Control update (deferred from ABAF-48)

- 12.1 The ABAF noted with appreciation the comprehensive and clear presentation provided by the Secretariat on progress made in the area of internal control. In general, the ABAF was greatly encouraged by the significant progress that had been made by the Secretariat with regard to the internal control mechanism.
- 12.2 The ABAF recalled from its Forty-Sixth Session the Secretariat's briefing on work done to improve the underpinning processes to support the Director-General's Statement of Internal Control. In this regard, the ABAF was informed that, based on recommendations from both the National Audit Office (NAO) of the United Kingdom of Great Britain and Northern Ireland and the OIO, an overall internal control framework based on the Committee of Sponsoring Organizations of the Treadway Commission had been developed and was supported by a detailed self-assessment questionnaire targeting Branch Heads (P-5 level) and Directors, and that the Management Board had been briefed on the concept and approach in February of last year.
- 12.3 The internal control framework and the (biannual) self-assessment questionnaire were launched within the Organisation in 2019. This was done to support senior management attestations on internal control, the Director-General's Statement of Internal Control, governance frameworks (boards and committees), organisational risk management, and—where significant risks are identified—to inform resource allocation and planning in order to address identified risks.

- 12.4 The ABAF noted that the External Auditor's report completed in 2020 for the 2019 financial year indicated that the processes implemented in 2019 significantly strengthened and supported internal controls. Furthermore, the ABAF noted that the External Auditor had advised that the self-assessment survey targeted at the Director and Branch Head levels continue on a biannual basis, so as to determine trends and ensure that the process matures within the Organisation.
- 12.5 With regard to the response rate from the survey at the Director and Branch Head levels, the ABAF noted that in 2019 the response rate had been less than 100% and that this was an area that the External Auditor had identified for improvement. The Secretariat informed the ABAF that for the first survey of 2020 (May), a 100% response rate had been achieved, although the timeline for survey response had been extended considerably to achieve the result. The ABAF commented that this needed to be improved and that survey completion should be tied to performance management.
- 12.6 The ABAF also supported the External Auditor's recommendation that links between internal control and the OIO required improvement in order to provide an overview of the adequacy of internal control. The ABAF commented that in the Director of the OIO's vision paper, it was mentioned that the OIO was expanding advisory services to senior management and the programmes, and the ABAF noted that this was an important step towards supporting and strengthening internal control processes.
- 12.7 With regard to the placement of the Statement of Internal Control process, the ABAF noted the External Auditor's recommendation to transfer ownership of the Statement of Internal Control process to the Office of Deputy Director-General or the Office of the Director-General, so that the process would be placed in an area of the Organisation with cross-organisational reach and, importantly, the authority both to enforce the control process and effect change in the event of identified risks.
- 12.8 The ABAF considered a high-level summary of results from 2019 (May and November) and the first survey of 2020. The ABAF noted that additional detail should be built around areas of identified weaknesses, namely in the areas of communication, guidance, risk management, and monitoring.
- 12.9 With regard to the COVID-19 pandemic, the ABAF noted that the Secretariat had included questions in the survey in relation to the OPCW response to this situation. The ABAF noted that some indications of key lessons learned came through from the survey. These included the notion that long-term contingency plans should be developed to ensure business continuity, and that a business impact analysis should be conducted to predict consequences of corporate disruptions and recovery strategies for different impact scenarios, and to improve organisational preparedness and response. With regard to a post-pandemic environment, the ABAF also noted the External Auditor's comment that risk management would become increasingly important post-pandemic.
- 12.10 The Secretariat informed the ABAF that the internal control self-assessment survey results were shared with senior management, Directors, and Branch Heads, as well as those with the oversight function for the various boards and committees in the Organisation, including the Management Board and the Risk Management

Committee. Programme Managers were to consider the responses in 2020, also in the context of the 2019 results.

