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

1. OPENING OF THE SESSION

1.1 The Fifty-Seventh Session of the Advisory Body on Administrative and Financial Matters (ABAF) was held from 23 to 25 July 2024 in “hybrid” mode, with both in-person and online attendance. The following members participated: Mr John Foggo (Chairperson); Mr Hamed Alinejad; Mr Ashutosh Jindal; Mr Milan Kerber (Vice-Chairperson); Ms Hollie Marie Mance; Mr Hans-Christian Mangelsdorf; Mr Anton Minaev; Ms Yoko Sakurai; Mr Muhammed Wasif; and Ms Lyu Xiaodong.

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 welcomed the ABAF members with a brief statement at the opening of the session. She expressed the sincere appreciation of the Technical Secretariat (the Secretariat) for the ABAF’s important work and service to the OPCW.

1.4 Referring to the agenda for the session, the Deputy Director-General noted that several important topics were to be addressed by the ABAF, including the Mid-Biennium Draft Revised Programme and Budget of the OPCW for 2025 and the long-form report of the External Auditor. The ABAF would also review proposed adjustments to administrative issuances as the OPCW was preparing to take over the management of the OPCW Provident Fund and in anticipation of the Organisation joining the United Nations Joint Staff Pension Fund (UNJSPF).

1.5 The ABAF was also scheduled to meet the External Auditor Evaluation Panel, composed of State Party representatives, before the Panel interviewed the two candidates (the Comptroller and Auditor General of India and the Audit Board of the Republic of Indonesia) that had submitted proposals for providing annual audit services to the OPCW with effect from the 2024 financial period. This was the first time that the new evaluation process approved by the Conference of the States Parties (the Conference) was being used.¹

1.6 The Deputy Director-General noted that the Draft Revised Programme and Budget for 2025 would address the impact of the Secretariat taking over management of the OPCW Provident Fund, following a decision by the external provider to discontinue pension management services, and further highlighted that the budget proposals relating to the

¹ “Manner of Appointment of the External Auditor” (C-27/DEC.6, dated 28 November 2022).
management of the Provident Fund would be funded through savings within the Administrative Programme.

1.7 The Deputy Director-General emphasised to the ABAF that the Draft Revised Programme and Budget of the OPCW for 2025 included a proposal for the redirection and use of the 2022 cash surplus, towards three components:

(a) a reduction of EUR 1.49 million in the assessed contributions requirement for 2025, thus bringing the increase in assessed contributions down from 9% to 7% compared to 2024;

(b) funding for half of the costs of the pending physical security requirements of the OPCW Headquarters Main Building, including a new perimeter fence and new guardhouses; and

(c) a replenishment of the special funds for major capital replacements.

1.8 The Deputy Director-General reported that the Secretariat had formally requested the Host Country to contribute the remaining 50% of the costs for the pending essential physical security upgrades to the Headquarters Main Building, following the violent incursion of 3 December 2021, in light of the Host Country’s responsibilities for the security of the OPCW. The Deputy Director-General also noted that the Secretariat had stepped up its efforts to explore the implications of artificial intelligence (AI) for the implementation of the Chemical Weapons Convention (the Convention) and the operations of the Organisation.

1.9 Turning to the External Auditor’s long-form report, the Deputy Director-General noted that 11 of the 35 external audit recommendations from previous years had been closed.

1.10 Regarding the proposed adjustments to the Organisation’s administrative issuances, the Deputy Director-General informed the ABAF that the Board of the UNJSPF was scheduled to meet in early August to consider the OPCW’s application for membership. Furthermore, the OPCW’s Provident Fund management service provider would terminate its services in November this year.

1.11 The Deputy Director-General noted that the proposed modifications to the Staff Regulations and Interim Staff Rules and the Financial Regulations and Rules had been prepared for review and endorsement by the ABAF, before submission to the Executive Council (the Council) in October and the Conference in November. The main proposed changes to the Financial Regulations and Rules included adjustments to accommodate direct management by the Secretariat of the Provident Fund. A further proposed change to the Financial Regulations and Rules was aimed at enabling a gradual increase of the Working Capital Fund (WCF) by permitting interest received on the Fund to be retained in it, rather than being treated as miscellaneous income. The Deputy Director-General concluded her remarks by reiterating her appreciation for the ABAF’s contribution to the work of the OPCW and by underlining the importance of the ABAF’s reflections and advice on the range of important topics to be addressed at its Fifty-Seventh Session.

