



NOTE BY THE DIRECTOR-GENERAL

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

1. At its Thirty-Fourth Session, the Executive Council (hereinafter “the Council”) requested that the Director-General, when submitting reports of the Advisory Body on Administrative and Financial Matters (ABAF) to the Council for its consideration, indicate what actions the Technical Secretariat (hereinafter “the Secretariat”) has taken in response to the recommendations of the ABAF, and what decisions are required by the Council on the report being submitted (paragraph 21.4 of EC-34/5, dated 26 September 2003).
2. The Director-General welcomes the continuing advice and support provided by the ABAF, as reflected in the conclusions it reached during its Forty-Ninth Session (ABAF-49/1, dated 31 July 2020), which was held from 28 to 31 July 2020.

Review of the report of the previous session (paragraphs 3.1 to 3.7 of ABAF-49/1)

3. With regard to the newly implemented review of the status of ABAF recommendations and its working note format, the Secretariat confirms that the review is planned to occur at the second ABAF session of each year, to allow the Secretariat sufficient time to properly consider suggestions.
4. The Secretariat takes note of the ABAF comments on the whistle-blower policy, and will provide more information on the existing policy framework and mechanisms for reporting and investigating suspected wrongdoing (such as workplace discrimination, harassment, abuse of authority, frauds etc.), as they are further developed by the Secretariat. The Secretariat notes also that a draft anti-fraud policy will be brought forward to the Risk Management Committee. This work will be included in a new project taken up in 2020, led by the Office of Internal Oversight (OIO), to enhance the Organisation’s approach in respect of ethics, including code of conduct and guidelines. This project includes a review and update of the Code of Conduct, and of related policies for addressing non-compliance with the Code of Conduct.
5. On the issue of long-standing trust fund and reserve balances, the Secretariat is currently progressing analysis in this area and will provide the ABAF with an update at its Fiftieth Session, in June 2021.



6. Regarding programme support costs, the Secretariat acknowledges the ABAF's suggestion regarding a two-phased approach in this area with the development of a methodology as a first step, followed by an analysis of programme support costs with financial figures and a forecast for the Organisation as a second step, to be addressed at the ABAF's Fiftieth and Fifty-First Sessions respectively. The Secretariat understands the importance of this topic and will look to conduct work in this area, noting also that the Budget and Finance Branch would be tasked with this exercise and that the Branch has many significant tasks continuing in 2020 and into 2021, including the enterprise resource planning (ERP) system go-live, the year-end financial closure and external audit, and continuing work towards the transition to a biennial Programme and Budget. The Secretariat will make its best effort in this regard, noting the many competing priorities for the Budget and Finance Branch.

Review of the status of previous ABAF recommendations (paragraphs 4.1 and 4.2 of ABAF-49/1)

7. The Secretariat notes the ABAF's suggestion that the working note analysing ABAF recommendations could be further refined for the Fifty-First Session of the ABAF. The Secretariat will incorporate further consolidation and elaboration of points into the working note. In this regard, the Secretariat welcomes the ABAF's contributions to the upkeep of the working note and its continued relevance to the ABAF's work going forward.
8. On the issue of the tenure policy, the Secretariat notes the ABAF's comment that past discussions on the topic had fallen short of its expectations. The Secretariat welcomes the ABAF's recognition of the importance of this long-standing topic and requests that, should specific information on this topic be of interest to the ABAF at its Fiftieth Session, the Secretariat be notified in advance of that session.

Cash position (paragraphs 5.3 to 5.6 of ABAF-49/1)

9. The Secretariat notes the ABAF's concern with regard to the Organisation's cash forecast for the end of the year and the potential use of the Working Capital Fund before year end and in early 2021 to maintain liquidity.

Status of assessed contributions and Article IV and V reimbursements (paragraphs 5.7 to 5.12 of ABAF-49/1)

10. The Secretariat notes the ABAF's concern regarding the lag in receipt of assessed contributions for 2020, and the stress that this situation places on the Organisation's operations.
11. With regard to the cumulative outstanding balance for the reimbursement of inspections invoiced under Articles IV and V of the Chemical Weapons Convention, the Secretariat also notes the ABAF's concern. The Secretariat will continue to remind States Parties of their outstanding balances through a number of means.
12. The Secretariat takes note of the ABAF's comment that it might be seen by some States Parties to be a paradox to adhere to a zero growth approach in the assessed contributions of States Parties when there was a significant amount of prior year assessments and reimbursements due to the Organisation, and that some States Parties

may begin to take exception in the future, until the collection of outstanding balances was properly addressed by States Parties with outstanding balances.