- 12.11 Areas of specific risk should also be considered in the context of the 2020 Programme and Budget implementation to determine whether areas of need could be provided with resources to help address risk issues.
- 12.12 The ABAF emphasised, as it had during its Forty-Sixth Session, the importance of clear, formalised, and detailed designations and delegations of authority from the Director-General as an important component alongside the internal control framework, and recommended that this be seriously pursued by the Secretariat. The ABAF commented that internal control consists of several stages of internal control processes and risk management. The processes of risk management, especially the identification of risks, is particularly important. Each programme has specific risks. The ABAF emphasised that the responsibility to identify and assess the relevant risks and their mitigations lies with the Programme Managers. In a risk management framework it is essential that clear accountability through delegation of authority lies with managers. In the absence of clear delegation of authority from the Director-General to complement the internal control framework, the internal control framework is undermined. The ABAF looked forward to receiving an update on this matter at a future ABAF session.
- 12.13 The ABAF noted that the next self-assessment questionnaire was planned for November of this year, in keeping with the biannual approach to the survey. The ABAF emphasised the importance of senior management oversight of the questionnaire process and assessment of its results. The ABAF noted that such surveys ran the risk of responders falling into complacency if there was not adequate follow-up. The ABAF commented that management must seriously consider and act upon survey findings, factor them into the overall risk management of the Organisation, and address issues identified directly with the programmes. Serious consideration must be given to in-year resource deployment to areas of risk and also to the process of budgetary planning for subsequent years.

13. Tenure policy update (deferred from ABAF-48)

- 13.1 The ABAF reviewed the report by the Director-General entitled “Implementation of the Tenure Policy in 2019” (EC-94/DG.11, dated 19 June 2020). The ABAF noted that from the report it was clear that the tenure policy continued to be implemented in accordance with the relevant decisions by the Conference.
- 13.2 The ABAF requested additional information concerning paragraph 5 of the Director-General’s report with regard to legal issues. Specifically, the ABAF noted that during the reporting period (2019), the Administrative Tribunal of the International Labour Organization (ILOAT) had decided on one case related to the OPCW tenure policy. Regarding this case, the ABAF requested additional information, including in whose favour the decision was taken and what, if any, were the implications of any compensation awarded, as well as whether the case and its decision could be taken as a precedent for possible claims against the Secretariat in the future.

- 13.3 The Secretariat indicated that the case referred to ILOAT Judgment 4068, which was publicly available information. In this case, the complainant contested the decision not to extend his appointment beyond the seven-year tenure. The Secretariat requested the Tribunal to dismiss the complaint as time-barred. The Tribunal accepted the OPCW's arguments on this point and determined that the complaint was irreceivable, and dismissed the case in its entirety. The Tribunal did not award any of the damages or legal fees that had been requested by the complainant. Furthermore, the Secretariat informed the ABAF that, since the case was dismissed on procedural grounds, it did not have any substantive precedential value.
- 13.4 Following the ABAF's request made earlier in the current session for additional statistical information on turnover rates and cost implications of tenure, the Secretariat conducted an analysis during the session and informed the ABAF that a decision of the Conference on the tenure policy of the OPCW (C-SS-2/DEC.1, dated 30 April 2003) indicated a maximum allowable turnover rate of 14% for ensuring the continued financial stability and effectiveness of the Organisation. Furthermore, the Secretariat indicated that in 2010, the External Auditor reported that such a turnover (about 14%) should be significantly reduced because it reduced the efficiency and effectiveness of the Secretariat (paragraph 69 of EC-61/DG.9 C-15/DG.4, dated 7 June 2010).
- 13.5 The Secretariat informed the ABAF that the overall staff turnover rate for the Organisation was approximately 14%. However, the turnover rate for OPCW posts subject to tenure (posts subject to tenure account for approximately 60% of total staff) was approximately 21%. Gallup considered a rate of 10% to be ideal, and for a typical organisation without tenure in the United Nations common system, the turnover rate was approximately 11.43%.
- 13.6 In terms of costs, the Secretariat indicated that a high turnover rate was expensive for the Organisation and that when staff leave, they have to be off-boarded and new staff recruited and on-boarded. According to research from the Society for Human Resource Management, direct replacement costs can be as high as 50% to 60% of an employee's annual salary, with total costs associated with turnover ranging from 90% to 200% of the annual salary.
- 13.7 The Secretariat informed the ABAF that it had provided a presentation to States Parties on 7 February 2020, in which the Secretariat estimated that for direct costs related to staff turnover, the costs for bringing a staff member on board amounted to approximately EUR 13,000 and to approximately EUR 32,000 to separate a staff member. In terms of indirect costs, the Secretariat estimated that loss of productivity driven by staff turnover amounted to approximately EUR 124,000.
- 13.8 The ABAF welcomed the analysis by the Secretariat and requested the Secretariat to provide a further update on the tenure policy at its Fiftieth Session.
- 14. Director's Vision for the Office of Internal Oversight (deferred from ABAF-48)**
- 14.1 The ABAF considered the non-paper entitled "Director's Vision – Strategy Master Plan of the Office of Internal Oversight for the Period from 2020-2024". The ABAF welcomed the non-paper, finding it sound and comprehensive.

