

**DRAFT DECISION****DRAFT PROGRAMME AND BUDGET OF THE OPCW FOR 2020****The Conference of the States Parties,**

Recalling that subparagraph 21(a) of Article VIII of the Chemical Weapons Convention (hereinafter “the Convention”) requires, inter alia, that the Conference of the States Parties (hereinafter “the Conference”) consider and adopt at its regular sessions the Programme and Budget of the OPCW;

Recalling that subparagraph 32(a) of Article VIII of the Convention requires that the Executive Council (hereinafter “the Council”) consider and submit to the Conference the Draft Programme and Budget of the OPCW;

Recalling also that, according to Financial Regulation 3.1 of the OPCW Financial Regulations and Rules, the Director-General shall prepare a Draft Programme and Budget for each financial period, which is defined by Financial Regulation 2.1 as a calendar year;

Recalling further that the Third Review Conference¹ welcomed the improvements made to the budgetary process of the OPCW since the Second Review Conference, and commended the Technical Secretariat (hereinafter “the Secretariat”) for the ongoing implementation of results-based management (RBM) (paragraph 9.149 of RC-3/3*, dated 19 April 2013);

Considering the Draft Programme and Budget of the OPCW for 2020 (EC-92/CRP.1, dated 5 July 2019 and Corr.1, dated 4 October 2019) submitted to it by the Council (EC-92/DEC.2, dated 10 October 2019);

Considering also that the core objectives of the OPCW, which are set out in the table on pages 31 to 33 of the Draft Programme and Budget for 2020, along with the associated indicators of achievement for each core objective, provide direction for 2020 for the programmes of the OPCW and the Secretariat;

Taking note of the fact that the Programme and Budget has been guided by the Organisation’s core objectives and the preservation of required capacity and capabilities, and has also considered the need for the Organisation to adapt in light of its mandate and the evolving challenges posed by the new security environment;

¹ Review Conference = Special Session of the Conference of the States Parties to Review the Operation of the Chemical Weapons Convention.



Having examined the programme objectives, which are reviewed each year, in the Draft Programme and Budget for 2020 along with the information this document provides on the key performance indicators for each objective, as well as on the detailed activities the Secretariat should engage in to achieve these objectives;

Affirming that nothing in the Draft Programme and Budget for 2020 should be interpreted in a way that is inconsistent with the Convention;

Recognising the negative consequences of the late payments by some States Parties of assessed contributions for the operational activities of the Organisation;

Stressing that all States Parties should fulfil their financial obligations as set out in the Financial Regulations and Rules of the Organisation in full, and without conditions;

Mindful that a cash surplus of EUR 2,546,654 has arisen for the financial year ending 31 December 2017, as reported by the Director-General in the “Financial Statements of the Organisation for the Prohibition of Chemical Weapons and Report of the External Auditor for the Year Ending 31 December 2018” (EC-92/DG.2 C-24/DG.5, dated 13 August 2019);

Recalling further that the Conference at its Twenty-Third Session reaffirmed that the Working Capital Fund (WCF) should be maintained at a target level of EUR 7,000,000 to 9,000,000 over the next two years by considering, inter alia, the transfer of future cash surpluses over the next two years, if available, to the WCF following a decision by the Conference (C-23/DEC.10, dated 20 November 2018);

Cognisant of the report by the Director-General on the status of implementation of the enterprise resource planning (ERP) system (EC-92/DG.21, dated 23 September 2019) stating that, as a result of delays in the implementation of the ERP system configuration needed to fulfil the OPCW’s defined requirements, additional funding is required for the special fund established by the Conference for implementation of the new ERP system (C-19/DEC.7, dated 3 December 2014);

Mindful also that at its Twenty-Second Session, the Conference approved the establishment of a Special Fund for the Fourth Review Conference in 2018 (C-22/DEC.10, dated 30 November 2017) on the basis that, inter alia, the Director-General shall continue to report to the Conference on the status of the Fund through the quarterly income and expenditure reports provided to the States Parties and through the annual audited financial statements of the OPCW, and also decided to review the implementation of this decision at its Twenty-Fourth Session;