Recommendation for write-offs (paragraphs 5.13 to 5.16 of ABAF-49/1)

13. With regard to irrecoverable foreign value-added tax (VAT) amounts due, the Secretariat acknowledges the ABAF's suggestion that the Secretariat should explore whether national tax authorities could intervene on behalf of the Secretariat to recover the amounts due.
14. Furthermore, the Secretariat acknowledges the ABAF's suggestion to place vendors that had not returned VAT amounts due on a list of entities that the Secretariat would consider not engaging with in the future. In this regard, the Budget and Finance Branch will work with the Procurement Section to determine the best way to address this issue.

Update on the impact of COVID-19 on OPCW activities (paragraphs 6.1 to 6.5 of ABAF-49/1)

15. Regarding notes by the Secretariat on the impact of COVID-19, the Secretariat acknowledges the ABAF's suggestion that a concise paragraph could be included, with an analysis of the financial impacts on the Organisation, and will look to do so, also in the context of other financial reports that reference the financial impact of the pandemic on the Organisation.
16. The Secretariat is in agreement with the ABAF's recommendation that lessons learned from the Organisation's experience throughout the COVID-19 pandemic be analysed and incorporated into a business continuity plan for future situations. In this regard, the Secretariat is identifying lessons learned through its internal task force on COVID-19 response. These lessons are being used in the Secretariat's response to and methods of working with the continuing pandemic. In addition, the experiences and lessons learned from other international organisations during the pandemic are being and will continue to be considered. All of these lessons learned and planning aspects will be available for future situations should they arise, and are also expected to inform a more general business impact assessment currently being contracted, with a view to being implemented this year.

Status of the 2020 financial performance report (first half of 2020) (paragraphs 7.1 to 7.7 of ABAF-49/1)

17. The Secretariat will continue to closely monitor the Organisation's budget implementation, management of the increased contingency margin, and use of other mitigation measures to absorb the budgetary pressures caused by the unforeseen, and thus unplanned staff cost increases from the beginning of the year.
18. The Secretariat welcomes the ABAF's noting that the substantial increase in staff costs from the onset of the year was forecast to be fully covered through mitigation measures and a slowdown in some programmatic activities.

19. As encouraged by the ABAF, the Secretariat will remain vigilant in respect of maintaining close management of the contingency margin and budget forecast. In doing so, the Secretariat will look to take proactive measures to effectively reprogramme residual expected savings arising due to the COVID-19 pandemic after covering staff cost increases.
20. The Secretariat notes the ABAF's observation of the importance of continued close monitoring of the Organisation's cash forecast given the continuing COVID-19 pandemic and its impact on cash inflows, especially in the latter part of the year, including advance contributions for 2021.

Draft Programme and Budget for 2021 (paragraphs 9.1 to 9.70 of ABAF-49/1)

21. The Secretariat welcomes the ABAF's consideration of the Draft Programme and Budget for 2021 (EC-95/CRP.1, dated 3 July 2020). Furthermore, the Secretariat welcomes the ABAF's commendation for the improvements made to the Programme and Budget format and book, and the ABAF's noting that it provided more detail than in past years, was clear and concise, and rich in information in an improved format and presentation.
22. The Secretariat acknowledges the ABAF's observation that the level of assessed contributions for States Parties remained the same as in 2019 and 2020.
23. The ABAF's comments regarding the need for a clear linkage in budget formulation between resource requirements and results to be achieved as part of results-based management is noted by the Secretariat. The Secretariat expects that the implementation of the new ERP system will help in this regard. The Secretariat notes that impact-based results measurement is a longer-term process and will take time to develop.
24. The Secretariat notes the ABAF's reiteration of its previous recommendation that in future Programme and Budget documents, both the regular budget and extra-budgetary amounts be shown along with forecast extra-budgetary requirements, as a means to provide a comprehensive picture of the overall cost of programme delivery. The Secretariat will examine this issue to determine the best way to reflect this recommendation in future Programme and Budget documents. Based on the ABAF's recommendation, the Secretariat will look to provide in future programme and budgets both regular budget and extra-budgetary requirements for each programme.
25. The ABAF's continuing recommendation that the Secretariat show unfunded requirements is acknowledged by the Secretariat, and efforts in this regard will be considered, together with the incorporation of extra-budgetary requirements and regular budget, for a comprehensive overview of total forecast resource requirements. The Secretariat acknowledges this requirement and will work for its incorporation into future Programme and Budget documents.
26. The Secretariat will further consider the ABAF's reiterated suggestion that the classification of temporary assistance (short-term appointments) be placed under the non-staff portion of the Draft Programme and Budget, and that standard cost rates be developed specifically for temporary assistance.