- 14.2 The OIO explained that the key drivers of the strategy were based on three interrelated elements: people (OIO staff), technology (OIO technology and tools), and processes (OIO processes).
- 14.3 On the issue of OIO independence, the ABAF noted that in paragraph 18 (page 6) of the non-paper concerning the listing of OIO values and principles, one may expect independence and objectivity to be listed first as the overriding and fundamental aspects of the audit function.
- 14.4 The ABAF expressed its satisfaction that the OIO was conducting a SWOT (strengths, weaknesses, opportunities, and threats) analysis on an annual basis and quality assessments in line with audit standards. The OIO indicated that it had not previously conducted a SWOT analysis, but that it was common practice in internal oversight functions. The OIO was already planning engagement with stakeholders across the Organisation in this regard to ensure a broad perspective in the SWOT analysis and a form of peer review.
- 14.5 The ABAF asked about the status of the quality assessment scheduled for 2020. The OIO indicated that this will be taken up with the Institute of Internal Auditors, Netherlands Chapter, in the last week of November and first week of December this year.
- 14.6 With regard to the reference in the paper (page 8) concerning improvement of the understanding of expectations from main internal and external stakeholders, the ABAF commented that States Parties are regarded as external stakeholders, when in fact they are the “owners” of the Organisation, and should therefore be viewed as centrally internal to the Organisation.
- 14.7 On the issue of Sustainable Development Goals (SDGs), the ABAF requested further explanation. The OIO indicated that the inclusion of SDGs in oversight functions was a topic of discussion amongst internal oversight heads in the United Nations system. The Director of the OIO commented that the office needed to have the aspiration of the SDGs as part of the internal oversight function and when developing audit plans. She indicated that the OIO was focusing primarily on SDG 16 for strong institutions, and that the OIO’s functions supported this through assurance and the building of trust.
- 14.8 In respect of advisory services, the ABAF was pleased that the Director’s Vision included an expansion of this function to senior management and the various programmes. The ABAF commented that given its importance, it would be beneficial to dedicate a specific section of the vision paper to this aspect, or to provide further elaboration. The Director of the OIO agreed that it could be further emphasised but noted that advisory services were included as part of the internal audit and evaluation functions of the Office, and that through these functions the office regularly advises stakeholders on issues. The Director of the OIO saw advisory services as playing a central role within an internal oversight function.
- 14.9 With regard to the whistle-blower policy, the Director of the OIO commented that a legal framework centred on the Code of Conduct was to be further elaborated. A number of good materials already existed within the Organisation, including the Staff Regulations and Rules. The development of a comprehensive legal framework

involving the OIO, LAO, Human Resources Branch (Administration Division), and the OCS was under way. This would serve as the basis for updating and elaborating other policies, including the whistle-blower policy.