1.12 On behalf of the ABAF, the Chairperson thanked the Deputy Director-General for her kind words of introduction and for highlighting the range of matters for discussion at the Fifty-Seventh Session.
2. ADOPTION OF THE AGENDA

The ABAF adopted the following agenda for its Fifty-Seventh Session:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session
4. Introductory matters
   (a) ABAF member nominations and changes
   (b) Financial updates: the Organisation’s cash position, the Working Capital Fund, status of collection of assessed contributions and reimbursements, and recommendations for write-offs (if any)
5. Status of 2024 financial performance (first half of 2024)
6. 2023 External Auditor’s Long-Form Report
7. Mid-Biennium Draft Revised 2025 Budget
8. Election of the Chairperson of the ABAF
9. Progress in results-based management
10. Review of risk management
11. Update on physical security
12. UNJSPF: Adjustments to administrative issuances preparatory to membership
13. Adjustments to administrative issuances preparatory to in-house management of the OPCW Provident Fund and the Working Capital Fund
14. Any other business
15. Next session and agenda
16. Adoption of the report

3. REVIEW OF THE REPORT OF THE PREVIOUS SESSION

The ABAF assessed that the comments of the Director-General (EC-106/DG.18, dated 4 July 2024) on the report of the ABAF at its Fifty-Sixth Session (ABAF-56/1, dated 6 June 2024) constituted a full and substantive response to the matters raised by the Board. In this context, the ABAF took note of the Secretariat’s clarifications regarding the OPCW’s whistle-blowing and anti-retaliation arrangements (paragraph 19 of EC-106/DG.18) with regard to any possible hypothetical allegations against the executive head of agency. The ABAF emphasised that examination of this topic did not imply any criticism of the current OPCW leadership, but rather reflected the importance of the topic across international organisations more generally and the intention to ensure that the OPCW had appropriate means to address any allegations of this nature.
4. INTRODUCTORY MATTERS

Subitem 4(a): ABAF member nominations and changes

4.1 The Chairperson welcomed all members to the Fifty-Seventh Session of the ABAF and noted that there were no changes to the membership of the ABAF since the Fifty-Sixth Session.

Subitem 4(b): Financial updates: the Organisation’s cash position, the Working Capital Fund, status of collection of assessed contributions and reimbursements, and recommendations for write-offs (if any)

Cash position

4.2 The ABAF reviewed a Note by the Director-General containing the “Monthly Financial Situation Report as at 30 June 2024” (S/2307/2024, dated 15 July 2024).

4.3 The Secretariat informed the ABAF that the cash balance of the OPCW General Fund as at 30 June 2024 was EUR 9.4 million, which was lower than at the same time in the previous year, when it stood at EUR 14.1 million. However, the Secretariat also noted that over EUR 20 million in assessed contributions for 2024 had been received in early July 2024, substantially improving the situation.

Working Capital Fund

4.4 The ABAF noted that the Secretariat was forecasting a positive cash position for the General Fund for the end of 2024 of approximately EUR 5.0 million. However, withdrawals from the WCF could still be required to maintain liquidity during the year depending on the rate of receipts of the remaining outstanding assessed contributions.

Status of collection of assessed contributions and reimbursements

4.5 The ABAF noted that the collection rate of assessed contributions was 76.7% of current year contributions to 15 July 2024, a significant improvement over the level of 60.9% to the end of July 2023.

4.6 While welcoming the improvement in the collection rate for current year contributions, the ABAF once again expressed concern over the rate of receipt of the prior year assessed contributions amounting to EUR 6.7 million, and particularly noted the significant number of States Parties whose arrears had amounted to several years’ worth of unpaid contributions, and which had therefore lost their voting rights. The ABAF also noted that most States Parties with significant arrears had not availed themselves of the opportunity to submit proposals for multi-year payment plans in order to restore their voting rights and fulfil their membership obligations under the Convention, or where such instruments had been negotiated, had failed to comply with them.

4.7 The ABAF took note of the status of Article IV and Article V reimbursements as at 30 June 2024, the cumulative outstanding amount of which stood at EUR 6.3 million (EUR 7.45 million as at 30 June 2023).
4.8 The ABAF took note of the Secretariat’s efforts to ensure timely payment of assessed contributions through initial requests, two rounds of subsequent formal reminders, as well as courtesy reminder emails in advance of Council and Conference sessions, as well as the Director-General’s invitations to States Parties to submit proposals for multi-year payment plans.

4.9 Following a request by the ABAF at its Fifty-Fifth Session, the Secretariat presented an overview of the means by which some other international organisations encouraged their Member States to remit their assessed contributions in a timely manner. The ABAF welcomed the Secretariat’s recent initiatives to improve the rate of collections and recognised that any compulsory measures would require consideration and approval by the policy-making organs. The ABAF encouraged the Secretariat to continue its work in this area.

