



**OPCW**

**Advisory Body on Administrative and  
Financial Matters**

14 - 17 April 1998

ABAF-II/12  
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**REPORT OF THE SECOND SESSION OF THE  
ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS**

**1. Opening of the session**

The second session of the Advisory Body on Administrative and Financial Matters, which was opened by its Chairman, Mr Arnold Cals, was convened from 14 to 16 April 1998. The following experts (in alphabetical order by name) participated: Mr Armando Arriazola; Ms Gamze Artun; Mr Arnold Cals; Mr Peter Döllekes; Mr B.N. Jha; Mr Ed Keller (alternate for Mr Christopher Park); Mr Gyehyan Kwon; Mr Dudley Lashmar; Mr Reza Najafi; Mr Gianfranco Tracci; Mr Kazuo Tsukada; Mr Victor Vislykh; and Mr Liu Zhixian.

**2. Adoption of the agenda**

The Advisory Body adopted the following agenda:

1. Opening of the session
2. Adoption of the agenda
3. Draft Rules of Procedure of the Advisory Body on Administrative and Financial Matters
4. Report of the Director-General on implementation of the budget
5. Structure and method of future budgets
  - (a) Overview and Introduction
  - (b) Tables
6. Financial Regulation 3.3(b)
7. Biennial budgets
8. Accounting for payments in kind
9. Any other business
10. Adoption of the report
11. Closure

**3. Draft Rules of Procedure of the Advisory Body on Administrative and Financial Matters**

- 3.1 The Advisory Body adopted its rules of procedure, which are contained in annex 1 to this report. The members considered that the Advisory Body would operate most effectively and economically if its membership remained limited in size. The Advisory Body requested the Executive Council to take note of its rules of procedure, and to take such further action with respect to the rules as, in its view, was appropriate.
- 3.2 The Advisory Body requested the Secretariat to transmit to the Executive Council the list of members of the Advisory Body whose nominations had been received by the Secretariat from Member States, and to request the Executive Council to appoint these nominees as members of the Advisory Body, with date of appointment retroactive to the date of the letter of nomination.
- 3.3 Although the rules of procedure provide for decisions on substance to be taken by consensus, it is the intention of the Advisory Body to reflect in its report, in exceptional cases, divergent views on technical issues.

**4. Report of the Director-General on implementation of the budget**

- 4.1 The Advisory Body considered at some length the report of the Director-General on the implementation of the 1997 OPCW budget (ABAF-II/11). It reviewed the general and specific reasons for the surplus (41% of the total budget) that had remained unspent at the end of 1997, and considered that exceptional circumstances had brought about this situation. It identified areas of the budget that might result in savings in future budgets. These included, inter alia, health and safety insurance, photocopying paper, communications, costs of the annual session of the Conference of the States Parties, inspection equipment and transportation of inspection equipment. It also encouraged the use of sequential inspections to the extent possible, including grouping inspections within given regions to reduce the costs of transportation. It emphasised that the use of competitive packages provided by airlines could yield substantial savings, and encouraged the Secretariat to review its use of travel agencies. It also pointed out that, if the Secretariat's evolving pattern of work determined that some posts became redundant, some vacancies need not automatically be filled. It observed that continuous monitoring and evaluation of the size of inspection teams and the duration of inspections will provide lessons to be learned which will enhance efficiency and economy.
- 4.2 The Advisory Body reviewed the status of expenditures for the first quarter of 1998. It expressed its concern that States Parties were in arrears with the payment of contributions for the 1998 budget.

## 5. Structure and method of future budgets

### (a) Overview and Introduction

### (b) Tables

- 5.1 The Advisory Body reviewed the draft overview and introduction to the 1999 programme and budget contained in document ABAF-II/5, and **recommended** it as an acceptable basis for the 1999 budget.
- 5.2 It also **recommended** the use of the structure of the table contained in attachment 2 to ABAF-II/6 as the basis for tables to be used in the 1999 budget. In connection with its consideration of this agenda item, it also made suggestions for incorporating into the 1999 budget aspects of the subjects considered under agenda items 6 and 8.

## 6. Financial Regulation 3.3(b)

- 6.1 The Advisory Body recognised that Article 3.3(b) of the Financial Regulations required some interpretation, since the language contained certain ambiguities and involved a degree of innovative thinking which had not been clearly spelled out when the language was drafted.
- 6.2 The Advisory Body offered the following interpretations of subparagraphs (a), (b) and (c) of Financial Regulation 3.3(b). In relation to subparagraph (a): the overview statement should include a statement of the purposes and objectives of the programme and a concise summary of the resources required. In relation to subparagraph (b): the statement of responsibility should be viewed as a management tool by the Secretariat that is to be measured by setting programme goals, by establishing the “responsibilities of the manager of the programme and, at the conclusion of the budget cycle, by determining whether the Secretariat has met its responsibilities. And in relation to subparagraph (c): the objectives are the programme goals. The Advisory Body **recommended** that the Executive Council endorse this interpretation and that the Secretariat draw upon this interpretation for inclusion in future budgets.

