
INTERNATIONAL RENEWABLE ENERGY AGENCY

Third session of the Assembly
Abu Dhabi, 13 – 14 January 2013

Report of the Director-General on the Fund for Developing Country Representatives (FDCR)

1. This report has been prepared in response to the request of the fourth Council for the Director-General to submit to the third Assembly, based on experience gained during the implementation of Assembly decision A/2/DC/11, modified funding criteria and modalities for the Fund for Developing Country Representatives (FDCR) with a view to enabling the broadest possible participation from membership, based on funds available.

I. Background

2. During its second session, the Assembly acknowledged that the accomplishment of the mission of IRENA, and the achievement of its objectives in promoting the “widespread and increased adoption and the sustainable use of all forms of renewable energy,” requires the broadest possible participation of all IRENA Members in the Agency’s decision-making processes. Accordingly, Members decided to establish the FDCR to facilitate the involvement of representatives of Least Developed Countries (LDCs) and Small Island Developing States (SIDS) in IRENA meetings, underlining “that the effective participation of both developed and developing countries in the work of IRENA will continue to be one of the major strengths of the Agency as it will result in a high level of inclusiveness, ownership and transparency in the activities of the Agency” (A/2/DC/11).
3. The decision set forth several criteria for which types of participation the FDCR will cover.¹ This report considers the annual cost implications of continuing to apply these criteria as written, and it also presents options for modifying these criteria for the Assembly’s consideration.

II. Contributions and disbursements to date

4. Six countries have contributed to the Fund to date: the United Arab Emirates (USD 150,000), Germany (USD 80,000), Finland (USD 25,000), Madagascar (USD 2,616), Iraq

¹ For a full list of criteria, please see decision A/2/DC/11.

(USD 1,800), and Armenia (USD 1,000) for a total of USD 260,416. The United Arab Emirates also pledged an additional USD 300,000 during the fourth Council meeting.

5. These contributions so far have funded 12 delegates to the third Council and committee meetings, and 11 delegates to the fourth Council and committee meetings, but the remaining FDCR funds, totalling USD 419,416 (including the UAE pledge), are well below the estimated USD 1.2 million needed to cover all 76 delegations eligible for funding for the third Assembly as per second Assembly decision A/2/DC/11.² Thus far, voluntary contributions have also not been able to cover the cost of administering the Fund, estimated at USD 82,700 per year, which the second Assembly agreed should be staffed appropriately and funded by the FDCR.³

III. Request for revised funding criteria and modalities

6. During the fourth Council, several Members expressed concerns regarding the effects that potential future FDCR funding shortfalls may have on inclusiveness in the activities of the Agency, particularly on its decision-making structures.
7. Following a discussion of C/4/CRP/2, the Director-General's report on the FDCR, the Council requested the Secretariat to submit suggestions for modified criteria and modalities, including those that would lower the total funds necessary to support the broadest possible participation. Options for potential modifications are explained below, with the cost implications of each. These estimates are only indicative of potential costs, and final numbers would depend on several factors including the size of the Agency's membership and the future composition of the Council and subsidiary bodies.

IV. Funding criteria

Option 1: Maintain the criteria in A/2/DC/11

8. As per decision A/2/DC/11, only LDCs and SIDS delegations that are Members of IRENA would continue to be eligible for funding after the third Assembly. Under the existing criteria set out in the decision, the total annual funding requirements for FDCR would be USD 847,300.⁴

Option 2: Modify the criteria set out in A/2/DC/11

9. This option would modify the funding criteria for LDCs and SIDS. The criteria would be as follows:

² For a full explanation of this calculation, please see the Note by the Director-General on the FDCR (C/4/CRP/2), submitted to the fourth Council.

³ For details, please see A/2/17.

⁴ Please see Table 1 in the Annex. This amount does not include the cost of administering the Fund.

- a) Eligibility for funding is limited to Members of IRENA that fall under the category of Least Developed Countries (LDCs) and Small Island Developing States (SIDS) as per UN definition.
 - b) Eligible Member State representatives of the rank of Minister or above would be funded to fly business class, regardless of flight time, subject to availability of resources to fund all eligible delegations participating in the particular meeting. All other delegates would fly economy class.
 - c) The Agency will provide accommodation, meals, and airport-hotel transfers in the UAE for the eligible delegates, and will seek to obtain the best possible rates for these services.
 - d) FDCR funding would support two delegates per eligible Member delegation to the Assembly, subject to the availability of resources. In case of funding shortfalls, priority would be given to funding one delegate per eligible Member, and in case of further shortfall, funding would be prioritized on the basis of the date and time that the Agency received completed registration and a completed formal request for funding from the requesting Member.
 - e) FDCR funding would support one delegate per eligible delegation for members of the Council and subsidiary bodies for meetings of these bodies.
10. These modifications would result in a total annual cost of USD 546,800, resulting in a substantial savings of USD 300,500 (36%) compared to Option 1.⁵

V. Scope of FDCR

11. Since the establishment of the Fund, some Members have inquired about the possibility of broadening the scope of the FDCR to include funding developing countries beyond the list of LDCs and SIDS. There are currently 103 IRENA Member States plus the European Union. Of these, 35 countries are on the UN lists of LDCs and/or SIDS. The consideration of which of the remaining 68 Members, if any, could be “developing” countries for possible inclusion in FDCR eligibility is complex and, at the same time, expanding the list beyond its current composition would have cost implications.
12. Definitions of what constitutes a “developing” country vary among international organisations, depending upon the factors considered in the assessment,⁶ upon the mandate of the organisation, and whether countries can self-select as “developing.” Given that there is no international consensus, an attempt to define “developing” for IRENA for the purposes of FDCR would be a subjective assessment requiring continual monitoring and revision as world economic situations change, and as IRENA’s membership continues to develop.