- 14.10 The ABAF referenced the External Auditor recommendation that the links between internal control and the OIO be improved. The Director of the OIO indicated that this was indeed an area of importance and that it would be taken forward.
- 14.11 The ABAF asked about the Director's initial views on the Organisation and the internal oversight function. The Director indicated that her impressions were favourable, from the OIO team to the support across the Organisation, including the independence of the internal oversight function. The Director of the OIO indicated that there were technology limitations, and that these would need to be addressed in the future.

15. Status of the ERP project

- 15.1 The ABAF was briefed by the ERP Project Manager on the ERP project, including on the status of implementation of the SoR and systems of differentiation (SoD), the next steps in project implementation, and the financial status of the project.
- 15.2 The Secretariat informed the ABAF that the implementation of the SoR remained ongoing, with the core financial and human resources aspects of the system currently in regression testing. The ABAF was informed that approximately 763 test scenarios were being tested in the SoR, of which approximately 73% had passed so far.
- 15.3 The ABAF was informed that the January 2020 go-live date for the SoR was not possible, as the core financial and human resources components of the system were not ready in 2019, especially the essential component of the payroll system. As a result, regression testing had been postponed and commenced instead in early January 2020. With the onset of regression testing, it became apparent again that the system was not in a ready state and that a go-live in the first quarter of 2020 had become unfeasible.
- 15.4 With regard to system testing, the ABAF was informed that a number of factors were of influence, including the financial year-end activities for 2019; the emergence of the COVID-19 pandemic, necessitating all system testing and project-related meetings to be conducted remotely; incorrect instance management and environment management, necessitating significant retesting; and the continuing incomplete build for the payroll element of the system.
- 15.5 With regard to the SoD, the ABAF was informed that the Talent Management (TM) solution had progressed, with the TM recruitment module having been in service since 2019. The Learning module and the Performance module had both entered into service in 2020. The Travel Management and Asset Management components of the SoD would be assessed after the go-live of the SoR.
- 15.6 The ABAF was informed that the Secretariat had revised and strengthened its implementing framework, with a view to meeting the planned January 2021 go-live of the SoR.

- 15.7 The ABAF was also informed that the business analytics and reporting toolset using the Qlik Sense reporting tool had been deployed, and that integration with the TM recruitment module was ongoing and integration with the SoR was to take place after the SoR go-live.
- 15.8 With regard to the financial aspects of the project, the ABAF was reminded that, because of delays in implementation of the necessary ERP system configuration required to fulfil the OPCW's defined requirements, additional funding had been required to complete the project. This funding, in the order of EUR 0.77 million from the 2017 cash surplus, had been agreed in 2019 by the Conference at its Twenty-Fourth Session and had been applied to bolster the ERP implementation fund.
- 15.9 The ABAF was informed that the vast majority of the project budget would be used to complete the SoR. The remaining elements of the SoD, namely Travel Management and Asset Management, would utilise any residual funds from the SoR implementation, barring any further delays in project implementation. The ABAF asked the Secretariat whether additional funds from States Parties to complete the SoD portion of the project would be required. The Secretariat indicated that it remained a possibility and that this would be considered once the SoR component of the system was operational.
- 15.10 The ABAF noted that there was still a significant amount of work to be done to complete the implementation, including completion of the Human Resources and Payroll components of the system, regression testing, data migration, system cutover, and end-user training. The ABAF expressed its support to the Secretariat in its efforts to continue focusing on completing the project and ensuring that it delivered the intended benefits.
- 15.11 The ABAF noted that, as a standing item on its agenda until a point after the project go-live, it would receive a project update at its Fiftieth Session. Furthermore, the ABAF encouraged the Secretariat to keep States Parties informed of the project status.