## 7. Biennial budgets

The Advisory Body considered extensively the theory and practice of biennial budgeting, including its relationship to the planning cycle. For the time being, it considered that the OPCW’s planning and budgeting lacked sufficient experience to make use of a biennial approach. It recommended consulting with and seeking information from other international organisations, such as the International Maritime Organisation, to learn how they make use of biennial budgets. The Advisory Body concluded that the best approach was to establish an effective short- or medium-term plan and to adjust the budget to this plan. This would involve at least a yearly analysis of medium-term plans and programmes, of their length, which might be multi-year, and of the global costs involved. Only after the conclusion of such a process could a recommendation be made on a biennial budget.

## 8. Accounting for payments in kind

The Advisory Body considered this subject extensively, including reviewing a paper prepared by one of its members (annex 2 to this report), and a paper of the Secretariat (ABAF-II/9). It concluded that proper budgeting should reflect the costs incurred by Member States making payments in kind for inspection costs incurred under Articles IV and V of the Convention. Such costs should, however, be offset by the same amount of in kind income. It **recommended** adding two lines to the Executive Summary of the 1999 budget to reflect the costs of these payments in kind, as well as the offset in the same amount. Members of the Advisory Body will continue to research other possible methodologies to reflect these costs.

## 9. Any other business

### Liquidation of the Preparatory Commission

- 9.1 The Secretariat reported on the liquidation of the assets and liabilities of the Preparatory Commission. The Advisory Body **recommended** inviting the Liquidator to present a summary at its next session. The Advisory Body observed that States Parties which adhered to the Convention, but which did not take part in the work of the Preparatory Commission, were not assessed for any costs for the preparatory phase, and thereby enjoyed a financial advantage.

### Financial and Staff Rules

- 9.2 The Advisory Body expressed its view on the necessity for approved Financial Rules and Staff Rules, and observed that their absence might create difficulties, for example, for the Office of Internal Oversight. The Advisory Body urged that further work be done on the outstanding issues in order to achieve a speedy adoption of these rules, and offered its expert services to the Executive Council in this regard if so required.

### Future currency

- 9.3 The Advisory Body discussed the impact which the adoption of the euro might have on the future OPCW budget. It requested the Secretariat to prepare a discussion paper on this subject for use at its next session.

### Provident Fund

- 9.4 In the light of the substantial contributions by Member States to the Provident Fund, the Advisory Body expressed its intention to keep the operations of the Provident Fund under review, and requested the Secretariat to provide all relevant documents prior to its next session.

## Relationship agreement with the United Nations

- 9.5 The Advisory Body drew to the attention of the Executive Council its opinion that the draft decision on the Relationship Agreement between the United Nations and the OPCW as it related to Article X (Personnel Arrangements) and Article XI (Budgetary and Financial Matters), if implemented as now drafted, could impose serious constraints on the ability of Member States to pursue independent personnel and budgetary policies, specific to the needs of the OPCW.

### Next meeting and agenda

- 9.6 The Advisory Body, after adopting its report<sup>1</sup>, decided to hold its next session from 27 July to 1 August 1998, and adopted the following provisional agenda:

1. Opening of the session
2. Adoption of the agenda
3. Election of Chairperson and Vice-Chairperson
4. Report of the Director-General on implementation of the 1998 budget
5. Report of the External Auditor on the 1997 budget
6. Consideration of the Draft OPCW Programme and Budget for 1999
7. The Provident Fund
8. The euro
9. Liquidation of the Preparatory Commission
10. Any other business

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<sup>1</sup> The first report of the Advisory Body is contained in document EC-V/ABAF.2, dated 23 September 1997. During its second session the Advisory Body had before it the following documents:

ABAF-II/1	Provisional Agenda of the Second Meeting, 26 Feb 98
ABAF-II/2	Tentative Programme of Work, 26 Feb 98
ABAF-II/3/Rev.1	Members of the Advisory body, 16 April 98
ABAF-II/4	Draft Rules of Procedure, 25 Feb 98
ABAF-II/5	OPCW Programme and Budget 1999, 26 Feb 98
ABAF-II/6	Advisory Body on Administrative and Financial Matters: Tables 26 Feb 98
ABAF-II/7	Consideration of Terms Used in Financial Regulation 3.3, 26 Feb 98
ABAF-II/8	Biennial Budget, 26 Feb 98
ABAF-II/9	Accounting for Payments in Kind
ABAF-II/10	Programme and Budget 1998 Corrigendum
ABAF-II/11	Report of the Director-General on the Implementation of the 1997 OPCW Budget

