

**PREPARATORY COMMISSION FOR THE
INTERNATIONAL RENEWABLE ENERGY AGENCY**

Fifth Session

Abu Dhabi, 3 April 2011

Agenda item 8

**Draft decision on the Financial Regulations for the
International Renewable Energy Agency**

The Preparatory Commission for the International Renewable Energy Agency, at its fifth session,

Recalling that paragraph 10 (c) of the Resolution on Establishing a Preparatory Commission for the International Renewable Energy Agency (IRENA) mandated the Commission to prepare the draft financial rules of the Agency;

Having considered the text of the draft Financial Regulations for IRENA annexed hereto;

Noting that draft financial regulation 1.2 (11) defines “Financial Regulations” as the financial rules referred to in Article IX, paragraph G (3) of the IRENA Statute;

1. *Endorses* the text of the draft Financial Regulations for IRENA annexed hereto;
2. *Decides* to submit the draft Financial Regulations for IRENA annexed hereto for approval by the Assembly at its first session.

**DRAFT FINANCIAL REGULATIONS FOR THE
INTERNATIONAL RENEWABLE ENERGY AGENCY**

Article 1

SCOPE AND DEFINITIONS

Regulation 1.1

Scope

These regulations shall govern the financial administration of the International Renewable Energy Agency.

Regulation 1.2

Definitions

For the purpose of these regulations the following definitions shall apply:

1. “*Statute*” means the Statute of the International Renewable Energy Agency;
2. “*Agency*” means the International Renewable Energy Agency;
3. “*Assembly*” means the supreme organ of the Agency as set out in Article IX of the Statute;
4. “*Council*” means the Council of the Agency as set out in Article X of the Statute;
5. “*Secretariat*” means the Secretariat of the Agency as set out in Article XI of the Statute;
6. “*Member*” means any Member of the Agency according to Article VI of the Statute;
7. “*Appropriations*” mean the aggregate of the expenditure authorisations approved by the Assembly for the regular budget of the Agency for a financial period against which expenditures may be incurred for purposes approved by the Assembly;
8. “*Budget*” shall mean the annual budget adopted by the Assembly indicating estimated resources and expenditures for a financial period;
9. “*Contribution*” shall mean a donation made in accordance with the procedures set out in these regulations and in the Financial Procedures;
10. “*Ex gratia payment*” shall mean a payment where there is no legal liability but where payment is justifiable in light of the circumstances.

11. “*Financial Regulations*” means the Financial Rules referred to in Article IX paragraph G (3) of the Statute.

12. “*Obligation*” means a written commitment of monies resulting in a liability against an allotment for which expenditure authority has been granted;

13. “*Programmes*” means a major sub-division of the appropriations;

14. “*Short-term investments*” are investments for a period not exceeding twelve months;

15. “*Unliquidated obligation*” means an obligation, or that portion of an obligation, which is not yet paid;

16. “*Working Capital Fund*” means the fund established to ensure continuity of operations in the event of a budgetary shortfall.

Article 2

FINANCIAL PERIOD

Regulation 2.1

The financial period shall be one calendar year.

Article 3

BUDGET

Regulation 3.1

Preparation and submission

For each financial period, the Director-General shall prepare a draft programme of work and a draft budget. The draft programme of work and the draft budget shall be made available to the Council at least 30 calendar days prior to the opening date of the Council meeting at which the

budget is to be considered. The Council shall either forward the draft budget to the Assembly with a recommendation for approval or return it to the Secretariat for review and re-submission to the Council, in which case the 30-day requirement referred to above shall not apply. The Council should transmit its comments and recommendations on the draft programme of work and the draft budget to the Assembly at least 30 days prior to the opening of the annual Assembly session.

Regulation 3.2

Form of the Budget

- (a) The draft budget shall cover income and expenditures for the financial period to which it relates.
- (b) The draft budget shall be divided into programmes and sub-programmes. Sub-programme narratives shall set out objectives and expected accomplishments.
- (c) The draft budget shall give an overview of past and planned activities of the Secretariat and indicate priorities. It shall be accompanied by such information, annexes and explanatory statements as may be requested by the Assembly or Council or as the Director-General may deem necessary, including details on the changes from the budget of the previous financial period.

