



OPCW

**Advisory Body on Administrative and
Financial Matters**

Fifty-First Session
27-30 July 2021

ABAF-51/1
30 July 2021
Original: ENGLISH

**REPORT OF THE FIFTY-FIRST SESSION
OF THE ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS**

1. Opening of the session

- 1.1 The Fifty-First Session of the Advisory Body on Administrative and Financial Matters (ABAF) was held from 27 to 30 July 2021. The following members participated: Mr John Foggo (Chairperson), Ms Fatima Hamdia Tanweer, Mr Bahram Jamali, Mr Milan Kerber (Vice-Chairperson), Ms Hollie Mance, Mr Anton Minaev, Ms Yoko Sakurai, and Ms Qian Wang. Mr Hans-Christian Mangelsdorf and Mr Pankaj Agarwal did not participate.
- 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 members of the ABAF virtually with a recorded message. She expressed appreciation for the ABAF’s work and acknowledged the appointment by the Executive Council (hereinafter “the Council”) of the ABAF’s newest member, Mr Anton Minaev.
- 1.4 An online conferencing application was used to support the deliberations of the Fifty-First Session. Understanding that there were still challenges in conducting the Fifty-First Session virtually, 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 topics were to be addressed by the ABAF, including the long-form report of the External Auditor, the Draft Programme and Budget of the OPCW for 2022 – 2023 (EC-98/CRP.1, dated 2 July 2021), the question of the methodology to be used for programme support costs, and a status report on the OPCW ChemTech Centre project.
- 1.6 The Deputy Director-General noted that discussion of other important topics was anticipated during the session, notably an exchange of views with the Chairperson of the Council’s Working Group on the Manner of Appointment of the External Auditor.
- 1.7 The Deputy Director-General informed the ABAF that the External Auditor would be available to present the long-form report by the National Audit Office of the United Kingdom of Great Britain and Northern Ireland (NAO) during this meeting, after an



unusual delay in the preparation of the report stemming from the continuing challenges of remote working due to the COVID-19 pandemic.

- 1.8 The Deputy Director-General noted that the report contained the final observations and advice of the NAO after six years of exemplary service as the OPCW's External Auditor. The Deputy Director-General thanked the NAO for their diligence, insights, and professionalism, not least in confronting the challenges of continuing to fulfil their mandate so ably throughout the pandemic.
- 1.9 The Deputy Director-General also looked forward to the engagement of the OPCW's next External Auditor, the Comptroller and Auditor General (CAG) of India, and to facilitating the CAG's first presentation to the ABAF, which is scheduled for the Board's Fifty-Second Session.
- 1.10 The Deputy Director-General informed the ABAF that the Draft Biennial Programme and Budget for 2022 – 2023 was announced by the Director-General on 2 July 2021.
- 1.11 The ABAF members were informed that against the backdrop of a decade of unmitigated loss of purchasing power due to the combination of inflation and the maintenance of the zero nominal-growth policy, together with ageing infrastructure and unrelenting operational demands, the Organisation's first biennial budget has come at a very important juncture.
- 1.12 The ABAF members were informed that the Draft Programme and Budget offered a crucial opportunity to secure the financial foundation of the OPCW and to ensure that the Organisation will be able to meet its mandate for years to come.
- 1.13 The Deputy Director-General noted that the ABAF will receive presentations from some of the individual programmes and will have the opportunity to review the proposal in detail, prior to the planned informal consultations of States Parties in September. The Deputy Director-General looked forward to receiving the ABAF's comments on and advice for this cornerstone of the Secretariat's new strategic financing framework.
- 1.14 Regarding programme support costs, the ABAF members were informed by the Deputy Director-General that extra-budgetary contributions constituted a significant and increasing source of funding for the Organisation. While these additional financial resources are very important to the OPCW in order to meet its mandate, the process of ensuring that the associated indirect costs of these types of activities are appropriately covered by the project support cost fee charged to such donations is complex and often challenging.
- 1.15 The Deputy Director-General noted that the Secretariat looked forward to updating the ABAF on the Organisation's approach to programme support cost methodology and utilisation, in addition to receiving the ABAF's advice.
- 1.16 The Deputy Director-General reported that construction of the ChemTech Centre had commenced as planned in June and that good progress was being made in that area. Details of the latest developments are to be provided to the ABAF via a presentation prepared by the project team.

- 1.17 The Deputy Director-General concluded her remarks by reiterating her appreciation for the ABAF's contributions to the work of the OPCW and underlining the importance of the ABAF's reflections and advice on the range of important topics to be addressed at its Fifty-First 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 member nominations and changes
 - (b) Financial updates: cash position, status of collection of assessed contributions and reimbursements, the Working Capital Fund, and recommendations for write-offs (if any)
6. Status of 2021 financial performance (first half of 2021)
7. Update on long-standing trust fund and reserve balances
8. External Auditor briefing: the 2020 External Audit Report
9. Draft Biennial Programme and Budget for 2022 – 2023
10. Progress in programme support cost methodology
11. Update on the OPCW Centre for Chemistry and Technology project
12. Election of the Chairperson of the ABAF
13. Any other business
 - (a) The Executive Council Working Group on the Manner of Appointment of the External Auditor
 - (b) Extension of the timeline for the submission of the 2021 Financial Statements
14. Next session and agenda
15. Adoption of the report

3. Review of the report of the previous session

- 3.1 The ABAF review the report of its previous session (ABAF-50/1, dated 4 June 2021), and did not have any specific comments of note. The ABAF agreed that all follow-up 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 and appropriate 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 Fiftieth Session" (EC-97/DG.20, dated 5 July 2021).