**Annex 1**

**RULES OF PROCEDURE  
FOR THE ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL  
MATTERS**

**I. MEMBERS OF THE ADVISORY BODY**

*Rule 1*      **Members**

The Advisory Body on Administrative and Financial Matters, hereinafter “Advisory Body”, shall consist of experts of recognised standing from the States Parties. Members of the Advisory Body shall be nominated by States Parties and appointed by the Executive Council for a three-year renewable term of office. Members shall serve in their personal capacity.

*Rule 2*      **Attendance of members of the Advisory Body**

Each member of the Advisory Body shall attend all of its sessions. In case of absence, a member may, with the prior approval of the Chairperson, designate an alternate expert to attend a session on his/her behalf.

*Rule 3*      **Attendance of persons other than members of the Advisory Body**

The Chairperson may invite members of the Secretariat and any other individuals who can contribute to the activities of the Advisory Body to attend sessions or part sessions of the Advisory Body.

**II. OFFICERS OF THE ADVISORY BODY**

*Rule 4*      **Officers**

- (a) The Chairperson of the Advisory Body shall be chosen by its members.
- (b) The Advisory Body shall also choose a Vice-Chairperson.
- (c) Both the Chairperson and the Vice-Chairperson shall be chosen for a one-year renewable term of office.
- (d) If the Chairperson is absent from a session or any part thereof, or is temporarily unable to perform his or her functions, the Vice-Chairperson shall act in his or her place. When the Vice-Chairperson chairs a session or part session under such circumstances, he/she shall have the same powers and functions as the Chairperson. In the absence of both the Chairperson and the Vice-Chairperson, the members of the Advisory Body shall choose an acting chairperson.

### **III. TECHNICAL SECRETARIAT**

#### **Rule 5 Functions**

The Secretariat of the OPCW shall provide the Advisory Body with all information and all administrative support which it may require for the proper implementation of its mandate, and shall exercise such functions as the Advisory Body may determine.

### **IV. SESSIONS OF THE ADVISORY BODY**

#### **Rule 6 Sessions of the Advisory Body**

- (a) The Executive Council may, at its discretion, convene sessions of the Advisory Body. Otherwise, the Advisory Body may itself determine the frequency and times of its own sessions.
- (b) The work of the Advisory Body shall be conducted in plenary sessions in accordance with these rules of procedure.
- (c) The Advisory Body may, at its own discretion, meet in informal sessions and may set up working groups.

### **V. AGENDA OF THE ADVISORY BODY**

#### **Rule 7 Determination of agenda**

The Advisory Body shall determine its own agenda, on the basis, inter alia, of Regulation 15.1 of the OPCW Financial Regulations (C-I/DEC.3, dated 14 May 1997).

#### **Rule 8 Requests for advice**

In accordance with Regulation 15.1, subparagraph (i) of the Financial Regulations, requests for advice shall normally be submitted in writing to the Chairperson of the Advisory Body, who shall circulate copies of such requests to all members of the Advisory Body for their consideration. If a request is made when the Advisory Body is not in session, the Secretariat shall provide copies of it to the Chairperson and members of the Advisory Body as soon as possible.

## VI. CONDUCT OF BUSINESS

### *Rule 9*      **Quorum**

One-third of the members of the Advisory Body shall constitute a quorum.

### *Rule 10*      **General powers and functions of the Chairperson**

- (a) In addition to exercising the powers conferred upon the Chairperson elsewhere in these rules, the Chairperson shall convene and preside at the plenary sessions of the Advisory Body.
- (b) If the Chairperson resigns or is permanently unable to perform his/her functions, a new Chairperson shall be chosen by the Advisory Body from amongst its own members.
- (c) The Chairperson, or the Vice-Chairperson acting in the capacity of Chairperson, shall act as experts in their own right.

### *Rule 11*      **Decisions**

- (a) All decisions and recommendations of the Advisory Body may be taken by consensus of all members present.
- (b) On procedural matters, decisions may be taken by the majority of members present and voting. In case of a tie, the Chairperson may cast the deciding vote. .

## VII. LANGUAGE

### *Rule 12*      **Language**

As a matter of economy, the Advisory Body shall use English as its working language.

## VIII. AMENDMENT OF RULES

### *Rule 13*      **Amendments**

These rules of procedure may be amended by consensus.