Regulation 3.3

Currency

The budget shall be presented in United States dollars.

Regulation 3.4

Adoption

The budget shall be adopted by consensus in accordance with Article IX, paragraph G (2) of the Statute.

Regulation 3.5

Supplementary budget

The Assembly may adopt a supplementary budget for the financial period. The Director-General shall submit a supplementary budget whenever requested by the Council or where the Director-General determines, after careful examination of available resources for their possible reallocation (and taking into account Financial Regulation 4.6 concerning the transfer of funds) that there is an urgent and unforeseen need for supplementary resources to support activities that could not have been envisaged at the time the initial budget was proposed or in respect to decision taken by the Assembly. Such supplementary budget shall be prepared and acted upon in a form and manner consistent with the regular budget for the financial period except that they need not to be considered and adopted at a regular session of the Assembly.

Regulation 3.6

Reporting of unforeseen and extraordinary expenditures

The Director-General shall report within 45 days to the Council on unforeseen and extraordinary expenses necessitating a transfer under regulation 4.6.

Article 4

APPROPRIATIONS

Regulation 4.1

Authorisation to incur expenditures

The appropriations adopted by the Assembly shall constitute an authorisation to the Director-General to incur obligations and make payments for the purposes for which the appropriations were approved and up to the amounts so approved.

Regulation 4.2

Availability

Appropriations shall be available for entering into obligations during the financial period to which they relate. Appropriations shall remain available for twelve months following the end of the financial period to which they relate to the extent that they are required to liquidate outstanding legal obligations of the financial period for which they were appropriated.

Regulation 4.3

Unobligated balances

The balance of the appropriations remaining unobligated at the close of the financial period, after deduction of any unpaid mandatory contributions for that financial period, shall be treated as cash surplus under regulation 4.5.

Regulation 4.4

Unliquidated obligations

At the end of the twelve-month period provided for in regulation 4.2, any unliquidated obligations of the financial period in question shall at that time be cancelled or, where the obligation remains a valid charge, transferred as an obligation against current appropriations. The then remaining balance of appropriations retained shall form part of any cash surplus of the budget and shall be treated in accordance with regulation 4.5.

[Regulation 4.5

Cash surplus

(a) Any cash surplus in the budget at the close of any financial period shall be apportioned among Members in proportion to their mandatory contributions for the financial year to which the surplus relates.

(b) As of 1 January following the year in which the audit of the accounts of the financial year is completed, the cash surplus apportioned to each Member shall be treated as follows:

(i) When a Member has paid in full its mandatory contribution for prior financial years, the cash surplus shall be applied against any mandatory contribution for the current financial year that may remain unpaid. Any remaining balance of the cash surplus shall be returned to the Member;

(ii) When a Member is in arrears on its mandatory contribution for prior financial years, the cash surplus shall first be applied to liquidate such arrears and then against the mandatory contribution for the current financial year. Any remaining balance shall be returned to the Member.]

Regulation 4.6

Transfers between appropriation programmes

The Director-General may make transfers between appropriation programmes with prior approval of the Council or up to such limits as the Assembly may set.

Regulation 4.7

Commitments for future financial periods

The Director-General may enter into commitments for future financial periods provided that such commitments are:

(a) For activities which have been approved by the Assembly and are expected to continue beyond the end of the current financial period; or

(b) Authorised by a specific decision of the Assembly.

Regulation 4.8

The Director-General shall prudently manage the appropriations approved for the financial year so as to ensure that expenditures can be met from funds available, keeping in view the actual contributions received and the availability of cash balances.

Article 5

CONTRIBUTIONS

Regulation 5

The resources of the Agency shall comprise:

- (a) mandatory contributions, hereinafter referred to as assessed contributions, made by Members on the basis of the IRENA scale of contributions, determined pursuant to Article XII, paragraph A (1) of the Statute;
- (b) voluntary contributions made by Members, by states and regional intergovernmental economic integration organisations not yet Members, and by other sources; and
- (c) miscellaneous income.