Noting that the balance of the Special Fund for the Fourth Review Conference in 2018 had been exhausted as at 2 October 2019;²

Further mindful that the Fourth Review Conference took place in 2018, that all financial commitments relating to the Fourth Review Conference have been disbursed, and that no further financial commitments are expected in relation to the Fourth Review Conference;

²

Balance of EUR 0 as stated in the Note by the Director-General entitled “Financial Status of the Special Fund for the Fourth Review Conference in 2018” (EC-92/DG.28, dated 2 October 2019).

Noting also that the Special Fund for the Fourth Review Conference in 2018 started operating from the date of its establishment by the Conference and exists until the Conference decides to close it;

Recalling further the decision by the Conference at its Twenty-Third Session to establish, in accordance with Financial Regulation 6.9, a Special Fund for Cybersecurity, Business Continuity, and Physical Infrastructure Security, for an initial period of 12 months from the date of approval by the Conference (C-23/DEC.12, dated 20 November 2018);

Noting further that of the balance of EUR 736,610 in the Special Fund for Cybersecurity, Business Continuity, and Physical Infrastructure Security as at 4 October 2019, committed funds were EUR 499,965, reflecting an uncommitted balance remaining in the fund of EUR 236,645;³

Further mindful that costs have continued to be incurred in 2019 for activities related to cybersecurity, business continuity, and physical infrastructure security and that further costs will be incurred in the future;

Recalling further the decision by the Conference at its Twenty-Third Session to establish, in accordance with Financial Regulation 6.9, a Special Fund for IT Infrastructure to Support the Implementation of Decision C-SS-4/DEC.3, for an initial period of 12 months from the date of approval by the Conference (C-23/DEC.13, dated 20 November 2018);

Noting further that of the balance of EUR 436,073 in the Special Fund for IT Infrastructure to Support the Implementation of Decision C-SS-4/DEC.3 as at 4 October 2019, committed funds were EUR 124,363, reflecting an uncommitted balance remaining in the Fund of EUR 311,710;⁴

Further mindful that costs have continued to be incurred in 2019 for activities related to this Fund and that further costs will be incurred in the future;

Further mindful that the Organisation must systematically replace its assets so that they remain efficient and the Organisation remains fit for purpose;

Acknowledging that at its Fourth Session the Conference established two special accounts, one for the OPCW Equipment Store and another for activities related to designated laboratories (C-IV/DEC.17, dated 2 July 1999) as a means to help fund equipment requirements in those areas and that, to date, a special account for asset categories other than those stated above does not exist, despite the need;

Recalling further that the External Auditor's report on the 2017 Financial Statements of the OPCW (Annex 3 to EC-89/DG.3 C-23/DG.4, dated 7 August 2018) recommends a strategic

³ As stated in the Note by the Director-General entitled "Financial Status of the Special Fund for Cybersecurity, Business Continuity, and Physical Infrastructure Security" (EC-92/DG.31, dated 4 October 2019).

⁴ As stated in the Note by the Director-General entitled "Financial Status of the Special Fund for IT Infrastructure to Support the Implementation of Decision C-SS-4/DEC.3" (EC-92/DG.30, dated 4 October 2019).

approach of a long-term investment programme to plan equipment purchases which will enable better scheduling of both capital investment and the procurement activity, provide for greater transparency and clearer alignment of objectives, and enable a more consistent funding strategy to avoid spikes in the annual funding required from States Parties;

Noting further that the 2018 Financial Statements of the OPCW (Annex 1 to EC-92/DG.2 C-24/DG.5, dated 13 August 2019) show that the fully depreciated property, plant, equipment, and intangible assets of the Organisation still in use are proportionally high;

Recalling further the Note by the Secretariat entitled “Request for the Establishment of a Special Fund for Major Capital Investments” (RC-4/S/3, dated 27 November 2018) which sets out the purpose for the establishment of such a fund;