4. Review of the status of previous ABAF recommendations

On the subject of its previous recommendations, the ABAF expressed its appreciation for the work done by the Secretariat in preparing a comprehensive working note providing an overview of the status of implementation of the ABAF's recommendations over the period from its Forty-Fourth Session to its Fiftieth Session. This note recorded the nature of the recommendations made, their status, and comments on progress. The ABAF also noted that there were eight implemented recommendations, seven ongoing recommendations that had been implemented, and five recommendations under review. The ABAF asked the Secretariat to continue to keep this useful checklist updated to ensure that progress could be formally reviewed at the ABAF's Fifty-Third Session.

5. Introductory matters

Subitem 5(a): ABAF member nominations and changes

- 5.1 The Chairperson of the ABAF welcomed all members to the Fifty-First Session of the ABAF, and acknowledged Mr Anton Minaev, newly appointed through the decision of the Council at its Ninety-Seven Session.

Subitem 5(b): Financial updates

Cash position

- 5.2 The ABAF was provided with a Note by the Director-General containing the Monthly Financial Situation Report as at 30 June 2021 (S/1973/2021, dated 21 July 2021). The Secretariat provided updated financial figures as at 23 July 2021.
- 5.3 Through these documents, the Secretariat informed the ABAF that the cash balance of the OPCW General Fund as at 23 July 2021 was EUR 20.2 million, which is higher than at the same time in the previous year. 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 23 July 2021.
- 5.4 The ABAF noted that the Secretariat was forecasting a negative cash position for the General Fund for 2021 at approximately EUR 4.8 million, and that the WCF would likely be required to maintain liquidity during the year.

2021 Q2 Income and Expenditure Report

- 5.5 The ABAF received the Report by the Director-General on OPCW Income and Expenditure for the period 1 January to 30 June 2021. (S/1977/2021, dated 23 July 2021) and noted that an update had been presented as at 23 July 2021.

Status of collection of assessed contributions

- 5.6 The ABAF noted that as at 23 July 2021, the Secretariat had collected 76.50% of assessed contributions for the year, which was higher than the same period last year, when 75.70% of assessed contributions for 2020 had been received. As at 30 June 2021, 24 States Parties were in arrears for assessed contributions prior to 2019, and a further two remained in arrears for multi-year payment plans. These arrears resulted in the loss of voting rights for these 26 States Parties, as reflected in Annex 3 of the quarterly income and expenditure report. The ABAF noted the relevance of this information both as an integral part of the income and expenditure report for overall understanding of the financial situation, and for practical reasons at sessions of the policy-making organs. The ABAF suggested that the Secretariat consider preparing these reports in advance of sessions of the policy-making organs and including them as conference room papers for information purposes.

Status of Article IV and Article V reimbursements

- 5.7 The ABAF noted the status of Article IV and V reimbursements as at 23 July 2021, the cumulative outstanding amount of which stood at EUR 5.7 million.

Final cash deficit position for 2019

- 5.8 The Financial Statements for 2020 had been prepared and finalised in the first quarter of 2021, and had been given an unqualified audit opinion by the External Auditor in the second quarter of 2021. In the audited Financial Statements for 2020, the OPCW reported a final cash deficit of EUR 1.2 million for 2019, which was primarily due to arrears in assessed contributions and Article IV and V receivables.
- 5.9 As the External Auditor had mentioned in the External Auditor's Report on the 2020 OPCW Financial Statements, the cash deficit from 2019 would need to be replenished by means to be decided by the Conference of the States Parties (hereinafter "the Conference"). This would create further pressures upon the OPCW in managing its cash flow. It is therefore important that further action be taken in the area of collecting these assessed contributions and Article IV and V arrears. In this regard, a set of 26 reminder letters were sent out in July by the Director-General inviting the States Parties in arrears to make use of a payment plan. Another set of reminder letters would be prepared and distributed by the end of August to all States Parties with outstanding assessed contributions and reimbursements for Article IV and V.

Recommendations for write-offs

- 5.10 The ABAF was provided with a Note by the Director-General with a recommendation for write-offs of irrecoverable accounts receivable and losses of assets (EC-98/DG.2 C-26/DG.4, dated 26 July 2021). Through this document, the Secretariat informed the ABAF that a total of EUR 12,821.95 in irrecoverable foreign value-added tax (VAT)

was to be presented for the consideration of the Council at its Ninety-Eighth Session, for its subsequent recommendation on the adoption of a decision by the Conference at its Twenty-Sixth Session. The ABAF reiterated the previous recommendation of the External Auditor—and indeed the ABAF’s own previous advice—that the Secretariat should take measures to identify vendors with long-standing unanswered VAT reimbursement claims with OPCW with a view to excluding them from future procurement exercises, in light of the contribution this would make to improving contract management and further enhancing the risk-based approach within the OPCW’s procurement function.

6. Status of 2021 financial performance (first half of 2021)

The ABAF noted the Secretariat’s implementation of the Programme and Budget for 2021 and was informed that as at 30 June 2021, a sum of EUR 33,883,235 had been obligated or disbursed (50% against allotment and 49% against budget), which was lower by EUR 1.5 million compared to the same point in the previous year. The Secretariat also informed the ABAF that travel cost expenditures remained at a similar level to 2020.

7. Update on long-standing trust fund and reserve balances

The ABAF noted the work that the Secretariat had been able to undertake so far on this issue, such as the initial identification of donations and trust funds to be redeployed and the Secretariat’s operational strategy for the coming months to continue moving forward in this matter. The ABAF urged the Secretariat to follow up on the activities planned for 2021 and early 2022 to seek to clear these fund balances and to report back to the ABAF at its Fifty-Second session.

