

INTERNATIONAL RENEWABLE ENERGY AGENCY

Fourth session of the Assembly

Abu Dhabi, 18 – 19 January 2014

**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 biennial budget adopted by the Assembly indicating estimated resources and expenditures for two consecutive financial periods;

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. “*Commitment*” means a written commitment of monies 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. “*Open commitment*” means a commitment, or that portion of a commitment, for which goods or services are not yet delivered;
16. “*Working Capital Fund*” means the fund established to ensure continuity of operations in the event of a cash shortfall.

Article 2

FINANCIAL AND BUDGET PERIODS

Regulation 2.1

The financial period shall be one calendar year.

Regulation 2.2

The budget period for the proposed programme of work shall consist of two consecutive calendar years the first of which shall be an even year.

Article 3

BUDGET

Regulation 3.1

Preparation and submission

The Director-General, in the second year of the budget period, shall prepare a draft programme of work and a draft budget for the following budget period. 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 Assembly session.

Regulation 3.2

Form of the Budget

(a) The draft budget shall cover income and expenditures for the budget 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 previous budget 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 budget 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 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 decisions taken by the Assembly. Such supplementary budgets shall be prepared and acted upon in a form and manner consistent with the regular budget for the budget 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 commitments and expend funds 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 commitments during the budget period to which they relate. Appropriations shall remain available for twelve months following the end of the budget period to which they relate to the extent that they are required to discharge any open commitments of the budget period for which they were appropriated.

Regulation 4.3

Uncommitted balances

The balance of the appropriations remaining uncommitted at the close of the budget period shall be treated as cash surplus under regulation 4.5.

Regulation 4.4

Open Commitments

At the end of the twelve-month period provided for in regulation 4.2, any open commitments of the budget period in question shall at that time be cancelled or, where the commitment remains a valid charge, be transferred as a commitment 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 for the budget period at the close of the second financial period of the biennium shall be apportioned among Members in proportion to their mandatory contributions for the budget period to which the surplus relates.
- (b) As of 1 January following the year in which the audit of the accounts of the second financial period of the biennium 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 periods, the cash surplus shall be applied against any mandatory contribution for the current financial period 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 periods, the cash surplus shall first be applied to liquidate such arrears and then against the mandatory contribution for the current financial period. 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 budget 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 budget 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 budget period 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) Other revenue.

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 of the biennium which will approximate half of the appropriations approved for the budget period by the Assembly, taking into account adjustments, if any, for:

- (a) Supplementary appropriations authorized as per financial regulation 3.5 for which contributions have not been assessed on Members;
- (b) Estimated other revenue as defined in Regulation 6.3 for the financial period with respect to which the assessment of contributions is being made;
- (c) Contributions resulting from the assessment of new Members under regulation 6.4;
- (d) Net adjustments made under regulation 4.5.

Regulation 6.3***Other revenue available for offset***

Members' assessments shall be offset in accordance with regulation 6.2 by net revenue from the following revenue categories:

- (a) Revenue-producing activities;
- (b) Investment revenue;
- (c) Services rendered;
- (d) Contributions from new Members in accordance with regulation 6.4;
- (e) Other/miscellaneous revenue;
- (f) Any other revenue attributable to Members.

Regulation 6.4***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. 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 other revenue. Existing Members included in the scale of contributions approved by the Assembly will receive a credit in accordance with regulation 4.5 toward the following year's contribution according to the revised assessment proportions if the receipt of contributions from new Members or unanticipated other revenue causes total revenue to exceed the level of expense for the budget period, resulting in a surplus.

Regulation 6.5***Reporting***

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

Regulation 6.6***Information by the Director-General***

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

- (a) Submit the relevant documents to Members and to the Signatories of the Statute;

(b) Inform Members of their commitments in respect of annual contributions and advances to the Working Capital Fund; and

(c) Request Members to remit their contributions and advances.

Regulation 6.7

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 6.6, or as of 1 January of the calendar year to which they relate, whichever is 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 6.8

Currency of payments

Assessed contributions and advances to the Working Capital Fund 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 12.5.

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
CUSTODY OF FUNDS
A. Internal Accounts

Regulation 8.1

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 8.2

Contributions credited to the General Fund

All contributions – whether current or arrears – of Members not specified to contribute to other funds according to regulation 8.4, miscellaneous revenue and transfers made from the Working Capital Fund shall be credited to the General Fund. All expenses regarding core activities as referred to in Article XII of the Statute and reimbursements to the Working Capital Fund, shall be made from the General Fund.

Regulation 8.3

Voluntary contributions

Voluntary contributions referred to in 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 revenue and reported as gifts in the accounts of the financial period.

Regulation 8.4

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 8.5

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 8.6

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 8.7

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 revenue is available for that purpose.

B. Banking

Regulation 8.8

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

C. Investments

Regulation 8.9

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 8.10**Crediting of revenue derived from investments**

Revenue derived from investments shall be credited to the respective fund or account, and treated in accordance with regulation 6.3.

Article 9**PROCUREMENT****Regulation 9.1*****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 9.2***Tendering process***

Tenders for equipment, supplies and other requirements shall be conducted in accordance with the terms of the financial procedures.

Article 10**INTERNAL CONTROL****Regulation 10.1*****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 commitments and expenses 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 10.2

Authority and responsibility

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

Regulation 10.3

Ex gratia payments

The Director-General may make such *ex gratia* payments as he or she deems 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 financial statements.

Article 11

INTERNAL OVERSIGHT

Regulation 11.1

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.

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

Regulation 11.2

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 utilisation, 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 11.3

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 11.2 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 11.4

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 12

FINANCIAL STATEMENTS AND ACCOUNTS

Regulation 12.1

Preparation of financial statements

The financial statements for the financial period 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 financial statements for the financial period shall show:

- (a) Statement of financial position;
- (b) Statement of financial performance;
- (c) Statement of changes in net assets;
- (d) Statement of cash flow;
- (e) Statement of comparison of budget and actual amounts; and
- (f) Notes to the financial statements.

Regulation 12.2***Submission of financial statements***

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

Regulation 12.3***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 12.4***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 12.5***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 12.6***Currency of accounting records***

The financial statements 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 12.7***Writing-off of cash, receivables and property***

The Director-General may, after full investigation, authorize the writing off of losses of assets, including cash, inventories and property, plant and equipment, provided that a statement of all such amounts written off shall be submitted to the External Auditor with the financial statements.

Regulation 12.8

External audit

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, and the arrangements for such audit shall take into account the international nature of the Agency and ensure an open and competitive process for the selection of the External Auditor.

Article 13

GENERAL PROVISIONS

Regulations 13.1

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 procedures 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 13.2

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.