Article 6

ASSESSED CONTRIBUTIONS AND PAYMENT MODALITIES

Regulation 6.1

Scope and scale of contributions

Appropriations shall be financed by Members in accordance with the IRENA scale of contributions which will be determined by the Assembly based on the United Nations scale of assessments, adjusted to take into account differences in membership between the Agency and the United Nations. Pending the receipt of such contributions, appropriations may be financed from the Working Capital Fund.

Regulation 6.2

Adjustments

The assessed contributions of Members shall be established for each financial period, taking into account adjustments, if any, for:

PC.5/DC.5/Rev.1

- (a) Estimated miscellaneous income for the financial period with respect to which the assessment of contributions is being made;
- (b) Contributions resulting from the assessment of new Members under regulation 6.3;
- (c) Net adjustments made under regulation 4.5.

Regulation 6.3

Contributions of new Members

- (a) States and regional intergovernmental economic integration organisations that become a Member after the beginning of a new financial period shall be assessed for this financial period based on the IRENA scale of contributions adjusted to account for their membership.
- (b) Such contributions shall accrue from the beginning of the month following the month in which they become a Member. Actual payments by new Members will be made upon determination of the scale by the Assembly and the Agency will apply the new members' contributions to miscellaneous income. Existing Members will receive a credit toward the following year's contribution according to the revised assessment proportions if the receipt of contributions from new members or unanticipated miscellaneous income causes revenue to exceed the level of expenditures for the financial period, resulting in a surplus.

Regulation 6.4

Reporting

The Director-General shall periodically report to Members on the contributions and advances to the Working Capital Fund.

Regulation 6.5

Information by the Director-General

After the Assembly has adopted the budget and determined the amount of the Working Capital Fund, the Director-General shall:

- (a) Submit the relevant documents to Members and to the Signatories of the Statute;
- (b) Inform Members of their assessed contributions; and
- (c) Request Members to remit their contributions.

Regulation 6.6

Date of payment

(a) Assessed contributions to the budget shall be considered due and payable in full no later than thirty days following the receipt of the communication from the Director-General in accordance with regulation 6.5, or as of 1 January of the calendar year to which they relate, whichever is the later. As of 1 January of the following calendar year, the unpaid balance of such contributions shall be considered to be one year in arrears.

(b) Payments made by a Member shall be credited first to the Working Capital Fund and then to the contributions due, in the order in which the Member was assessed.

Regulation 6.7

Currency of payments

Assessed contributions shall be paid in United States dollars.

Article 7

VOLUNTARY CONTRIBUTIONS

Regulation 7.1

Acceptance

Voluntary contributions, gifts, bequests and subventions to the Agency, whether or not in cash, may be accepted by the Director-General on behalf of the Agency for a purpose agreed between

the Director-General and the contributor provided that the purposes for which the contributions are made are consistent with the policies, aims and activities of the Agency and provided that the acceptance of such contributions which directly or indirectly involve additional financial liability for the Organisation is authorised by the Assembly. Funding accepted for purposes specified by the donor shall be credited to the appropriate account under regulation 13.5.

Regulation 7.2

Report on voluntary contributions

The Director-General shall report annually to the Assembly, all the voluntary contributions, gifts, bequests and subventions promised and accepted by the Secretariat on behalf of the Agency. Such report shall include, at a minimum, the donor, the amount of the contribution, and all terms associated with the contribution relevant to the determination that the contribution satisfies the requirements of regulation 7.1.

Article 8

MISCELLANEOUS INCOME

Regulation 8.1

Definition

All other income except:

- (a) assessed contributions;
- (b) voluntary contributions; and
- (c) refunds of expenditures

shall be classed as miscellaneous income, for credit to the General Fund.