8. External Auditor briefing: 2020 External Audit Report

- 8.1 The ABAF welcomed the External Auditor’s presentation of the NAO’s report on the 2020 OPCW Provident Fund, and noted the impact of the pandemic and continuation of remote working on the small delays in the finalisation of the long-form report. The ABAF noted the External Auditor’s positive comments on the good quality of the Financial Statements and the path on which the Organisation was moving forward, especially the progress concerning its mid- and long-term planning.
- 8.2 The ABAF also noted the following: the unqualified audit opinion; the fair presentation of the Financial Statements and the transactions presented in accordance with the financial rules, regulations, and authorities set by States Parties; and the fact that budgetary controls and careful management of the budgets were in place.
- 8.3 The External Auditor noted the importance of retaining a high level of quality staff within the Secretariat, as the budget and finance teams would change substantially due to resignations and the operation of the tenure policy over the next year.
- 8.4 The External Auditor informed the ABAF that the long-form report highlighted the responsibilities of States Parties to ensure the timely payment of assessed contributions in line with the Convention, which would in turn ensure implementation of the approved spending plans and the agreed objectives.

- 8.5 The External Auditor informed the ABAF that the Organisation continued to face financial challenges in 2020, such as cash flow pressures from the growth in the level of outstanding assessed contributions and unbudgeted staff costs arising from changes to International Civil Service Commission (ICSC) salary scales and post adjustments.
- 8.6 Regarding financial management, the External Auditor highlighted a number of significant developments in the way the OPCW managed and planned the use of its financial resources, including the development of a Major Capital Investment Fund (MCIF) to better plan the resourcing of capital investments needed to deliver the OPCW's programmes, as well as the longer-term resourcing model with the transition to biennial budgeting. The External Auditor noted that this represents a sensible approach to planning capital investments.
- 8.7 The External Auditor noted the scope for improvements in results-based management as some key performance indicators (KPIs) had not been ambitious enough, and this remained an area to focus on in future. Additionally, the External Auditor noted the importance of retaining targets tied to annual implementation periods as the OPCW transitions to a biennial budget system for 2022 – 2023 to help to ensure the efficient use of resources.
- 8.8 The External Auditor commented that the OPCW's enterprise risk management processes continued to be established, but it was clear that risk management was being better integrated with decision making through forums such as the Risk Management Committee.
- 8.9 On the subject of internal control, the External Auditor indicated positive developments. The Office of Internal Oversight (OIO) function had improved, thanks to greater capacity and improved IT-focused skills. The statement on internal control had evolved to become a document supported by a clear evidence base, with processes and outcomes now overseen by the OPCW's most senior management.
- 8.10 Regarding the OIO, the External Auditor commented that the Office has developed a more risk-focused approach to its work, and as the OPCW developed its enterprise risk management processes and embedded new systems, it would be important for the OIO to continue to ensure it has the right level of resources and skills to meet assurance needs.
- 8.11 With regard to anti-fraud arrangements, the External Auditor commented that it was important to communicate to staff what was expected of them. The further development of the Code of Conduct and the establishment of clear fraud response and prevention plans remained outstanding. The External Auditor noted that the Secretariat reported that it was planning the implementation of an updated code and associated policies in 2021. The External Auditor also noted that clear anti-fraud and whistle-blowing policies were important in setting expectations and putting mechanisms in place for both identifying and investigating wrongdoings.
- 8.12 The ABAF noted the efforts of the Secretariat to develop its whistle-blowing policies. The Secretariat commented that a working group led by the OIO was taking on the first phase of this task by bringing forward the code of conduct, to be followed by the development of a new administrative directive. Additionally, the Secretariat noted that the OIO had made changes within its staff to include investigator expertise in order to

ensure that there is in-house capacity to investigate any instances or cases in which the Secretariat believes that fraud or any other misconduct may have occurred.

- 8.13 On the subject of business continuity, the External Auditor commented on the OPCW's response to COVID-19, noting that the Organisation entered into the pandemic situation without the requisite business continuity plans or tools to facilitate remote working. However, through significant investment in supporting technologies and recommendations of an inter-divisional taskforce, an ad-hoc response had been developed that enabled the OPCW to continue to function. The External Auditor indicated that the pandemic exposed the need for a more systematic set of business continuity arrangements, and offered opportunities to consider benefits that may be gained from more flexible working arrangements using the new platforms acquired to facilitate collaborative remote working.
- 8.14 The External Auditor commented that during its tenure at the OPCW, the NAO had observed a transition in the area of Human Resources, which had over time moved from a largely transactional function to one that had embraced a more strategic approach, engaging staff in much more efficient way, thereby serving the Organisation better.
- 8.15 The External Auditor commented on the significant improvement in the management of staff performance and development via the launch and use of new software in 2020. There is now greater emphasis on continuous feedback and supporting staff development through improved learning opportunities, as well as a new focus on leadership and personal development.
- 8.16 The External Auditor indicated that improvements have been made in contract management, following the development of a clear framework, the introduction of enhanced training, and the application of a proportionate risk-based approach to contract monitoring. The External Auditor commented on the improvements made in reporting to the Committee on Contracts on compliance matters, and noted that this remains an important issue when it comes to ensuring that non-compliance is addressed promptly.
- 8.17 On the issue of the implementation of the enterprise resource planning (ERP) system, the External Auditor commented that there were lessons for project management at the OPCW. These included: ensuring project governance safeguards against the risk of optimism bias, incorporating strengthened assurance arrangements over implementing partners in project management, and minimising the risk of overreliance on a small number of key experts.
- 8.18 The External Auditor commented that the ERP still did not include the planned functionality for travel and asset management. Management believed that this could be achieved through a more proportionate solution within available resources; however, the External Auditor had not seen a detailed plan to deliver any such solution. Consequently, while the major planned elements of the ERP were now implemented, the full anticipated functionality of the ERP has not yet been achieved.
- 8.19 The External Auditor indicated that the ERP offered an opportunity for OPCW to drive greater efficiencies, but in order to maximise the benefits of the new system, it will be important to promote an open attitude to changes in work culture and

processes—perhaps in part drawing on the new working arrangements arising from the pandemic.