16. Update on the OPCW Centre for Chemistry and Technology

- 16.1 The ABAF was provided with a comprehensive presentation on the project to upgrade the OPCW Laboratory and Equipment Store to a Centre for Chemistry and Technology (ChemTech Centre). The presentation provided the ABAF with information on the design phase progress, construction tender and permit progress, fundraising progress, communication, and outreach. A Note by the Secretariat entitled "Progress in the Project to Upgrade the OPCW Laboratory and Equipment Store to a Centre for Chemistry and Technology" (S/1881/2020, dated 30 June 2020) was also circulated to the ABAF. The ABAF welcomed both the briefing and the Note by the Secretariat.
- 16.2 The Secretariat explained that the project was in the design phase. Following the completion of the draft design in February 2020, the preliminary design was completed on schedule in April 2020. The final design had been submitted in July 2020.

- 16.3 On the issue of the construction tender, the ABAF was informed that a pre-qualification phase to identify suitable bidders had started in June 2020. A request for proposal phase, in which the pre-qualified bidders would submit their bids, was currently expected to begin in September 2020.
- 16.4 The Secretariat informed the ABAF that, to date, approximately EUR 30.6 million in voluntary contributions had been pledged or provided to the project's trust fund by 43 States Parties and the European Union, with a personal contribution also received. Approximately EUR 2.9 million was still required to reach full funding for the project. The Secretariat had extended the deadline to complete the fundraising for the project to the end of 2020.
- 16.5 Regarding communication and outreach activities, the ABAF was informed that a donor wall to recognise contributors to the project and a model of the ChemTech Centre were being displayed at the OPCW Headquarters. A video providing a 3-D virtual reality tour of the ChemTech Centre had been made available to States Parties online. The ABAF was further informed that a billboard announcing the arrival of the ChemTech Centre had been placed at the plot in Pijnacker-Nootdorp in June 2020.
- 16.6 The ABAF noted that the project was making good progress and expressed its satisfaction with the general status of the project. The ABAF also acknowledged with appreciation that many comments and suggestions offered previously by the ABAF had been acted on.
- 16.7 The ABAF asked about the Secretariat's view of the possibilities for closing the funding gap of approximately EUR 2.9 million. The ABAF was informed that the Secretariat remained cautiously optimistic, because some States Parties had recently indicated that they were considering providing further funds to help reduce the funding gap. The Secretariat would continue to make every effort to close the funding gap by the end of 2020.
- 16.8 The ABAF asked whether all funding should be obtained up front for this project through voluntary contributions, as opposed to using any loan. The ABAF was informed that, according to the current Financial Regulations and Rules, the Secretariat did not have borrowing authority, and was therefore funding the project exclusively through voluntary contributions.
- 16.9 The ABAF asked whether the Secretariat saw risks to the cost and timeline of the project, considering in particular the potential impact of COVID-19. The ABAF was informed that there was a potential risk that the situation caused by COVID-19 may impact cost and/or timeline, and that the Secretariat was making every effort to minimise the risk. In terms of the cost, the Secretariat was working closely with the design team and the cost advisor to optimise the construction cost of the ChemTech Centre. While constant efforts were being made in the design phase to maintain control over building costs, the actual building cost would only be known when bids on the construction tender were received at the end of the year. This cost is subject to various market factors beyond the Secretariat's control, including the COVID-19 pandemic. In terms of the timeline, assessment and coordination meetings were being held regularly between the Secretariat and the design team, which had extensive

experience in the construction industry, to identify and mitigate at an early stage any potential risks for delay. The Secretariat also sought market feedback from construction companies in order to assess the proposed timelines. The response from the market confirmed that the current planning was realistic. However, there remained a possibility that the COVID-19 situation may impact cost and/or timeline and the Secretariat would continue to assess and seek to mitigate this risk.