Recommendations for write-offs

4.10 The Secretariat reported that no balances had been proposed for write-off in 2024.

5. STATUS OF 2024 FINANCIAL PERFORMANCE (FIRST HALF OF 2024)

5.1 The ABAF noted the Secretariat’s implementation of the Programme and Budget for 2024 and was informed that, as at 30 June 2024, a sum of EUR 40.1 million had been disbursed or obligated, amounting to 50.3% of the 2024 budget. This was a significantly lower level of budget utilisation than in the previous year, when the level was 57.3%, reflecting the then very high level of inflation that had not been foreseeable when the Programme and Budget for the 2022-2023 biennium was being prepared.

5.2 The Secretariat presented details of the level of budget implementation broken down by programme and by category of expenditure, with staff costs standing at 46.2% of the budget and non-staff costs at 59.4% of the budget at the mid-year stage, noting that non-staff costs included full-year commitments to rental and similar annual contractual obligations bringing the implementation rate above 50%.

5.3 The Secretariat described the regular control measures that were being taken to manage the Organisation’s rate of expenditure. These included: setting a contingency margin of 10% on non-staff costs (5% for administration given fixed costs such as rent); maintaining a threshold on the Organisation’s staff position vacancy rate (8.5% for Professional staff and 3.5% for General Service staff) below which Programmes would not be permitted to recruit short-term consultants to fill in for vacant positions; and limiting the use of savings from vacant staff positions (“ring-fencing”) to the salary component only, and therefore excluding common staff costs. These measures would be monitored closely throughout the remainder of the year, with adjustments to maximise programme implementation, including budget transfers where deemed appropriate.
6. **2023 EXTERNAL AUDITOR’S LONG-FORM REPORT**

6.1 The External Auditor of the OPCW (the Comptroller and Auditor-General of India) had provided a comprehensive presentation on its audit findings and recommendations at the Fifty-Sixth Session of the ABAF in June 2024. The External Auditor’s long-form report, provided to the ABAF for consideration prior to its Fifty-Seventh Session, contained more details on the matters discussed at the previous meeting.

6.2 The ABAF noted the External Auditor’s recommendation that the fixed assets register (HARDCAT) should be integrated with the Organisation’s enterprise resource planning (ERP) system (UBW). The Secretariat explained that while the original ERP implementation plan envisaged incorporating the register of fixed assets within UBW, the Secretariat did not consider this to be a worthwhile use of resources. Instead, the Secretariat planned to develop an interface that would integrate the two systems and enhance reconciliation of the physical and financial records.

6.3 The ABAF took particular note of the External Auditor’s considerations regarding the implementation of the Secretariat’s CITADEL project to upgrade the Organisation’s secure platform for supporting critical IT applications and IT security management. The ABAF asked the Secretariat to provide an update on this important project at its next session.

7. **MID-BIENNIAL DRAFT REVISED 2025 BUDGET**

7.1 The Secretariat presented its proposed Mid-Biennium Draft Revised Programme and Budget of the OPCW for 2025. The approved Budget for 2025 (C-28/DEC.9, dated 29 November 2023) was EUR 82.1 million, whereas the Draft Revised 2025 Budget included a recommended allocation of the 2022 cash surplus in the amount of EUR 5,380,603 to extraordinary provisions.

7.2 Specifically, the Secretariat proposed no change to the budgets for Chapter 1 and Chapter 2 Programmes compared to the originally approved Programme and Budget of the OPCW for 2024-2025 (C-28/DEC.9), other than a budget-neutral change to the staffing table to accommodate the transfer of the OPCW Provident Fund to in-house management. The change would entail the upgrading of three staff positions in the Administration Programme amounting to EUR 64,400, which would be offset by an equal reduction in the budget for insurance costs also within the Administration Programme.

7.3 The Secretariat proposed EUR 5,380,603 in extraordinary provisions to cover 50% of the costs of enhanced security at the Headquarters Main Building (estimated to be EUR 6 million), and to replenish the Major Capital Investment Fund (EUR 1,300,603), the special fund for OPCW designated laboratories and laboratory equipment (EUR 313,054), and the special fund for the OPCW Equipment Store (EUR 805,000).