- 8.20 With regard to the Centre for Chemistry and Technology (ChemTech Centre) project, the External Auditor commented that the business case and project governance arrangements had addressed issues that were highlighted earlier in the ERP project. As a high-profile project, it remained important for the OPCW to ensure effective oversight of the associated risks. The OPCW should continue to draw on the use of appropriate expertise, as well as external expert assurance where appropriate, to ensure delivery of contractors, especially since the contracts used were very different to the ones normally operated by the OPCW. The External Auditor commented that it was important for there to be realistic expectations and transparency around costs and timelines, and that project governance should guard against optimism bias.
- 8.21 The Secretariat commented on the ChemTech Centre project team, and noted that the fixed-term positions gave more stability, compared to the consultancy model utilised in the ERP project.
- 8.22 On the subject of the handover to the OPCW's new External Auditor, the External Auditor commented that there was a long-standing and excellent working relationship between the outgoing and incoming audit institutions.
- 8.23 The External Auditor expressed his gratitude for the cooperation of the Secretariat in the audit process, noting the challenging months due to personal and operational circumstances imposed by the COVID-19 pandemic. The External Auditor indicated that the work of the NAO had always been geared to provide States Parties with the information necessary to be in the best possible position to move the OPCW forward successfully.
- 8.24 The ABAF expressed its appreciation for the External Auditor's excellent report, and went on to thank the NAO sincerely for its six years of excellent service to the Organisation. The ABAF noted that the NAO's recommendations had always been constructive and timely, and that even in occasional areas of technical disagreement, their dialogue and engagement with the Secretariat had been unfailingly constructive, professional, and respectful. The ABAF expressed that it looked forward to working with the newly appointed External Auditor.

9. Draft Biennial Programme and Budget for 2022 – 2023

- 9.1 The ABAF noted that the Twenty-Fourth Session of the Conference had approved the OPCW's transition from an annual to a biennial programme and budget cycle (C-24/DEC.11, dated 28 November 2019), and had decided that the first biennial programme and budget—covering the period of 2022 – 2023—would be prepared in 2021.
- 9.2 The ABAF noted that in order to enable the transition to a biennial programme and budget cycle, a series of foundational structures had been developed starting in 2019. These included: comprehensive biennial programme and budget instructions for programme managers from the Director-General in early 2021; amendments to the OPCW Financial Regulations and Rules; the major capital investment plan and major capital funding mechanism with a new administrative directive; a new chart of accounts

in the new ERP system; templates and cost sheets for biennial programme and budget formulation; and a draft revised administrative directive on the programme and budget cycle.

- 9.3 The ABAF noted the Draft Programme and Budget of the OPCW for 2022 – 2023 (EC-98/CRP.1), which was presented for consideration. It was recalled that the Draft Programme and Budget had been developed internally by the Secretariat over a number of months beginning early in the year, with the issuance of budget instructions to Secretariat programme managers, as well as meetings and discussions with programme managers, taking priority areas into account.
- 9.4 The ABAF was informed that the Draft Programme and Budget was based on core operational activities, including the verified destruction of chemical weapons (with 62.6 planned Article IV and V inspections in 2022 and 51 in 2023), industry inspections (with 180 planned Article VI inspections in 2022 and 200 in 2023), and international cooperation and assistance activities. Ongoing priorities in the Draft Programme and Budget for 2022 – 2023 included cybersecurity, business continuity, physical infrastructure security, knowledge management, capacity building for laboratories, and the ChemTech Centre project.
- 9.5 The ABAF noted the general considerations relevant to the proposed budget, including: a staff costs inflation component of 1.3% for 2022 and 1.5% for 2023; the 2019 cash deficit of EUR 1.2 million; and the anticipated remaining balance in the 2020 COVID-19 Variability Impact Fund.
- 9.6 The ABAF was presented with an overview of the Draft Programme and Budget, which totalled EUR 70.60 million in 2022, reflecting an increase of EUR 1.2 million from 2021 before extra-ordinary provisions. In 2023, the Budget totalled EUR 72.68 million, reflecting an increase of EUR 2.1 million from 2022.
- 9.7 The ABAF noted that with the increase in the total Programme and Budget, the level of assessed contributions for States Parties would increase to EUR 69 million in 2022, reflecting an increase of 2.2% (EUR 1.45 million), and EUR 70.00 million in 2023, reflecting an increase of 2.1% (EUR 1.43 million).
- 9.8 The ABAF noted the proposed increases in assessed contributions for 2022 and 2023, and commented on the Organisation's long-standing zero nominal-growth approach to budgeting. The ABAF asked what the Secretariat would do if States Parties insisted on maintaining a zero nominal-growth approach to assessed contributions. The ABAF also asked whether the proposed increase in assessed contributions would be a common practice in future, or whether this would be only a temporary proposal for this budget cycle. Finally, the ABAF asked the Secretariat to comment on the degree to which it was seeking to introduce the concept of zero real growth at the OPCW.
- 9.9 The Secretariat indicated that after a decade of largely unmitigated loss of purchasing power due to inflation, the traditional level of activities could not be maintained under a zero nominal-growth approach in the absence of any cash surplus. In order to secure the OPCW's ability to continue to meet its mandate in future, the Secretariat was obliged to present a budget proposal that projected real costs and ensured a viable financial foundation for the OPCW going forward.