⁵ Please see Table 2 in the Annex. This amount does not include the cost of administering the Fund.

⁶ Such as the UN’s Human Development Index (HDI), which considers life expectancy, per capita GDP, literacy rates, among others.

13. While there are multiple ways of defining the list of “developing” countries, possible ways to envision the potential expansion of the scope of the Fund could involve an examination of the two following methods, each with its own set of challenges:
- a) **UN scale of assessments** – This scale assesses countries on the basis of gross national income rather than strict per capita income. FDCR could be expanded to include those countries with factors below the LDC/SIDS country with the highest factor. However, on this basis there would be some countries included in FDCR eligibility that are not necessarily logical additions to a “developing” countries list. Furthermore, this approach would be inclusive of a large set of countries in a manner that, from experience attained so far in implementation, could lead to continuous and serious shortfalls in funding. Depending on the decision regarding the funding criteria mentioned in IV above, an implementation of this method could lead to a total annual FDCR cost between USD 1 million and USD 1.55 million.
 - b) **World Bank Lending Group classifications** – Even though the World Bank assesses countries according to gross national income (GNI) per capita, deciding which countries to include in potential FDCR eligibility from the low income category, the lower-middle income category, and the upper-middle income category would be a complex exercise, since countries currently on the lists of LDCs and SIDS fall into all three groups. Including all of the countries in the three lowest-income World Bank Lending Groups in FDCR eligibility would lead to the same challenge of serious funding shortfalls referred to previously. Depending on the funding criteria mentioned in IV above, an implementation of this method could lead to a total annual FDCR cost between USD 1.04 million and USD 1.62 million.

VI. Budget allocation scenarios: continue voluntary contributions or change to assessed funding

14. In addition to the options described above, another issue considered at the fourth meeting of the Council was the means for funding the FDCR in the future, and the choice between a continuation of voluntary contributions or a change to assessed funding.
15. The FDCR was originally designed to be funded by voluntary contributions per decision A/2/DC/11. The Statute of IRENA stipulates in Article IX.C that the cost of a delegation’s participation shall be borne by the respective Member, although this provision has been interpreted so far to allow for support from the host country of the Agency, up until the second session of the Assembly, and from FDCR itself. In the same manner, travel support cannot be covered by assessed contributions of Members without their specific consent. Accordingly, any change in the current funding modality will require approval by the Assembly.
16. The possibilities for budget allocation scenarios could range in estimated annual cost from USD 121,500⁷ to USD 546,800⁸ to USD 847,300⁹ (please see Table 3 in the Annex).

⁷ Funding only meetings of Councils and subsidiary bodies under Option 2 modified funding criteria in IV above.

⁸ Funding the total cost of FDCR under the Option 2 modified funding criteria in IV above.

VII. Recommendations

17. The Assembly may wish to consider the following, in order to maximize the number of Members participating in the Agency's decision making structures:

- a) Modifying the funding criteria set out in decision A/2/DC/11 in accordance with the proposal contained in Section IV Option 2 of this document.
- b) To keep under review the matter of broadening the scope of FDCR to include funding developing countries beyond the list of LDCs and SIDS.
- c) To call on Members to support FDCR through voluntary contributions.

or

- d) To fund FDCR through assessed contributions by Members, which would be an additional requirement in the core budget beginning in 2014.

⁹ Funding the total cost of FDCR under the unchanged Option 1 criteria in IV above.

ANNEX¹⁰

Table 1: Maintain the criteria in A/2/DC/11 (Option 1)	
Category	Amount in USD
1 session of the Assembly ¹¹	Airfare = 415,120 Daily Subsistence Allowance = 95,200 Terminal Expenses = 14,000 Assembly sub-total = 524,300
2 meetings of the Councils/subsidiary bodies ¹²	[2][161,500] = 323,000
Annual total	847,300 ¹³

Table 2: Modified criteria (Option 2)	
Category	Amount in USD
1 session of the Assembly ¹⁴	Airfare = 348,300 Hotel Accommodation/meals cost = 63,000 Terminal Expenses = 14,000 Assembly sub-total = 425,300
2 meetings of the Council/subsidiary bodies ¹⁵	[2][60,761] = 121,500
Annual total	546,800 ¹⁶

¹⁰ For the Annex, total cost for each meeting is rounded to the nearest USD 100. All of the calculations are estimates. Exact amounts would depend on number of Members on the LDCs/SIDS lists, the costs associated with flights and accommodation, and the time of making the reservations (both how far in advance and the time of year).

¹¹ As of the writing of this report, there are 35 Members of IRENA that are LDCs, SIDS, or both, and each of these 35 could send 2 persons to sessions of the Assembly with FDCR funding according to this option.

¹² Calculations are based on the average cost per delegate, based on participation of 10 countries' delegations (with funding for 2 delegates per delegation as per the decision), with the caveat that this number could be higher or lower if composition of these bodies shifts.

¹³ This amount does not include the cost of administering the Fund.

¹⁴ Please see footnote 11.

¹⁵ This calculation only considers participation of one delegate per delegation for meetings of the Council and subsidiary bodies, for 10 countries' delegations as in footnote 12.

¹⁶ This amount does not include the cost of administering the Fund.

Table 3: Cost of funding FDCR	
Funding of specific meetings	Annual cost in USD
Option 1 (as written in A/2/DC/11)	
Councils and subsidiary bodies	323,000
Assembly	524,300
Assembly, Councils, and subsidiary bodies	847,300
Option 2 (modified)	
Councils and subsidiary bodies	121,500
Assembly	425,300
Assembly, Councils, and subsidiary bodies	546,800