Article 9

CUSTODY OF FUNDS

A. Internal Accounts

Regulation 9.1

General Fund

There shall be established a General Fund for the purpose of accounting for the Agency's administrative costs and its core activities as referred to in Article XII of the Statute.

Regulation 9.2

Contributions credited to the General Fund

All contributions – whether current or arrears – of Members not specified to contribute to other funds according to Financial Regulation 9.4, miscellaneous income and transfers made from the Working Capital Fund shall be credited to the General Fund. From the General Fund shall be made all expenditures regarding core activities as referred to in Article XII of the Statute and reimbursements to the Working Capital Fund.

Regulation 9.3

Voluntary contributions

Voluntary contributions referred to in Financial Regulation 5 (b) shall be credited to the General Fund if they are not restricted by the contributor with respect to use. Contributions in respect of which no purpose is specified shall be treated as miscellaneous income and reported as gifts in the accounts of the financial period.

Regulation 9.4

Dedicated trust funds and accounts

Dedicated trust funds and accounts may be established by the Director-General as may be necessary to ensure transparent implementation of the Agency's activities, such as to enable appropriate accounting of work programme activities of the Agency which are not part of the core activities (supplementary programme activities) and which are financed by dedicated voluntary contributions. The Director-General shall establish such a trust fund at the request of a donor in order to facilitate its contribution. The purpose and limits of each trust fund or account shall be clearly defined by the Director-General and shall be reported to the Assembly. Unless otherwise authorized by the Assembly, these funds and accounts shall be administered in accordance with the applicable Agency Financial Regulations and Procedures.

Regulation 9.5

Working Capital Fund

There shall be established a Working Capital Fund to ensure continuity of operations in the event of short-term liquidity problems pending receipt of assessed contributions. The level of the Working Capital Fund shall be determined by the Assembly based on a projection of financing requirements taking into consideration projected income and expenditure. The source of monies of the Working Capital Fund shall be advances from Members, and those advances, made in accordance with the scale of assessments as determined by the Assembly for the apportionment of the expenses of the Agency, shall be carried to the credit of Members that have made such advances.

Regulation 9.6

Advances from the Working Capital Fund

Advances from the Working Capital Fund may be made only to finance activities already initiated and liabilities already incurred and for the purposes and within the terms and conditions prescribed by the Assembly and only with the written approval of the Director-General.

Regulation 9.7

Reimbursement to the Working Capital Fund

Advances made from the Working Capital Fund shall be reimbursed to the Working Capital Fund as soon as possible and to the extent that income is available for that purpose.

B. Banking

Regulation 9.8

The Director-General shall designate the bank or banks in which the funds of the Agency shall be kept.

C. Investments

Regulation 9.9 *Investments*

The Director-General may make short-term investments of monies not needed for immediate requirements only in accordance with investment criteria approved by the Assembly and shall periodically report to the Assembly on any such investments. Prior to any initial investment, the Secretariat must submit and secure approval of investment standards from the Assembly. In making investments, the Director-General shall place primary emphasis on minimizing the risk to principal funds while ensuring the liquidity necessary to meet the Agency's cash-flow requirements.

Regulation 9.10 *Crediting of income derived from investments*

Income derived from investments shall be credited to the respective fund or account, as specified in Regulation 8.1.

Article 10

PROCUREMENT

Regulation 10.1

General principles

Procurement functions include all actions necessary for the acquisition, by purchase, lease, or any other appropriate means, of property, including products and real property, and for the acquisition of services, including building works. For the purposes of the present regulations, procurement shall not be deemed to refer to the acquisition of services provided under employment contracts. The following general principles shall be given due consideration for all procurement transactions:

- (a) fairness, integrity and transparency of the procurement process;
- (b) best value for money;
- (c) effective competition;
- (d) the best interests of the Agency.

Regulation 10.2

Tendering process

Tenders for equipment, supplies and other requirements shall, subject to the provisions of regulation 14.1, be conducted in accordance with the terms of the draft provisional financial procedures circulated for the first session of the Assembly.