27. With regard to standard staff costs, the Secretariat welcomes the fact that the ABAF notes the improvements made by the Secretariat in this area. The Secretariat notes the ABAF's encouragement of further work in this area, to ensure that standard staff costs are fully reflective of the costs incurred in the Programme and Budget year.
28. On the issue of zero nominal growth in States Parties' assessed contributions in the regular budget, the Secretariat notes the serious concern raised by the ABAF that it may not represent sound budgetary practice under the current circumstances. The Secretariat notes that the ABAF recommends that this issue be considered by States Parties in Programme and Budget deliberations, and that there should be agreement among States Parties on what priorities must be supported and, if overriding needs could not be absorbed within an existing budget ceiling, then good budgetary practice required acceptance of an increased budgetary level. The Secretariat also notes the ABAF's comment that ignoring such a reality would be a disservice to the Organisation, and that it risked leading the Organisation down a dangerous and unsustainable path.
29. With regard to the inflationary erosion in the Programme and Budget, the Secretariat acknowledges the ABAF's encouragement to provide States Parties with a forecast for inflation, as well as a forecast for post adjustment and staff costs, where feasible.
30. The Secretariat notes the ABAF's comment that resorting to the use of extra-budgetary funding from donors for what are recognised as central and essential needs, especially on a recurring basis, ultimately undermined the integrity of the budget process and a necessary shared sense of corporate responsibility among States Parties. Furthermore, the Secretariat notes the ABAF's suggestion that this should be considered by States Parties in the Programme and Budget deliberations.
31. The Secretariat notes the ABAF's comment that there had been growth in the establishment and use of special funds as a means to address zero nominal growth pressures. The Secretariat notes the ABAF's emphasis that this practice was not sustainable and was a direct result of an approach of zero growth in States Parties' assessments, under which the Secretariat was under considerable pressure to make ends meet. In addition, the Secretariat notes the ABAF's emphasis that cash surpluses were not a certainty, and that States Parties would need to decide whether the costs in the future would be within the core Programme and Budget of the Organisation.
32. The Secretariat notes the ABAF's recommendation that the level of programme support costs be examined to ensure that the level charged covers the costs incurred. This aspect will be explored at the ABAF's Fiftieth and Fifty-First Sessions.
33. With regard to the Identification and Investigation Team (IIT), the Secretariat notes the ABAF's comment that extra-budgetary requirements are shown specifically for the IIT, yet for other offices or programmes they are not. As commented earlier, the Secretariat will look at providing in future programme and budgets a comprehensive overview of total resource requirements including regular budget, extra-budgetary, and unfunded requirements.