- 16.10 The ABAF noted that multiple consultants such as a cost advisor, an external legal counsel, and a consultant with expertise in the International Federation of Consulting Engineers (FIDIC) model construction contract that is being used by the Secretariat were involved in this project and asked whether the level of involvement of consultants was in accordance with general practice. The ABAF was informed that external legal counsel had been hired to provide expert guidance and support on legal issues related to the construction project, based on the lessons learned from other international organisations. Use of an independent cost advisor was also general practice to obtain independent, expert advice on the efficiency and accuracy of cost estimates. A FIDIC consultant was required to obtain expert advice not available within the Secretariat on the construction tender based on the FIDIC model contract. With all of these consultancy services, a proper balance could be sought between protecting the interests of the OPCW and attracting a sufficient number of quality bids by respecting market best practices.
- 16.11 With regard to the permit process, the ABAF asked if any obstacles were foreseen. The ABAF was informed that the Secretariat had been working with the Municipality from a very early stage of the project for the required permits. Though discussions with the Municipality had been positive so far and no specific obstacles were envisaged at this stage, there remained a possibility that the process might not go as expected. In order to mitigate this risk, the Secretariat was coordinating closely with the Municipality and permit authorities in preparation for the permit application, including by informally sharing important draft documents with the Municipality for a preliminary assessment of their completeness and quality.
- 16.12 In relation to the construction tender, the ABAF asked whether there was a possibility of using invitation to bid as opposed to request for proposal, as invitation to bid may be faster and less costly. The ABAF was informed that the construction tender was being conducted in accordance with the relevant regulations, rules, and policies of the OPCW, in which the pre-qualification phase and request for proposal phase needed to be followed.

17. Election of the Chairperson of the ABAF

In accordance with Rule 4 of its Rules of Procedure (Annex 2 to ABAF-27/1, dated 3 September 2009 and Corr.1, dated 15 October 2009), the ABAF re-elected for a period of one year Mr John Foggo as Chairperson with immediate effect following the close of its Forty-Ninth Session.

18. Any other business

Subitem 18(a): OPCW Financial Statements for 2020 and exceptional closure extension (if required, contingent on ERP go-live)

- 18.1 The Secretariat revisited ABAF Regulation 11.4 of the Financial Regulations and Rules, requiring the Financial Statements to be submitted to the External Auditor by 31 March following the end of the financial period to which they relate. In this regard, based on recommendations from the External Auditor and the ABAF and considering the possibility of an end-of-year ERP go-live in 2020, the pressures on key OPCW areas, in particular the Budget and Finance Branch, with the year-end closure, the complexities of the cutover to the new ERP system, and the time required for audit enquiries, the Secretariat had requested and received States Parties' approval, as an exceptional measure, to submit the Financial Statements for 2018 and then also for 2019, should it be required, to the External Auditor at a later date.² For 2018 and 2019, the requested extensions ultimately were not required, as the decision was taken by the Budget and Finance Branch to prepare the Financial Statements in accordance with the normal schedule, given that the ERP go-live date was continuing well into 2020.
- 18.2 With the ERP project trending towards a January 2021 go-live, the Secretariat informed the ABAF that a request to States Parties similar to the ones made for 2018 and 2019 would be required. With approval on this matter similar to 2018 and 2019, it was important to note that the 2020 External Auditor's report and Financial Statements would still, however, be available to States Parties at the Ninety-Eighth Session of the Council and at the Twenty-Sixth Session of the Conference, in accordance with the normal schedule.
- 18.3 The Secretariat informed the ABAF that the External Auditor had once again indicated that if the Secretariat saw this as a risk, it should engage early with States Parties to agree to a later timeline for the 2020 Financial Statements.
- 18.4 As a consequence of a possible later submission of the 2020 Financial Statements to the External Auditor, the Secretariat indicated that the ABAF may need to consider the 2020 External Auditor's report and the 2020 Financial Statements at its second, rather than first, session of the year. The ABAF agreed to this approach.
- 18.5 The ABAF indicated its agreement that, given the projected ERP go-live in January 2021, an exceptional request for extension of the submission date for the 2020 Financial Statements to the External Auditor should be submitted by the Secretariat to the Council at its Ninety-Fifth Session and to the Conference at its Twenty-Fifth Session for approval.