7.4 To finance the budget revision, the Secretariat proposed to reallocate the 2022 cash surplus, which had been generated primarily from late payments of assessed contributions by some States Parties. The proposals for the use of the 2022 cash surplus also envisioned a reduction in the assessed contribution requirement in 2025 amounting to EUR 1,492,745.
The ABAF concluded that the Mid-Biennium Draft Revised 2025 Budget proposal had been prepared in a sound, methodical, and logical way according to the OPCW Financial Regulations and Rules with costs, Programme goals, and justifications elaborated in a consistent and transparent manner.

The ABAF welcomed the Secretariat’s engagement with the Host Country regarding the unfunded element of the remaining critical physical perimeter security requirements at the OPCW Headquarters Main Building.

**ELECTION OF THE CHAIRPERSON OF THE ABAF**

The Chairperson notified the ABAF that he would be stepping down from membership following the current session of the Board.

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 elected Mr Hans-Christian Mangelsdorf as Chairperson for a period of one year.

**PROGRESS IN RESULTS-BASED MANAGEMENT**

The Secretariat presented its approach to greater incorporation of results-based management (RBM) principles in its programme and budget development, including a review of the practices of some comparable international organisations.

In its presentation, the Secretariat elaborated the guidance provided to managers in the preparation of their programme budgets, the development of appropriate key performance indicators (KPIs), and the greater use of the ERP and related software to enhance reporting and to support RBM.

The ABAF discussed the Secretariat’s experience of developing and reporting on meaningful KPIs and encouraged the Secretariat to further develop linkages between programmatic results and budgetary inputs, while emphasising that activity-based budgeting should be considered an enhancement to the Organisation’s established approach to preparing programmes and budgets. The ABAF looked forward to discussing the Secretariat’s progress in this regard at its Fifty-Ninth Session when considering the future Draft Programme and Budget of the OPCW for the 2026-2027 Biennium.

**REVIEW OF RISK MANAGEMENT**

The Secretariat presented its approach to assessing higher level organisational risks and the workings of the Risk Management Committee (RMC) as chaired by the Deputy Director-General. The RMC held regular scheduled meetings with conclusions and priority risks being presented to the Management Board.

The ABAF asked about the participation of senior managers in the determination of risks, and the Secretariat responded that all of the Organisation’s managers contributed to the development of the Risk Register and further contributed to risk identification via periodic completion of Statement of Internal Control questionnaires. The Office of Internal Oversight (OIO) had also provided considerable learning opportunities for all staff of the Organisation, and these had been well attended and received by participants.
10.3 Asked about what improvements the Secretariat might consider towards enhancing the value of the Risk Register and risk management process, the Secretariat responded that the Risk Register presented a snapshot of the assessment of risk in particular areas at a particular point in time. Future initiatives would seek to embed risk management considerations in day-to-day work. Furthermore, considering the lessons learned from the Organisation’s response to the COVID-19 pandemic, elements of the risk management process would be incorporated in ongoing business continuity planning initiatives. Such measures would ensure the continued relevance of risk awareness, assessment, and management.

10.4 The ABAF welcomed the discussion and was encouraged by the steps the Secretariat had made to elevate the Organisation’s approach to risk management following past recommendations by the External Auditor and the OIO. The ABAF recommended that the Secretariat consider developing a risk appetite statement for internal discussion and with the intention of sharing such a statement with States Parties.

11. **UPDATE ON PHYSICAL SECURITY**

11.1 The Secretariat presented details of the proposed measures required to elevate the physical security of OPCW Headquarters Main Building to the minimum standards benchmark defined by the United Nations Department of Safety and Security. These included several measures already taken to enhance security following the incursion of the building by violent demonstrators in December 2021, as well as a set of requirements pending the approval or funding as proposed in the context of the Draft Revised Programme and Budget for 2025.

11.2 The ABAF recognised the importance of ensuring that the OPCW met the minimum physical security standards elaborated by the United Nations, especially in light of the events of December 2021 and considering that key elements of the Organisation’s physical security infrastructure were several decades old and no longer reliable or fit for purpose.

11.3 The ABAF encouraged the Secretariat to intensify engagement with the Host Country to secure the necessary funding for the remaining essential works and asked that the Secretariat provide an update on the progress of the security enhancements at the ABAF’s next session.

12. **UNJSPF: ADJUSTMENTS TO ADMINISTRATIVE ISSUANCES PREPARATORY TO MEMBERSHIP**

12.1 The Secretariat provided an update on the progress of preparatory discussions with the UNJSPF, noting that in early August 2024 the Board of the UNJSPF would meet to decide on a recommendation regarding the OPCW’s membership application. The Secretariat reported that discussions with the UNJSPF Secretariat had been positive and productive, and that the proposed adjustments to the OPCW’s administrative issuances and Staff Regulations and Interim Staff Rules were required to align the Organisation with the requirements of UNJSPF membership.