34. The Secretariat acknowledges the ABAF's encouragement to ensure that costs are linked to planned results and the importance of such a linkage, and notes that the new ERP system and its new chart of accounts structure will better link expenditures to activities and objectives.
35. With regard to the training budget for the OIO, the Secretariat notes the ABAF's satisfaction that the OIO's budget had increased and its encouragement to ensure that its level remains sufficient for OIO staff to keep up with developments, best practices, and modern approaches in audit and evaluation.
36. On the topic of the investigations function within the OIO, the Secretariat notes that the ABAF was pleased to learn that this area of mandate for the Office was being developed.
37. With regard to the Office of the Legal Adviser, the Secretariat notes the ABAF's suggestion that the key performance indicators for the Office be revisited in the future, with a view to making them broader and more forward-looking.
38. With regard to the United Nations Joint Staff Pension Fund (UNJSPF), the Secretariat notes the ABAF's comment that a pension scheme may afford better long-term financial security for Secretariat staff than a provident fund mechanism. Furthermore, the Secretariat notes the ABAF's suggestion that, should the Organisation wish to join the UNJSPF, it may wish to expedite any process as the UNJSPF will begin to charge administrative costs for new members. Upon reviewing the matter of prospective administrative costs, the Secretariat notes that the UNJSPF has already instituted a fee requirement.
39. The Secretariat notes the ABAF's encouragement for the Secretariat to ensure that the knowledge management function across the Organisation is complementary and avoids undue overlap of functions.
40. Regarding results-based management, the Secretariat acknowledges the ABAF's request to further develop efforts in this area and to embed them within future programme and budgets.

Progress in transitioning to a biennial Programme and Budget for 2022 and 2023 (paragraphs 10.1 to 10.13 of ABAF-49/1)

41. The ABAF's appreciation is noted for the clear presentation from the Secretariat which provided an update on the progress towards the transition to a biennial Programme and Budget.
42. The Secretariat welcomes the ABAF's satisfaction that the draft amendments to the Organisation's Financial Regulations and Rules to enable a transition to a biennial Programme and Budget, as well as other minor adjustments, had been approved by the Council at its Ninety-Fourth Session and would be transmitted to the Conference of the States Parties (hereinafter "the Conference") for its approval at its Twenty-Fifth Session.

43. The Secretariat is encouraged by the ABAF's positive view of the Secretariat's progress in the establishment of required internal structures to support a biennial Programme and Budget, including detailed costing sheets, and Programme and Budget templates necessary for Programme Managers to formulate biennial programme and budgets.
44. The Secretariat acknowledges the ABAF's reinforcement of a number of previous ABAF and External Auditor recommendations, including ensuring that there are clear accountabilities and performance measures for the first year of the biennium, to further develop the programme performance report into a Programme and Budget performance report, and the importance to do so as part of biennial programming and budgeting.
45. The Secretariat notes and agrees with the ABAF's suggestion that performance reports in the biennium continue on an annual basis with a first or interim Programme and Budget performance report for the first year of the biennium, followed by a performance report for the second year of the biennium, to provide transparency to States Parties.
46. The Secretariat agrees with the continuing ABAF recommendation on the importance of clear linkages between resources and results, especially in the context of biennial Programme and Budget formulation. The Secretariat will look to incorporate this aspect in the context of results-based management, to ensure that the biennial budgeting process is transparent, workable, and efficient. In this regard, the Secretariat notes that the process will have to be entrenched and improved over time through future biennial Programme and Budget formulations.
47. The Secretariat notes the ABAF's emphasis of the importance of having both regular and extra-budgetary amounts shown for each programme in the Programme and Budget, especially in the context of biennial programming and budgeting. The Secretariat will analyse this approach and assess how it can best be formulated for the Organisation in the future.
48. The Secretariat takes seriously the ABAF's comments as regards the importance of more structured and meaningful performance indicators, and notes that a number of recommendations have been made in this regard over the years by the ABAF and the External Auditor. The Secretariat acknowledges the ABAF's encouragement to show tangible improvement in this area and the recommendation to build a more strategic and results-based management approach and thinking on the part of Programme Managers, also as part of the change management approach to the transition to biennial programming and budgeting.
49. With regard to the new ERP system, the Secretariat notes the ABAF's suggestion that the Secretariat ensure that the ERP will accommodate biennial budgeting for the 2022-2023 biennium. This aspect of the system is considered and will be further refined as the implementation of the system continues, including through the post go-live stabilisation phase.