Understanding that, after issuing Note RC-4/S/3, the Secretariat reviewed its major capital requirements in July and August of 2019 through a comprehensive internal survey across all programmes, following which the eligibility threshold for an investment to qualify as a major capital investment for the purposes of the Special Fund for Major Capital Investments was revised from EUR 70,000 to EUR 50,000 to cover a broader base of Organisational assets;

Understanding also that the Secretariat, as part of the consultations with States Parties on the draft Programme and Budget of the Organisation for 2020, considers that the major capital funding needs of the Organisation are better reflected over a five-year period (2020–2024), for which the projection is approximately EUR 6.3 million (excluding the future needs of the Centre for Chemistry and Technology (ChemTech Centre) that are to be identified once the ChemTech Centre is completed), than over the two-year period stated in Note RC-4/S/3 (2020–2021, for which the projection was approximately EUR 3.2 million);

Recalling further that Financial Regulation 6.9 states that special funds may be established by the Conference for clearly defined activities which are consistent with the object and purpose of the OPCW as defined in the Convention;

Recalling further the Note by the Director-General entitled “Request for the Establishment of a Special Fund for Capacity Building for Laboratories and Transfer of a Portion of the 2017 Cash Surplus” (EC-92/DG.27, dated 2 October 2019), which sets out the purpose of the proposed special fund;

Understanding further that the Secretariat runs a wide range of capacity-building activities to support States Parties in the development of laboratories capable of handling and analysing Convention-related chemicals, and that these activities have led to significant demand for increased efforts from the Secretariat in this area of capacity building and, with the support of voluntary contributions, in the design and roll-out of a programme to identify potential laboratories for additional support, scoping their current capabilities, assessing their needs, and providing tailor-made programming to build the requisite analytical and laboratory skills; and

Noting further the proposal contained in the Draft Programme and Budget of the OPCW for 2020 (EC-92/CRP.1 and Corr.1) on the funding of extraordinary provisions for the ERP Project, the Special Fund for Major Capital Investments, and the Special Fund for Capacity Building for Laboratories, from the 2017 cash surplus;

Hereby:

I. General

1. **Emphasises** that the annual Programme and Budget should continue to be formulated with the aim of achieving the core objectives of the Organisation;
2. **Emphasises also** that the focus of the Organisation's resources should be on the operational programmes;
3. **Encourages** the Secretariat to continue and enhance its efforts to implement RBM in the Organisation and to improve the presentation of the Programme and Budget according to the principles of RBM, with a view to showing a clear link between objectives, strategies, activities, and resources;
4. **Notes** the reliance on the WCF to address cash flow shortfalls and **also encourages** the Secretariat and States Parties to work collectively to minimise the necessity of drawing upon this Fund to this extent in the future;
5. **Further encourages** the Secretariat and States Parties to work collectively to gradually integrate all core programmes and activities of the OPCW into the regular budget, in so far as practicable;
6. **Stresses** the importance of linking resource requests to results and **recommends** the increased use of standard costing;
7. **Welcomes** the Secretariat's work to improve its performance reporting and **requests** the Secretariat to accelerate its work to develop a systematic approach to monitoring and evaluating its activities which should, inter alia, see the inclusion of programme impact assessments and lessons learned in the next and subsequent annual programme performance reports; and
8. **Decides:**
 - (a) to **adopt** the Draft Programme and Budget of the OPCW for 2020 at the programme and subprogramme level;
 - (b) to **reaffirm** the core objectives of the OPCW and approve the indicators of achievement set out in the table on pages 31 to 33 of the Draft Programme and Budget for 2020;
 - (c) to **appropriate** a total expenditure for 2020 of EUR 70,958,790 of which EUR 30,762,841 is for Chapter I related to verification costs; EUR 38,445,949 is for Chapter II related to administrative and other costs; EUR 770,000 is for the Special Fund for the Implementation of a New ERP System; EUR 600,000 is for the Special Fund for Major Capital Investments; and EUR 380,000 is for the Special Fund for Capacity Building for Laboratories (the latter two funds are to be established in accordance with the Council's recommendations in Section 4 below);