12.2 The ABAF asked for further clarifications about the involvement of OPCW staff in the process, implications with regard to the administration of justice, and the transitional period, among others.
12.3 Having reviewed the proposed changes to the Staff Regulations and Interim Staff Rules, and the proposed administrative directive on social security transition, the ABAF endorsed the proposals for submission to the Council at its next session in October 2024.

13. ADJUSTMENTS TO ADMINISTRATIVE ISSUANCES PREPARATORY TO IN-HOUSE MANAGEMENT OPCW PROVIDENT FUND AND THE WORKING CAPITAL FUND

13.1 The Secretariat provided an update on the progress of transferring management of the OPCW Provident Fund to direct management following a decision by the Organisation’s external service provider to discontinue pension management services at the end of 2024. While the timing of the transfer was unfortunate considering the Organisation’s intention to join the UNJSPF, the Secretariat was fully prepared to directly manage the Provident Fund in a manner that minimised risk and in alignment with the Organisation’s robust policies on the secure investment of funds.

13.2 The Secretariat presented proposed adjustments to the OPCW’s administrative issuances, including to the Financial Regulations and Rules, which were required to enable the Secretariat to manage the Provident Fund in the same manner that it managed the Organisation’s finances. There was considerable overlap with the preparation for UNJSPF membership—described herein under agenda item 12—with the proposed new administrative directive on social security transition being designed to replace the current administrative directive that contained the Charter of the Provident Fund.

13.3 The ABAF sought clarification, in particular about the changing responsibility of the Secretariat in managing the Provident Fund. The ABAF also asked for more details about the intended modifications concerning the accrual of interest with regard to the WCF.

13.4 With regard to the amendment to the Financial Regulations and Rules regarding the WCF, the Secretariat proposed an additional but unrelated change. The proposed amendment would alter the treatment of interest income on the Organisation’s WCF, within the existing restriction in the Financial Regulations and Rules that the WCF should not exceed two-twelfths of the Organisation’s annual budget. Rather than treating interest on the WCF as “other income” for the Organisation as a whole, the proposed amendment would permit WCF interest income to be added to the balance of the WCF, thus allowing for moderate growth in the value of the WCF to partially offset the impact of inflation. The Secretariat confirmed that it maintained a detailed record of advances to the WCF and that it would be in a position to reconcile between advances and interest earned.

13.5 Having reviewed the proposed changes to the Financial Regulations and Rules and the proposed administrative directive on social security transition, the ABAF endorsed the proposals for submission to the Council at its next session in October 2024.
14. **ANY OTHER BUSINESS**

**External Auditor Evaluation Panel**

14.1 The ABAF was requested by the External Auditor Evaluation Panel (EAEP) to give advice concerning the proposals for external audit services submitted by the supreme audit institutions of two States Parties, as well as questions sent to the candidates by the EAEP and a set of questions to the ABAF also prepared by the EAEP.

14.2 One member of the ABAF, as a citizen of the country of one of the applicant institutions, recused himself from consideration of the proposals and from the discussion with the EAEP. The remaining members of the ABAF met the EAEP to discuss the proposals and to provide technical advice to the Panel in advance of the EAEP’s interviews with the candidate institutions.

15. **NEXT SESSION AND AGENDA**

**Dates of ABAF sessions in 2025**

15.1 The ABAF decided on the dates for its 2025 sessions as follows: the Fifty-Eighth Session would be held from 3 to 6 June 2025, and the Fifty-Ninth Session would be held from 22 to 25 July 2025.

**Provisional agenda for the Fifty-Eighth Session of the ABAF**

15.2 The ABAF adopted the following provisional agenda for its Fifty-Eighth Session:

1. Opening of the session
2. Adoption of the agenda
3. Review of the report of the previous session and the Director-General’s comments
4. Review of the status of previous ABAF recommendations
5. Introductory matters
   (a) Election of the Vice-Chairperson of the ABAF
   (b) ABAF member nominations and changes
   (c) Financial updates: cash position, status of collection of assessed contributions and reimbursements, and the Working Capital Fund
6. Status of the 2025 financial performance (to date)
7. 2024 budget transfers
8. 2024 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 2024
11. Report of the Office of Internal Oversight for the year ending 31 December 2024
12. Update on the process of UNJSPF membership
13. Human Resources – recruitment, talent management, and tenure policy
14. Any other business
15. Next session and agenda
16. Adoption of the report

16. ADOPTION OF THE REPORT

The ABAF adopted the report of its Fifty-Seventh Session on 25 July 2024.

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

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

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