²

For the 2018 Financial Statements: C-23/DEC.5 (dated 19 November 2018): "Submission of the 2018 OPCW Financial Statements to the External Auditor (Financial Rule 11.1.02)" and for the 2019 Financial Statements: C-24/DEC.6 (dated 28 November 2019) "Submission of the 2019 OPCW Financial Statements to the External Auditor (Financial Rule 11.1.02)".

Subitem 18(b): Status of implementation of the recommendations of the External Auditor

- 18.6 The ABAF was informed that the annual Note by the Secretariat entitled “Report on the Status of Implementation of the Recommendations of the External Auditor” was being prepared for issuance to States Parties. In September, prior to the Ninety-Fifth Session of the Council, an informal consultation, in line with normal practice, would be held with States Parties to update them on the status of the recommendations. The modality of this consultation, given the continuing COVID-19 pandemic, was under consideration by the Secretariat.

Subitem 18(c): Update on nominations and selection of the next External Auditor of the OPCW

- 18.7 The Secretariat provided the ABAF with an update on the selection of the next External Auditor of the OPCW. The ABAF was informed that a Note by the Director-General entitled “Request for Nominations for External Auditor of the OPCW” (S/1824/2020, dated 17 January 2020) had been issued, inviting nominations from all States Parties for the appointment of an External Auditor to be responsible for the audit of the Financial Statements of the OPCW and the Provident Fund, its financial operations, and other matters relevant to the efficient and effective administration of the OPCW with effect from the 2021 financial period. The same Note also indicated the factors upon which the assessment of nominations would be based.
- 18.8 The Secretariat informed the ABAF that, according to the Financial Regulations and Rules of the OPCW, in particular Financial Regulation 13.1, the External Auditor of the OPCW “shall be the Auditor-General (or an officer holding an equivalent title) of a State Party, shall be appointed in the manner and for the period determined by the Conference of the States Parties and for a single period of not less than two years, but not exceeding six years”.
- 18.9 The ABAF noted that the appointment of the next External Auditor would follow the completion of the six-year term (2015 to 2020 inclusive) of the current External Auditor of the OPCW, the NAO.
- 18.10 The ABAF was informed that the Secretariat had received nominations for the appointment of the next External Auditor from three States Parties: India, the Russian Federation, and Turkey. The details of these nominations had been provided in the Note by the Director-General entitled “Summary of Nominations for External Auditor of the OPCW” (EC-94/DG.9, dated 15 June 2020).
- 18.11 The nominations for External Auditor were considered by the Council at its Ninety-Fourth Session and this process was continuing in the intersessional period through to the Ninety-Fifth Session of the Council. The Conference would appoint the next External Auditor of the OPCW at its Twenty-Fifth Session.
- 18.12 The ABAF took note of the nomination process for the new External Auditor and in doing so looked forward to working with the External Auditor when appointed. In this regard, the ABAF requested an update on the appointment of the new External Auditor of the OPCW at its next session.

18.13 The ABAF also expressed its sincere appreciation for the work and professionalism of the NAO and looked forward to discussions with the NAO on its audit report for 2020 at the ABAF's Fiftieth Session.

19. Next session and agenda

Dates of ABAF sessions in 2021

19.1 The ABAF decided on the dates for its 2021 sessions as follows: the Fiftieth Session will be held from 1 to 4 June 2021, and the Fifty-First Session will be held from 27 to 30 July 2021.

Provisional agenda for the Fiftieth Session of the ABAF

19.2 The ABAF adopted the following provisional agenda for its Fiftieth Session:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session
4. Review of the status of previous ABAF recommendations
5. Introductory matters
 - (a) ABAF members as per EC-95 and EC-96 decisions
 - (b) Financial updates: cash position, status of collection of assessed contributions and reimbursements, Working Capital Fund
6. Status of the 2021 financial performance (to date)
7. 2020 budget transfers
8. 2020 programme performance
9. Update on long standing trust fund and reserve balances
10. Financial Statements of the Organisation for the Prohibition of Chemical Weapons and the report of the External Auditor for the year ending 31 December 2020 (contingent on ERP go-live with possibility of deferral to ABAF-51)
11. Review of death benefit liability recognition in OPCW Financial Statements
12. Report of the Office of Internal Oversight for the year ending 31 December 2020
13. OIO audit plan
14. OPCW Statement of Internal Control update