## **IX. ATTACHMENT**

Regulation 15 of the OPCW Financial Regulations is reproduced in the annex to these rules of procedure.

**Annex**

**Article 15 of the OPCW Financial Regulations  
(C-I/DEC.3, dated 14 May 1997)**

**ARTICLE 15  
ADVISORY BODY ON ADMINISTRATIVE AND FINANCIAL MATTERS**

- 15.1 The Executive Council may establish a body to advise it on administrative and financial matters. This body shall consist of experts of recognised standing from States Parties and shall:
- (a) examine and report on the draft programme and budget submitted by the Director-General under Regulation 3.4;
  - (b) examine and report on the preliminary estimates submitted by the Director-General under Regulation 3.7;
  - (c) examine and report on any supplementary budgetary proposals submitted by the Director-General under Regulation 3.5;
  - (d) when feasible, consider and comment on any budgetary transfers submitted by the Director-General under Regulations 4.5 and 4.6;
  - (e) if appropriate examine and comment on the status of the OPCW's investments, submitted by the Director-General under Regulation 9.4;
  - (f) where appropriate, examine and comment on the internal oversight/audit reports;
  - (g) examine and report on the OPCW's audited financial statements, including the External Auditor's report and opinion thereon;
  - (h) examine and report on the financial regulations, rules and amendments thereto, as submitted by the Director-General; and
  - (i) advise and comment on any other administrative and financial matters when appropriate.

## Annex 2

### Accounting for In Kind Contributions

1. Typically, in kind contributions by Member States are not reflected in the budgets of international organisations. This relates in part to the difficulty in assigning an accurate value to such contributions, but mainly to the fact that such contributions are ordinarily voluntary in nature, and separate from the regular budget of the organisation. In some organisations, e.g., World Health Organisation (WHO), voluntary contributions make up such a large share of overall resources that they are shown in the budget document for illustrative purposes in order to give a clearer picture of the overall programmatic activities of the organisation. In such cases, in kind voluntary contributions may or may not be included in the illustrative figures, and, where they are, the value is typically that claimed by the donor—the organisation makes no effort to substantiate these claims, but simply reports them to the membership.
2. In the OPCW, a special cases exists—that of states that elect to meet a portion of their financial obligations under Articles IV and V of the Convention through in kind contributions of goods and services. The case is special for several reasons.
  - (a) These contributions are not voluntary. Under the terms of the costs of verification agreement reached by the Conference of the States Parties, individual states may choose to meet their obligations in cash or in kind. That much is optional—but the underlying financial obligation is mandatory.
  - (b) These contributions represent a significant proportion of the cost of a core activity of the OPCW. Failure to reflect them in the budget distorts the true picture of the organisation's activities.
  - (c) There is a potentially dangerous element of uncertainty. Since states are not compelled to meet any portion of their Article IV/V obligations in kind, there needs to be some mechanism to accommodate cases where this does not occur—i. e, when states meet their entire obligation, or at least more than the Secretariat has assumed, through cash contributions. The present budgeting method, which “nets out” those costs which the Secretariat has assumed will be met in kind, means that the appropriation level is insufficient for this eventuality (e.g., if the United States in 1998 elected to meet its obligations entirely in cash, rather than in kind, then—even if the United States also paid the entire amount up front on the basis of estimated costs—due to the artificially low appropriation level, the Secretariat would effectively not have the legal authority to spend this money).

3. These considerations suggest that all Article IV/V programme costs—whether met through cash or in kind contributions—should be reflected in the budget document in some way. This would require (a) an increase in the level of the relevant subprogramme, and consequently, of the overall budget; and (b) the inclusion of a corresponding amount of additional miscellaneous income from states subject to inspections under Articles IV and V. (Thus there would be NO impact on assessment levels). This would both improve the accuracy with which the budget portrays the actual allocation and overall magnitude of resources and effort required to carry out the Organisation's work and protect the Organisation from the appropriation authority problem outlined above. The uncertainty about whether obligations will be met in cash or in kind—i.e., whether the Secretariat will rely on an individual state for goods or services, or be required to procure equivalent goods or services—also suggests the most constructive way to monetise such contributions for budgeting and accounting purposes is to estimate the replacement cost (what it would cost the Secretariat to directly procure the relevant goods or services). For meals and lodging, for example, the standard United Nations Daily Subsistence Allowance rate for the area could be applied. In this way, if obligations are met in cash, the Secretariat has the budget authority to spend these funds as part of the approved programme of work. If, on the other hand, obligations are met in kind, the Secretariat should account for this based on estimated replacement costs using a simplified costing procedure to minimise additional staff work.

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