- (d) to **affirm** that the level of future budgets should not exceed the approved 2018 budget of EUR 66,814,922 for “Total Operational and Support Programmes”, while allowing for temporary additional funding for the implementation of decision C-SS-4/DEC.3 as considered necessary by the Conference in 2019, 2020, and 2021;
- (e) to **approve** that the expenditure appropriated for 2020 shall be financed from:
 - (i) assessed annual contributions by all States Parties in the amount of EUR 67,119,590, payable in accordance with a scale of assessments to be determined by the Conference in accordance with paragraph 7 of Article VIII of the Convention;
 - (ii) contributions from States Parties, estimated to amount to EUR 1,894,200 to reimburse the costs of verification activities carried out in 2019 in accordance with Articles IV and V of the Convention;
 - (iii) reimbursement by the Host Country of an amount of EUR 170,000 for the rental of the World Forum for the Twenty-Fifth Session of the Conference;
 - (iv) interest and other income earned in 2019 by the OPCW, estimated to amount to EUR 25,000;
 - (v) cash surplus for 2017 in the amount of EUR 770,000 to be transferred to the Special Fund for the Implementation of a New ERP System;
 - (vi) cash surplus for 2017 in the amount of EUR 600,000 to be transferred to the Special Fund for Major Capital Investments; and
 - (vii) cash surplus for 2017 in the amount of EUR 380,000 to be transferred to the Special Fund for Capacity Building for Laboratories;
- (f) to **note** that the preparation of the Programme and Budget of the OPCW for 2020 has taken place in line with the Organisation’s practice of zero-based budgeting;
- (g) to **note also** that the number of Article VI inspections approved for the year 2020 is 241;
- (h) to **affirm also** its expectation that an adequate number of inspectors will be put in place in 2020 to ensure that no negative impact on performing Article IV, V, and VI inspections will occur;
- (i) to **note further** that, in addition to the requirement under paragraph 7 of Article VIII of the Convention, the “Overview of the OPCW Programme and Budget” document will also have a table reflecting the Organisation’s budget in terms of operational programmes (Verification, Inspections, and International Cooperation and Assistance) and support programmes (Support to the Policy-Making Organs, External Relations, Executive Management, and Administration) as approved by the Conference at its Seventeenth Session (C-17/DEC.4, dated 27 November 2012);
- (j) to **authorise** fixed-term posts for 2020 for the approved programme of work as documented in Appendix 6 to the Draft Programme and Budget for 2020;

- (k) to **urge** the Director-General to continue to pay due consideration to geographical and gender balance, in accordance with the request made by the Council at its Seventy-Third Session (paragraph 12.9 of EC-73/6, dated 19 July 2013), and to act in accordance with paragraph 44 of Article VIII of the Convention when appointing staff; and encourage the Secretariat to exercise due diligence with respect to its structure and to keep States Parties informed;
- (l) to **affirm further** that the adoption of the Draft Programme and Budget for 2020 should be without prejudice to any outcome arising from discussions on the future of the Organisation;
- (m) to **note** the key outcomes identified for 2020, which are set out in the table on pages 31 to 33 of the Draft Programme and Budget, and which the Secretariat has established as targets for each core objective of the OPCW;
- (n) to **request** the Secretariat to continue to reflect its strategy, action, and activities in relation to knowledge management at the programme level in the Draft Programme and Budget;
- (o) to **strongly urge** each State Party to pay in full its assessed contribution to the OPCW for 2020 within 30 days of receiving the communication from the Director-General requesting such payment, as any delays in payment affect the implementation of the programme and budget;
- (p) to **call upon** the 22 States Parties that are in arrears in the payment of their assessed contributions to the OPCW to immediately pay those arrears or submit a proposal for a payment plan to eliminate them, in accordance with the framework approved by the Conference at its Eleventh Session (C-11/DEC.5, dated 7 December 2006);
- (q) to **also strongly urge** States Parties that are in arrears in the reimbursement of the costs of verification activities carried out under Articles IV and V of the Convention to pay those arrears to the OPCW immediately;
- (r) to **also request** the Director-General to report, through the Council, to the Conference at its Twenty-Fifth Session on the details of transfers from and the replenishment of the WCF in 2020;
- (s) referring to Financial Regulation 6.4, to **reaffirm also** that the WCF shall be maintained at a target level of EUR 8,000,000 to 9,000,000 over the next two years, by considering, inter alia, the following further steps:
 - (i) transfer of any savings from the ERP Project to the WCF upon completion of the ERP Project; and
 - (ii) transfer of future cash surpluses over the next two years, if available, to the WCF following a decision by the Conference; and
- (t) to **request further** the Director-General to identify other measures for increasing the WCF balance to the target level for consideration by the Conference.