15. Progress in transitioning to a biennial Programme and Budget for 2022–2023
16. Progress in results-based management
17. Progress in programme support cost methodology (or ABAF-51)
18. Tenure policy update
19. ERP project update
20. OPCW Laboratory project update
21. Update on appointment of new External Auditor of the OPCW
22. Election of the Vice-Chairperson of the ABAF
23. Any other business
24. Next session and agenda
25. Adoption of the report

20. Adoption of the report

The ABAF adopted the report of its Forty-Ninth Session on 31 July 2020.

Annex:

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

Annex

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

	Title
1.	Agenda for the Forty-Ninth Session of the Advisory Body on Administrative and Financial Matters
2.	Report of the Forty-Eighth Session of the Advisory Body on Administrative and Financial Matters (ABAF 48/1, dated 5 June 2020)
3.	Note by the Director-General: Comments on the Report of the Advisory Body on Administrative and Financial Matters at its Forty-Sixth Session (EC-94/DG.22, dated 6 July 2020)
4.	Status Summary of Previous ABAF Recommendations (ABAF sessions 44 to 48)
5.	Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-94/S/6, dated 15 June 2020)
6.	Note by the Director-General: Monthly Financial Situation Report as at 30 June 2019 (S/1883/2020, dated 14 July 2020)
7.	Report by the Director-General: OPCW Income and Expenditure for the Period 1 January to 30 June 2020 (Second Quarter of the Financial Year Ending 31 December 2020) (S/1885/2020, dated 27 July 2020)
8.	Presentation: OPCW Cash Position and Forecast
9.	Presentation: OPCW 2020 Financial Performance (First Half of 2020)
10.	Note by the Technical Secretariat: Update on the Impact of the Outbreak of the Novel Coronavirus (COVID-19) on the Organisation for the Prohibition of Chemical Weapons Programme in 2020 (S/1876/2020, dated 3 June 2020)
11.	Note by the Director-General: Draft Programme and Budget of the OPCW for 2021 (EC-95/CRP.1, dated 3 July 2020)
12.	Presentation: 2021 Draft Programme and Budget Overview
13.	Presentation: Programme Presentations on the Draft Programme and Budget for 2021
14.	Presentation: Update on the Transition to a Biennial Programme and Budget
15.	Presentation: Negative Interest Rate and the OPCW
16.	Presentation: Internal Control Questionnaire (May 2020) Results
17.	Report by the Director-General: Implementation of the Tenure Policy in 2019 (EC-94/DG.11, dated 19 June 2020)
18.	Non-Paper – Director’s Vision: Strategy Master Plan of the Office of Internal Oversight for the Period from 2020 to 2024
19.	Presentation: Strategy Master Plan of the Office of Internal Oversight for the Period from 2020 to 2024
20.	Note by the Director-General: Report on the Status of Implementation of the Enterprise Resource Planning System (EC-94/DG.15, dated 25 June 2020)
21.	Presentation: ERP Project Update
22.	Note by the Technical Secretariat: Progress in the Project to Upgrade the OPCW Laboratory and Equipment Store to a Centre for Chemistry and Technology (S/1881/2020, dated 30 June 2020)
23.	Presentation: Upgrading the OPCW Laboratory to a Centre for Chemistry and Technology
24.	Note by the Director-General: Request for Nominations for External Auditor of the OPCW (S/1824/2020, dated 17 January 2020)

	Title
25.	Note by the Director-General: Summary of Nominations for External Auditor of the OPCW (EC-94/DG.9, dated 15 June 2020)
26.	Financial Regulations and Rules of the OPCW January 2018 – effective 1 January 2018 through Director-General’s Bulletin OPCW-S/DGB/27
27.	A “Quick” Guide to Connecting Using Microsoft Teams