Update on negative interest and the OPCW (paragraphs 11.1 to 11.16 of ABAF-49/1)

50. The Secretariat welcomes the ABAF's comment that it found the presentation provided by the Secretariat on negative interest rates and the OPCW to be clear, concise, and informative. Furthermore, the Secretariat is pleased with the ABAF's comment that the Secretariat had to date succeeded in avoiding negative interest rates, and that it had increased its approved financial institutions by one and was in the process of concluding an arrangement with another.
51. On the issue of negative interest rates, the Secretariat acknowledges the ABAF's reiteration of its suggestion first made at its Forty-Seventh Session that the Finance and Budget Network's Working Group on Common Treasury Services (WGCTS) should discuss the matter and collectively approach the banking industry and the European Central Bank on behalf of all European-based international organisations. The Secretariat will seek to approach the Finance and Budget Network on this issue. In this regard, the Secretariat notes that it is currently not a member of the WGCTS and would have to determine whether membership would be advantageous to the Organisation at this time, given the annual membership fees. However, the Secretariat is aware that other Europe-based United Nations common system organisations are facing similar challenges in this regard, and the Budget and Finance Branch will continue to stay engaged with them to learn of their experiences, mitigation approaches, and new opportunities.
52. The Secretariat notes the ABAF's continued suggestion to canvas other international organisations based in The Hague on the issues of negative interest rates, investment options, and financial institutions being used, and to conduct a survey of the financial institutions across countries with which the Organisation has privileges and immunities agreements.
53. The Secretariat notes also the ABAF's continuing recommendation that the Secretariat explore with permanent missions how privileges and immunities agreements could be expanded as a means to expand the financial institution options available to the Organisation.
54. The Secretariat will ensure that the ABAF at its next session (Fiftieth Session) is provided with an update on the negative interest issue in the context of the Organisation's cash position and on any additional developments regarding the engagement of financial institutions. This update will also indicate whether the tightening of negative interest rate thresholds from the beginning of 2021 had adversely impacted the Organisation.

OPCW Statement of Internal Control update (paragraphs 12.1 to 12.13 of ABAF-49/1)

55. The Secretariat welcomes the comments of appreciation from the ABAF for the clear and comprehensive presentation provided by the Secretariat on OPCW internal control. In addition, the Secretariat notes with satisfaction that the ABAF was very encouraged by the significant progress made by the Organisation in respect of the internal control mechanism.

56. With regard to the completion rate of the self-assessment internal control survey by Directors and Branch Heads, the Secretariat notes the ABAF's comment that there needs to be improvement. The Secretariat is encouraged that a 100% survey completion rate was achieved for the May 2020 survey, but acknowledges that the survey timeline was extended considerably to achieve this completion rate, and that measures need to be taken to ensure that more timely responses are received, and that the process is sustainable going forward.
57. The Secretariat notes the ABAF's support for the External Auditor's recommendation that links between internal control and the OIO require improvement in order to provide an overview of the adequacy of internal control. The Secretariat notes the understanding of the ABAF that the non-paper entitled "Director's Vision: Strategy Master Plan for the Office of Internal Oversight for the Period from 2020 to 2024" indicates that advisory services to senior management and the programmes will be expanded, and that this was an important step towards supporting and strengthening internal control processes.
58. With regard to the placement of the Statement of Internal Control process and the ABAF's acknowledgement of the External Auditor's recommendation to transfer ownership of the process to the Office of the Deputy-Director General or the Office of the Director-General, the Secretariat will analyse this issue internally to determine the best approach for cross-organisational reach and the enforcement of controls.
59. The Secretariat acknowledges the ABAF's suggestion that additional detail should be built around areas of identified weaknesses, namely in the areas of communication, guidance, risk management, and monitoring. Furthermore, the Secretariat recognises the importance of risk management in a post-pandemic environment and the importance of identifying whether areas of risk could be addressed through budgetary means.
60. The Secretariat notes the request by the ABAF for an update at a future session on designations and delegations of authority from the Director-General as an important component alongside the internal control framework.
61. The Secretariat acknowledges the ABAF's comment that management must consider and act upon survey findings and factor them into the overall risk management of the Organisation, and that the Secretariat should give consideration both to in-year resource deployment to areas of risk and to future-year budgetary planning.

Tenure policy update (paragraphs 13.1 to 13.8 of ABAF-49/1)

62. On the issue of the tenure policy, the Secretariat notes the ABAF's expression of appreciation for the additional analysis and statistical information provided during its Forty-Ninth Session.
63. The Secretariat notes the ABAF's request to receive an update on the tenure policy at its Fiftieth Session.