Article 11

INTERNAL CONTROL

Regulation 11.1

Administration of appropriations

The Director-General shall:

- (a) Establish detailed financial procedures in order to ensure effective financial administration and the exercise of utmost economy;
- (b) Maintain accounting records;
- (c) Maintain separate accounts for all dedicated trust funds and accounts;
- (d) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received, and that payment has not previously been made;
- (e) Designate a strictly limited number of officers who may receive monies, incur obligations and make payments on behalf of the Agency;
- (f) Maintain an internal financial control which shall provide for an effective current examination and/or review of financial transactions in order to ensure:
 - (i) the regularity of the receipt, custody and disposal of all funds and other financial resources of the Agency;
 - (ii) the conformity of obligations and expenditures with the appropriations or other financial provision voted by the Agency or with the purposes and procedures relating to dedicated trust funds and accounts; and
 - (iii) the economic use of the resources of the Agency.

Regulation 11.2

Authority and responsibility

No obligations shall be incurred until appropriate authorisations have been made in writing under the authority of the Director-General.

Regulation 11.3

Ex gratia payments

The Director-General may make such ex gratia payments as he or she deems to be necessary in the interest of the Agency, up to such limits as may be determined by the Council and as may be approved by the Assembly. A statement of such payments shall be submitted to the External Auditor with the accounts.

Article 12

INTERNAL OVERSIGHT

Regulation 12.1

Purpose

The Director-General shall establish an internal oversight mechanism which covers internal audit, evaluation, investigation and other management support to strengthen the functioning of the organization. The internal oversight mechanism shall exercise operational independence in the conduct of its duties under the authority of the Director-General, and will be responsible for:

- (a) providing assurance that programmes and plans are delivered effectively, that strategic management information is reliable and timely, and that continuous improvements are fostered in methods and procedures so as to enhance the quality of the Agency's operations; and
- (b) identifying major risks for the Agency and to propose remedial action to minimize such risks.

The Director-General may remove the internal auditor only for cause, and with the prior approval of the Council.

Regulation 12.2

Role and functions

Within the internal oversight mechanism, independent internal audits shall be conducted in accordance with regulations and in conformity with generally accepted auditing standards. Internal auditors shall review, evaluate and report on the use of financial resources and on the effectiveness, adequacy and application of internal financial control systems, procedures and other relevant internal controls. Internal audits shall also include the following elements:

- (a) Compliance of financial transactions with Assembly decisions, resolutions, approved programmes and other legislative mandates, with regulations, procedures and related administrative directives and with the approved recommendations of external oversight bodies;
- (b) Economy, efficiency and effectiveness of financial, physical and human resources management and utilization, and of programme delivery, including by examining the structure of the Agency and its responsiveness to the requirements of programmes and legislative mandates and by conducting management audits.

Regulation 12.3

Scope

The Director-General shall:

- (a) ensure that the internal auditor has the operational independence, objectivity and authority to conduct internal audits, inspections, evaluations, investigations and monitoring;
- (b) ensure that the internal auditor has access to all records and officials of the Agency relevant to the purposes listed in Regulation 12.2 above;
- (c) instruct programme managers to provide such information or assistance to the internal auditor as is reasonably required to conduct its work;
- (d) ensure that procedures are in place that provide for: direct confidential access of staff members to the internal oversight mechanism, including for the purposes of suggesting improvements for programme delivery or for reporting perceived cases of misconduct, ensure that staff enjoy protection against repercussions, due process for all parties concerned, and fairness during any investigation; and

(e) ensure procedures for a prompt, effective follow-through on recommendations in, or derived from, reports of the internal auditor.

Regulation 12.4

Reporting

(a) Reports on each separate audit, inspection, evaluation, investigation and monitoring activity shall be submitted to the Director-General. For each report the relevant programme managers shall be afforded adequate opportunity to consider and comment upon the observations and draft recommendations. Copies of all reports and accompanying comments by the Director-General shall be provided to the External Auditor.

(b) The Director-General shall report to the Council at each session on internal audit recommendations and actions taken.