- 9.10 The Secretariat commented on the need to address staff costs in a realistic and proactive manner, noting the challenges faced in 2020 when the Secretariat had to take extraordinary measures to deal with a number of unbudgeted staff cost increases mandated by the ICSC. Those measures included a recruitment freeze, which was lifted only due to the savings generated by the constraints of the COVID-19 pandemic on travel-related programming, which allowed the Secretariat to absorb the rising costs. The Secretariat also noted that for 2021, in order to absorb the increased costs and maintain zero nominal-growth on assessed contributions in 2021, the 2018 cash surplus was utilised to fund the COVID-19 Variability Impact Fund. The Secretariat further noted that the use of cash surpluses to fund operating costs was not a sustainable way to operate.
- 9.11 The Secretariat informed the ABAF that there had been significant inflationary erosion in the overall budget. From 2009 to 2020, taking an indexed inflation effect (based on the Consumer Price Index inflation indicator of the Organisation for Economic Co-operation and Development for the 27 countries of the European Union), the General Fund had experienced an approximate 15.8% decrease and a programmatic decrease of 7.1%, resulting in an effective decrease in the General Fund budget of approximately 22.9% by 2020.
- 9.12 The Secretariat stressed that re-solidifying the financial foundation of the Organisation after a decade of largely unmitigated inflationary impact on purchasing power would ensure that the Organisation would be fit for the future. In order to plan for this future and to ensure that staff costs did not erode core programmatic activities, the budget proposal included inflationary increments in staff costs of 1.3% in 2022, and 1.5% in 2023, aligned with the European Central Bank's short-term rates.
- 9.13 The ABAF took note of the Secretariat's rationale for the proposed increase in assessed contributions and reiterated its previously expressed view that the OPCW's budget should be determined by the programmes that States Parties wished it to carry out, rather than through the determination of a fixed funding level.
- 9.14 The ABAF supported the Secretariat's objective of ensuring that the OPCW's approach to budgeting relied on actual costs and sustainable financing, rather than through attempting to rely on uncertain cash surpluses to cover the financial gaps. This approach would help to ensure transparency for States Parties in terms of the OPCW's financial realities, as well as the choices available to deal with them.
- 9.15 The Secretariat also noted the important role of extra-budgetary contributions and special accounts in the OPCW's resource mix, while emphasising the importance of not depending on these extra-budgetary contributions or special funds for core requirements.
- 9.16 The ABAF noted that the ICSC-mandated staff cost increases in 2019 – 2020 came in relation to the two increases in the post-adjustment multiplier for the Netherlands, in addition to two retroactive and one in-year salary scale increase in general service staff costs.
- 9.17 The ABAF asked whether the Secretariat had considered the degree to which low-priority activities could be cut back. The Secretariat commented on the different

efficiencies gained over the years, and also noted the zero-based budgeting instructions in place for all programmes aimed at avoiding presumptions about recurring activities.

- 9.18 The ABAF also inquired about what the Secretariat would do with staff cost savings generated from the proposed annual inflationary increments in the event that there are no ICSC-mandated increases during the course of the 2022 – 2023 biennium. The Secretariat noted that any savings generated in such an event could subsequently be proposed to replenish the MCIF, as future additional resources for capital investments would inevitably be needed.
- 9.19 The ABAF noted that resources for Chapter 1 comprised 42.9% of the regular budget in 2022, and 43.1% in 2023. Resources for Chapter 2 comprised 57.1% of the regular budget in 2022, and 56.9% in 2023, a proportional increase from 56.3% in 2021.
- 9.20 The ABAF noted that the budget allocated for the operational programmes in the Draft Programme and Budget comprised 53.7% of the regular budget in 2022, and 53.6% in 2023, compared to 54.5% in 2021. Support programmes comprised 46.3% in 2022, and 46.4% in 2023, compared to 45.5% in 2021.
- 9.21 On the topic of fixed-term staffing, the ABAF noted that the Draft Programme and Budget for 2022 maintained the same staffing level from 2021 of 461, and noted the increase of three fixed-term positions for 2023 to 464. The 2023 increase includes the addition of one professional-category position, and the addition of two general service-category positions in Chapter 2; these two new general service posts are related to the future operational needs of the ChemTech Centre.
- 9.22 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 for States Parties.
- 9.23 The ABAF noted that the proposed budget for the Verification Programme had increased by 3.1% (EUR 0.3 million) in 2022 compared to 2021, and an increase of 1.1% (EUR 0.1 million) in 2023 compared to 2022. The ABAF also noted that staffing for the programme in 2022 – 2023 was 58 fixed-term posts, due to a decrease of two positions in the professional category. Additionally, the ABAF noted the reinstatement of two professional-category positions to the Laboratory within the Verification Programme.
- 9.24 The ABAF asked about the implications of the loss of the two positions in 2022. The Secretariat confirmed that these changes would have no detrimental effect on the activities of the Verification Division.
- 9.25 Regarding the IIT, the ABAF noted that its proposed budget allocation has been increased by 8.8% (EUR 0.1 million) in 2022 compared to 2021, with another increase of 1.5% (EUR 0.02 million) planned in 2023 as a result of the application of the technically adjusted standard staff costs, as well as the inflation components for 2022 and 2023.
- 9.26 For the Inspectorate Programme, the ABAF was informed that the strategic focus areas of the Inspectorate Programme included verification activities related to the elimination of all declared chemical weapons stockpiles, preventing the re-emergence and

non-proliferation of chemical weapons, knowledge management, and the building of Inspectorate response teams.