Director's Vision for the Office of Internal Oversight (paragraphs 14.1 to 14.11 of ABAF-49/1)

64. The Secretariat notes with satisfaction that the ABAF found the non-paper entitled "Director's Vision – Strategy Master Plan of the Office of Internal Oversight for the Period from 2020 to 2024" to be sound and comprehensive. The Secretariat also acknowledges the ABAF's comment regarding the listing of OIO values and principles, namely that consideration could be given to listing independence and objectivity first. This will be reviewed in the context of the non-paper by the OIO.
65. The ABAF's satisfaction that the OIO was conducting for the first time a SWOT (strengths, weaknesses, opportunities, and threats) analysis in line with audit standards, including engagement with stakeholders across the Organisation, is welcomed by the Secretariat.
66. The Secretariat notes the ABAF's comment that States Parties are the "owners" of the Organisation and should be viewed as centrally internal to the Organisation and not necessarily as external stakeholders.
67. On the issue of advisory services, the Secretariat acknowledges the ABAF's satisfaction that the OIO Director's Vision included an expansion of this function to senior management and the programmes and that, given its importance, it would be beneficial to devote a specific section of the vision paper to this subject for further elaboration. The Secretariat agrees and will further emphasise this area, noting also that advisory services were included as part of both the internal audit and evaluation functions of the office, and that through these functions the Office regularly advises stakeholders on issues.
68. The Secretariat notes the ABAF's comment regarding the External Auditor's recommendation that the links between internal control and the OIO be improved. The OIO understands the importance of this area and will be looking to make tangible improvements.

ERP project update (paragraphs 15.1 to 15.11 of ABAF-49/1)

69. On the topic of the ERP project, the Secretariat acknowledges the ABAF's comment that there was still a significant amount of work to be done to complete its implementation. In this regard, the Secretariat continues to make every effort to bring the System of Record to a planned January 2021 go-live date.
70. The Secretariat notes with appreciation the ABAF's expression of support to the Secretariat in its efforts to complete the project and in ensuring that it delivered the intended benefits.
71. Furthermore, the Secretariat will ensure that the ERP project continues as a standing agenda item for the ABAF. It will provide an update on the project to the ABAF at its Fiftieth Session.

OPCW Centre for Chemistry and Technology project (paragraphs 16.1 to 16.12 of ABAF-49/1)

72. With regard to the project to upgrade the OPCW Laboratory and Equipment Store to a Centre for Chemistry and Technology (ChemTech Centre), the Secretariat notes the ABAF's comment that the project was making good progress and expressed its satisfaction with the general state of the project. Furthermore, the Secretariat welcomes the ABAF's appreciation of the fact that many of its previous comments and suggestions had been acted upon by the Secretariat.
73. The Secretariat will ensure that the ABAF is provided with an update on the project's progress at its Fiftieth Session.

Election of the Chairperson of the ABAF (paragraph 17 of ABAF-49/1)

74. The Secretariat notes that 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. The Secretariat reaffirms its full support to the Chairperson and Vice-Chairperson of the ABAF and its appreciation for the ABAF's contributions to the work of the OPCW.

Any other business (paragraphs 18.1 to 18.13 of ABAF-49/1)

75. The Secretariat notes the ABAF's agreement, given the anticipated ERP go-live at the end of 2020, to an exceptional request for extension of the deadline for submission of the 2020 Financial Statements to the External Auditor, to be submitted by the Secretariat to the Council at its Ninety-Eighth Session and to the Conference at its Twenty-Sixth Session for approval.
76. The Secretariat appreciates the ABAF's agreement to consider the 2020 OPCW Financial Statements and External Auditor's report at its second, rather than first, session in 2021, should the preparation of the Financial Statements need to be delayed because of the planned ERP project go-live.
77. With regard to the nomination of the new External Auditor of the OPCW, the Secretariat notes the ABAF's request for an update on the appointment of the new auditor at its Fiftieth Session.

Next session and agenda (paragraphs 19.1 and 19.2 of ABAF-49/1)

78. The Secretariat notes the dates agreed by the ABAF for its Fiftieth Session, which is to be held from 1 to 4 June 2021, and for its Fifty-First Session, which is to be held from 27 to 30 July 2021.
79. The agenda set by the ABAF for its Fiftieth Session is noted by the Secretariat.