(c) The internal auditor shall submit a comprehensive, independent annual report to the external auditor of recommendations made and actions taken, which shall be considered by the external auditor.

(d) Matters that, in the judgment of the internal auditor, present a material risk to the Agency, and which are not addressed through (b), shall be immediately forwarded to the Chair of the Council, accompanied by relevant documentation, including any correspondence with the Director-General.

Article 13

FINANCIAL STATEMENTS AND ACCOUNTS

Regulation 13.1

Preparation of financial statements

The financial statements for the financial year shall be submitted annually by the Director-General to the External Auditor not later than 31 March following the end of the financial year. The accounts for the financial period shall show:

- (a) The income and expenditure of all funds;
- (b) The status of appropriations, including:
 - (i) the original appropriations and supplementary appropriations, if any;
 - (ii) the appropriations after modification by any transfers;
 - (iii) credits, if any, other than appropriations approved by the Assembly;
 - (iv) the expenditures charged against those appropriations and/or other credits;
 - (v) the unused balances of appropriations and of other credits;
- (c) The assets and liabilities of the Agency; and
- (d) Such other information as may be appropriate to indicate the current financial position of the Agency.

Regulation 13.2

Submission of financial statements and accounts

The Director-General shall submit to the Assembly financial statements and accounts for the past financial period at least 45 days before the opening of the regular session.

Regulation 13.3

Financial statements for special purposes

Financial statements shall also be prepared at such other intervals as may be prescribed by the Director-General or requested by the Assembly. Financial statements for special periods or parts of the Budget shall be prepared and submitted consistent with the stipulations of these Regulations.

Regulation 13.4

Maintenance and protection of accounting records

The Director-General shall maintain and safeguard against damage, destruction, unauthorized access and removal such accounting records as are necessary for financial reporting and for management purposes.

Regulation 13.5

Separate accounts

Appropriate separate accounts shall be maintained for all trust funds and accounts. Unless otherwise authorized by the Assembly, these funds and accounts shall be administered in accordance with the applicable Agency regulations and procedures.

Regulation 13.6

Currency of accounting records

The accounts of the Agency shall be presented in United States dollars. Accounting records may, however, be kept in such currency or currencies as the Director-General may deem necessary.

Regulation 13.7

Writing-off of cash, receivables and property

The Director-General may, after full investigation, authorize the writing off of losses of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the External Auditor with the accounts.

Regulation 13.8

External audit

The accounts and financial management of all funds governed by these financial regulations shall be subject to the internal and external audit process as provided for in the United Nations financial regulations and rules, which shall insofar apply mutatis mutandis.

The accounts and financial management of all funds governed by these regulations shall be subject to an annual audit conducted by an auditor selected in accordance with the Agency's procurement process and confirmed by the Assembly pursuant to the Statute.

The accounts and financial management of all funds governed by these Regulations shall be subject to an annual audit as provided for in Article IX (G)(3) of the Statute.

Article 14

GENERAL PROVISIONS

Regulations 14.1

Financial procedures

(a) The Director-General shall develop Financial Procedures for the Agency as may be appropriate for the implementation of these Regulations and shall report thereon to the Assembly.

(b) New and/or amended Financial Procedures shall be provisional until the requirements of the present regulation have been met.

(c) The Director-General shall report to the Assembly the full text of provisional new and/or amended Financial Procedures. Should the Assembly find that a provisional procedure or amendment is inconsistent with the intent and purpose of the Financial Regulations, it may direct that the procedure or amendment be withdrawn or modified.

(d) The provisional procedure and amendments reported by the Director-General, taking into account such modifications and/or deletions as may be directed by the Assembly, shall enter into full force and effect no later than thirty days after the end of the Assembly session having considered the provisional procedures or amendments, unless the Assembly decides on a different date.

Regulation 14.2

Relation of provisions

In the event of any conflict between any provisions of these Regulations and the Statute, the Statute shall prevail. In the event of any conflict between these Regulations and the Financial Procedures, these Regulations shall prevail.