II. Closure of Funds

9. **Decides** to close the Special Fund for the Fourth Review Conference in 2018.

III. Extension of Funds

10. **Decides:**

- (a) to **approve** the extension of the Special Fund for Cybersecurity, Business Continuity, and Physical Infrastructure Security for a further period of 12 months effective from the date of approval, on the following basis:
 - (i) OPCW Financial Regulations 4.2, 4.3, and 4.4 shall not apply to the Fund, and balances remaining in the Fund at the end of a financial period shall be carried forward to subsequent financial periods; and
 - (ii) the Director-General shall continue to report to the Conference on the status of the Fund through the quarterly income and expenditure reports provided to the States Parties and through the annual audited financial statements of the OPCW; and
- (b) to **approve retroactively** the extension of the Fund for the period starting from 20 November 2019 until the date of the approval referred to in subparagraph 10 (a) above, and decide to remain seized of the matter;

11. **Decides:**

- (a) to **approve** the extension of the Special Fund for IT Infrastructure to Support the Implementation of Decision C-SS-4/DEC.3 for a further period of 12 months from the date of approval, on the following basis:
 - (i) OPCW Financial Regulations 4.2, 4.3, and 4.4 shall not apply to the Fund, and balances remaining in the Fund at the end of a financial period shall be carried forward to subsequent financial periods; and
 - (ii) the Director-General shall continue to report to the Conference on the status of the Fund through the quarterly income and expenditure reports provided to the States Parties and through the annual audited financial statements of the OPCW; and
- (b) to **approve retroactively** the extension of the Fund for the period starting from 20 November 2019 until the date of the approval referred to in subparagraph 11 (a) above, and decide to remain seized of the matter.

IV. Establishment of Funds

12. **Decides:**

- (a) to **approve** the establishment, in accordance with Financial Regulation 6.9, of a Special Fund for Major Capital Investments; and
- (b) that the Special Fund for Major Capital Investments shall be operated on the following basis:
 - (i) The Fund shall be used for major capital investments for property, plant, equipment, and intangible assets that:
 - i. are of a minimum value of EUR 50,000 in total capitalised cost;
 - ii. have a useful life of one year or more;
 - iii. are one-off in nature and not reoccurring from one year to the next;
 - iv. are not covered through the special account for the OPCW Equipment Store and special account for designated laboratories; and
 - v. are related to the core activities of the Organisation.
 - (ii) The Fund shall not be used to finance operating and maintenance costs of property, plant, equipment, and intangible assets.
 - (iii) The Fund shall start operating from the date of approval by the Conference and exist until the Conference decides to close the Fund, as is the case for the special account for the OPCW Equipment Store and for the special account for designated laboratories.
 - (iv) Annual reviews of the operational and financial requirements of the Special Fund for Major Capital Investments shall be conducted in the second half of the financial year. Any unused balances remaining in the Special Fund for Major Capital Investments at the time it is closed shall be returned to States Parties, applying the relevant financial regulations for the return of surplus funds, unless the Conference agrees with a recommendation from the Council to dispose of these balances differently. Replenishment of the Special Fund for Major Capital Investments, in accordance with subparagraph 12 (b) (vi) below, is contingent upon a decision of the Conference.
 - (v) The Fund should be financed to a target level of between EUR 600,000 and EUR 2,500,000 over the next four years, by considering, inter alia, the transfer of future cash surpluses, if available, following a decision by the Conference, starting with a transfer of EUR 600,000 from the 2017 cash surplus.
 - (vi) The Director-General shall also seek other means to finance the capital requirements for the special account for the OPCW Equipment Store, the special account for designated laboratories, and the Special Fund for Major Capital Investments.