- 9.27 The ABAF noted that the proposed budget allocation for the Inspectorate Division showed a decrease of 1.9% (EUR 0.4 million) in 2022 and an increase of 4.3% (EUR 0.9 million) in 2023. The Secretariat explained that this fluctuation was due to the phased return to the previous number of 241 Article VI inspections, starting with 180 in 2022 and increasing to 200 in 2023.
- 9.28 The ABAF asked about the nature of the changes related to staff costs, and whether the unfunded or frozen positions had a limit on how long they could remain in those states. The Secretariat noted that its budget proposal included a decrease in seven positions related to the overall assessment of what would be required for the number of Article VI inspections to be conducted in 2022, and that there was no strict deadline to fund or abolish unfunded or frozen positions.
- 9.29 The ABAF asked whether the budgetary impact of sequential inspections had been taken into consideration in the current Draft Programme and Budget given that due to COVID-19, some States Parties might face greater difficulties in receiving sequential inspections. The Secretariat confirmed that this element had been taken into consideration while building the budget proposal, but added that the materialisation of the exercise would only occur in 2022 – 2023, when the Organisation could see the overall context of the COVID-19 pandemic.
- 9.30 The ABAF asked about the use of the three different, yet similar, special funds for capital expenses. The Secretariat noted that the first special fund (Special Fund for the Equipment Store) was related to Inspectorate equipment, the second special fund (Special Fund for OPCW Designated Laboratories and Laboratory Equipment) was related to Verification equipment, and the third special fund (the Special Fund for Major Capital Investment) was intended to serve other capital replacements in the Organisation.
- 9.31 The ABAF asked about the relationship between the number of Article VI inspections and the impact on the budget. The Secretariat indicated that it was by no means a linear correlation, with the number of missions varying depending on the number of sequential inspections that were possible during the year to carry out the overall number of Article VI inspections. The Secretariat emphasised that inspection activities are labour intensive exercises that incur significant staff costs.
- 9.32 The ABAF suggested that the Secretariat clarify the significance of the relationship between the number of inspections and missions—and the resources required to carry them out—during budget facilitations for the benefit of States Parties.
- 9.33 The ABAF noted that the proposed budget for the International Cooperation and Assistance Programme had been increased by 1.3% (EUR 0.1 million) in 2022 and 1.0% (EUR 0.1 million) in 2023.
- 9.34 The ABAF asked about the two newly created positions and why they had been created as unfunded positions. The Secretariat explained that these two new unfunded positions had been proposed in the area of international cooperation for the peaceful use of chemistry. While proposed as unfunded due to current fiscal constraints, they represent

indicative planning with a view to using the future ChemTech Centre as a platform for capacity-building activities.

- 9.35 The ABAF noted that the Secretariat's preferred approach to training would remain focused on in-person activities that can be enhanced with online modules. The Secretariat commented that remote activities would not replace in-person activities, but that they could be expected to supplement and enhance in-person training events. Online activity did, however, have the significant benefit of being able to reach a far wider audience
- 9.36 For the Programme for the Support to the Policy-Making Organs, the ABAF noted that the programme's proposed budget for 2022 had increased by 4.7% (EUR 0.2 million) from 2021 and 10.1% (EUR 0.5 million) in 2023 compared to 2022.
- 9.37 With regard to the KPIs of the policy-making organs, the ABAF noted that linguistic support was one of the focal areas and that it was very important for the Secretariat to pay close attention to the quality of these services in all six OPCW official languages. This was particularly relevant for the sessions of the OPCW policy-making organs. The ABAF suggested that this be reflected at an appropriate place in the narrative for the relevant programme in the draft Programme and Budget for 2022 – 2023. A measurement or specific KPI for linguistic service quality could also be considered for inclusion in the programme objectives.
- 9.38 Turning to the budget proposed for the External Relations Programme, the ABAF noted that the programme's budget had changed compared to the 2021 budget, with an increase of 8.7% in 2022 (EUR 0.2 million) in 2022 compared to 2021, and a decrease of 1.6% (EUR 0.04 million) in 2023 compared to 2022. The increase in 2022 was associated with activities proposed for the twenty-fifth anniversary of the entry-into-force of the Chemical Weapons Convention.
- 9.39 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 1.6% (EUR 0.02 million) in 2022 compared to 2021, and 1.1% (EUR 0.02 million) in 2023 compared to 2022, due to the Secretariat's revision of standard staff costs and application of the inflationary component.
- 9.40 Concerning the budget proposal for the OIO, the ABAF noted that the OIO had a marginal increase of 4.3% (EUR 0.04 million) in 2022 compared to 2021, and a further marginal increase of 1.6% (EUR 0.02 million) in 2023 compared to 2022. The ABAF also noted the increase in staff costs due to the Secretariat's revision of standard staff costs, the application of the inflationary component, and the increase in non-staff costs related to the OIO's operational needs.
- 9.41 The ABAF noted that the proposed budget for the Office of the Legal Adviser had decreased by 1.7% (EUR 0.02 million) in 2022 compared to 2021, and increased by 1.3% (EUR 0.02 million) in 2023 compared to 2022. The ABAF noted that the decrease in 2022 was mainly due to an expected decrease in ILOAT cases.
- 9.42 Regarding the budget requested for the Office of Confidentiality and Security, the ABAF noted that the budget had increased by 2.8% (EUR 0.1 million) in 2022 compared to 2021, and another 3.5% (EUR 0.1 million) in 2023 compared to 2022. The

ABAF noted that the increase in non-staff costs was primarily to ensure full funding for outsourced security guard services for Rijswijk in 2022, and the ChemTech Centre in 2023. Additionally, the ABAF noted that the increase in staff costs was mainly due to the provision for a new senior security officer in 2023.