- (vii) Replenishment of the Fund in the future, if decided by the Conference, shall be from sources to be determined by the Conference.
- (viii) Financial Regulations 4.2, 4.3, and 4.4 shall not apply to the Special Fund for Major Capital Investments, and balances remaining in the Fund at the end of a financial period shall be carried forward to subsequent financial periods until the Conference decides to close the Special Fund for Major Capital Investments.
- (ix) The Director-General shall report to the Council and the Conference on the status and expenditures of the Special Fund for Major Capital Investments through the quarterly income and expenditure reports provided to the States Parties and through the annual audited financial statements of the OPCW.

13. **Decides:**

- (a) to **approve** the establishment, in accordance with Financial Regulation 6.9, of a Special Fund for Capacity Building for Laboratories, which shall be operated on the following basis:
 - (i) The Special Fund for Capacity Building for Laboratories shall start operating from the date of approval by the Conference and exist until the Conference decides to close the Fund. Annual reviews of the operational and financial requirements of the Fund shall be conducted in the second half of the financial year. Any unused balances remaining in the Fund at the time it is closed shall be returned to States Parties, applying the relevant financial regulations for the return of surplus funds, unless the Conference agrees with a recommendation from the Council to dispose of these balances differently. Replenishment of the Fund, in accordance with subparagraph 13 (a) (ii) below, is contingent upon a decision of the Conference.
 - (ii) Replenishment of the Special Fund for Capacity Building for Laboratories, if decided by the Conference, shall be from sources to be decided upon by the Conference.
 - (iii) Financial Regulations 4.2, 4.3, and 4.4 shall not apply to the Special Fund for Capacity Building for Laboratories, and balances remaining in the Fund at the end of a financial period shall be carried forward to subsequent financial periods.
 - (iv) Costs incurred in 2019 may be charged against the Special Fund for Capacity Building for Laboratories retroactively.
 - (v) The Director-General shall report to the Council and the Conference on the status and expenditures of the Special Fund for Capacity Building for Laboratories through the quarterly income and expenditure reports provided to the States Parties and through the annual audited financial statements of the OPCW.

V. Use of 2017 Cash Surplus

14. **Decides**, with regard to the use of the 2017 cash surplus:

- (a) to **approve** the suspension, on an exceptional basis, of the application of Financial Regulation 6.3 with regard to the allocation of the cash surplus for 2017 among States Parties;
- (b) to **approve**, in accordance with Financial Regulation 6.9, the transfer of a portion of the 2017 cash surplus in the amount of EUR 796,597 to the WCF;
- (c) to **approve**, in accordance with Financial Regulation 6.9, the transfer of a portion of the 2017 cash surplus in the amount of EUR 770,000 to the Special Fund for the Implementation of a New ERP System;
- (d) to **approve**, in accordance with Financial Regulation 6.9, the transfer of a portion of the 2017 cash surplus in the amount of EUR 600,000 to the Special Fund for Major Capital Investments; and
- (e) to **approve**, in accordance with Financial Regulation 6.9, the transfer of a portion of the 2017 cash surplus in the amount of EUR 380,000 to the Special Fund for Capacity Building for Laboratories.

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