- 9.43 For the Health and Safety Branch, the ABAF noted that there had been an overall increase of 2.7% (EUR 0.02 million) in 2022 compared to 2021, and a further increase of 1.6% (EUR 0.01 million) in 2023 compared to 2022.
- 9.44 Turning to the Administration Programme, the ABAF noted the strategic focus on boosting information technology and cybersecurity, embedding strategic financing methods and principles, further updating HR policies and engagement tools, continuous knowledge management, enhanced contract management, and service delivery.
- 9.45 The ABAF noted that the proposed budget for the Administration Programme showed an overall increase of 3.8% (EUR 0.5 million) from the previous year and a further increase of 2.0% (EUR 0.3 million) in 2023 compared to 2022. The Secretariat commented that the overall increase in 2022 was primarily due to the increased costs of implementing and maintaining modernised, more secure, and robust information technology platform applications, in addition to the revision of standard staff costs. The increase in 2023 was mainly due to the increase in staff costs, including a facilities management position and a position to support ChemTech Centre operations.
- 9.46 The ABAF asked about KPI number 1.6, “Time to hire” (in working days), which had been set for the Administration Programme and inquired as to whether the unit of measurement included all components of the recruitment process. The ABAF also expressed its support for maintaining the KPI at 60 days in the biennium. The Secretariat shared with the ABAF its projection of a recruitment timeline to clarify the normal steps required to finalise the recruitment process, and confirmed that the KPI did indeed measure the time from start to finish across all of those individual steps.
- 9.47 The ABAF asked about the mechanisms in place to ensure balanced geographical distribution across the composition of Secretariat staff in light of the concerns of some States Parties. The Secretariat noted ongoing efforts to promote further geographic diversity across Secretariat staff, and added that it is, in some cases, employing methods that had demonstrated success towards achieving gender parity.

10. Progress in programme support costs methodology

- 10.1 The ABAF was provided with an update on programme support costs methodology. The Secretariat indicated that the provision for programme support costs rates was specified in the donor agreement, arrangement, or exchange of letters between the donor and the Secretariat, and were in accordance with the rates used in comparable international organisations.
- 10.2 The Secretariat noted that the OPCW’s extra-budgetary funds represented a small portion of total revenue compared to the sample of United Nations entities reviewed in 2021, and as a result, the amount of income generated from OPCW programme support costs was much lower. For example, in 2020 the income from programme support costs was 0.5% of total budgetary income.

- 10.3 The Secretariat noted that programme support cost rates were captured in the ERP system, and that the process of recording was fully automated and run on a monthly basis. The Secretariat indicated that the business process improved transparency and ensured compliance with donor agreements.
- 10.4 The ABAF noted the total income and balances in programme support costs for the years 2014 to 2020. The ABAF also noted the challenges related to calculating programme support costs and cost methodology, including, among other aspects, the difficulties in accurately estimating costs, as these are dispersed across many programmes and branches. The ABAF noted that programme support cost fund balances were reported in the quarterly OPCW Income and Expenditure Report and would continue to be considered under that report.

11. Update on the OPCW Centre for Chemistry and Technology

- 11.1 The ABAF was provided with a presentation on the project to upgrade the OPCW Laboratory and Equipment Store to the ChemTech Centre. The Secretariat informed the ABAF that construction had begun in June 2021, and a new note by the Secretariat had been prepared, entitled “Progress in the project to upgrade the OPCW laboratory and Equipment Store to a Centre for Chemistry and Technology” (S/1965/2021, dated 24 June 2021). The ABAF also noted that the project remained on budget and on schedule.
- 11.2 The Secretariat informed the ABAF that it continued to closely monitor the potential impact of the COVID-19 pandemic on the project. To date, the pandemic had not had a material impact on the project. Furthermore, the Secretariat noted that it would continue with its efforts to assess and mitigate, to the extent possible, the existing and potential impact of the pandemic on the project, and would keep States Parties informed.
- 11.3 The Secretariat also indicated that the contract for the security tender is expected to be finalised in early August 2021 for a fixed price and within budget, and added that the laboratory furnishing tender bids were due at the end of August 2021.
- 11.4 The ABAF was informed that the Secretariat was planning a first pillar ceremony in September 2021, subject to any measures in place stemming from the COVID-19 pandemic. Additionally, the Secretariat will continue its public communication and outreach activities related to the project, including regular updates on the ChemTech Centre webpage.
- 11.5 The Secretariat reaffirmed that the project remained on budget and on schedule, with construction expected to be completed in 2022.

12. 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 its 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 Fifty-First Session.

13. Any other business

Subitem 13(a): Working Group on the Manner of Appointment of the External Auditor

- 13.1 At its Twenty-Fifth Session, the Conference adopted a decision entitled “Appointment of the External Auditor of the OPCW” (C-25/DEC.10, dated 21 April 2021). In this decision, the Conference requested the Council to:

[E]stablish, as early as possible, a working group to develop a proposal for the manner in which the Conference shall appoint the External Auditor of the OPCW in the future. The working group may include representatives of the Council, assisted by staff of the Secretariat. To fulfil its mandate, the working group may also consider best practices from other international organisations and rely on the advice of the OPCW Advisory Body on Administrative and Financial Matters.

- 13.2 The Conference further requested that the Council report on the results of its Working Group regarding the development of the proposal at its Twenty-Sixth Session.
- 13.3 Further to the decision of the Conference in C-25/DEC.10, the Council established the Working Group at its Ninety-Seventh Session (paragraph 12.1 of EC-97/3, dated 8 July 2021).
- 13.4 The ABAF welcomed the Chairperson of the Council Working Group, His Excellency Ambassador Jorge Skinner-Klée Arenales, to an exploratory discussion of how the ABAF could provide advice to the Working Group, upon request, during the intersessional period.
- 13.5 The ABAF affirmed its readiness to conduct any required intersessional discussions and provide the advice requested by the Working Group, noting that the ABAF fully supported the Working Group’s objective of developing a proposal that would ensure the best possible methodology for the future process of appointing the OPCW’s External Auditors.

Subitem 13(b): Extension of the timeline for the submission of the 2021 financial statements

- 13.6 The Secretariat recalled Regulation 11.4 of the Financial Regulations and Rules, which requires that the Financial Statements be submitted to the External Auditor by 31 March following the end of the financial period to which they relate. In this regard, the ABAF noted this new request by the Secretariat as a precautionary measure, considering that 2021 would be the first year for which the OPCW would be preparing the Financial Statements using the new ERP system, in addition to having a change in key staff members in the unit responsible for the preparation of the Financial Statements as well as transitioning to the Organisation’s new External Auditor. Consequently, the Secretariat believed it would be prudent at this point to anticipate that there could be delays in the finalisation and issuance of the Financial Statements, although the Secretariat would endeavour to meet the requirement to submit the Financial Statements to the External Auditor by 31 March.

- 13.7 The ABAF noted that for 2018 and 2019, similar requests had been made, but were not ultimately required, as the decision was taken by the Budget and Finance Branch to prepare the Financial Statements in accordance with the normal schedule, in light of the ERP go-live date.
- 13.8 As a consequence of the potentially later submission of the 2021 Financial Statements to the External Auditor, the Secretariat indicated that the ABAF may need to consider the 2021 External Auditor report and the 2021 Financial Statements at its second, rather than first, session of the year. The ABAF noted this possibility.
- 13.9 The ABAF indicated that in light of the above-mentioned reasons, it was content with this most recent exceptional request for an extension of the submission date for the 2021 Financial Statements to the External Auditor, and noted that this request would now be submitted to the Council and the Conference for approval at their Ninety-Eighth Session and Twenty-Sixth sessions, respectively.

14. Next session and agenda

Dates of ABAF sessions in 2022

- 14.1 The ABAF decided on the dates for its 2022 sessions as follows: the Fifty-Second Session will be held from 7 to 10 June 2022, and the Fifty-Third Session will be held from 26 to 29 July 2022.

Provisional agenda for the Fifty-Second Session of the ABAF

- 14.2 The ABAF adopted the following provisional agenda for its Fifty-Second 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 member nominations and changes
 - (b) Financial updates: cash position, status of collection of assessed contributions and reimbursements, and the Working Capital Fund
 6. Status of the 2022 financial performance (to date)
 7. 2021 budget transfers
 8. 2021 programme performance
 9. Update on long-standing trust fund and reserve balances
 10. Financial Statements of the OPCW and the report of the External Auditor for the year ending 31 December 2021

11. Report of the Office of Internal Oversight for the year ending 31 December 2021
12. Progress in results-based management
13. Update on the OPCW Centre for Chemistry and Technology
14. Election of the Vice-Chairperson of the ABAF
15. Any other business
16. Next session and agenda
17. Adoption of the report

15. Adoption of the report

The ABAF adopted the report of its Fifty-First Session on 30 July 2021.

Annex: List of Information Papers and Other Documents Presented to the Advisory Body on Administrative and Financial Matters at its Fifty-First Session

Annex

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

	Title
1.	Agenda for the Fifty-First Session of the Advisory Body on Administrative and Financial Matters
2.	Report of the Fiftieth Session of the Advisory Body on Administrative and Financial Matters (ABAF 50/1, dated 4 June 2021)
3.	Note by the Director-General: Comments on the Report of the Advisory Body on Administrative and Financial Matters at its Fiftieth Session (EC-97/DG.20, dated 5 July 2021)
4.	Presentation: Status Summary of Previous ABAF Recommendations
5.	Note by the Technical Secretariat: Nomination for Membership of the Advisory Body on Administrative and Financial Matters (EC-97/S/4, dated 24 June 2021)
6.	Report of the Ninety-Seventh Session of the Executive Council (EC-97/3, dated 8 July 2021)
7.	Note by the Director-General: Monthly Financial Situation Report as at 30 June 2021 (S/1973/2021, dated 21 July 2021)
8.	Report by the Director-General: OPCW Income and Expenditure for the Period 1 January to 30 June 2021 (Second Quarter of the Financial Year Ending 31 December 2021) (S/1977/2021, dated 23 July 2021)
9.	Presentation: OPCW Cash Position and Forecast
10.	Presentation: OPCW 2021 Financial Performance (First Half of 2021)
11.	Presentation: Update on long-standing trust fund and reserve balances
12.	2020 External Audit Report: External Auditor briefing
13.	Note by the Director-General: Draft Programme and Budget of the OPCW for 2022 – 2023 (EC-98/CRP.1, dated 2 July 2021)
14.	Presentation: 2022 – 2023 Draft Programme and Budget Overview
15.	Presentation: Programme Presentations on the Draft Programme and Budget for 2022 – 2023
16.	Presentation: Progress in programme support cost methodology
17.	Presentation: Update on the OPCW Centre for Chemistry and Technology
18.	Working Group on the Manner of Appointment of the External Auditor: 1997 – 2020 History of External Auditor Nominations and Appointments—update July 2021
19.	Working Group on the Manner of Appointment of the External Auditor: 1997 – 2023 Nomination History with links to Extranet
20.	Working Group on the Manner of Appointment of the External Auditor: Request for Nominations for External Auditor of the OPCW S/1824/2020, dated 17 January 2020)
21.	Working Group on the Manner of Appointment of the External Auditor: OPCW Financial Regulations and Rules
22.	Working Group on the Manner of Appointment of the External Auditor: Overview of Best Practices in the Appointment of External Auditors—Final