

INTERNATIONAL RENEWABLE ENERGY AGENCY

Fourth meeting of the Council
Abu Dhabi, 12 November 2012

**Chair's Summary of the Outcome of the
Administration and Finance Committee Meeting**

The following comments and recommendations were made at the Administration and Finance Committee (AFC) meeting held on 11 November 2012:

1. Implementation of the Work Programme and Budget for 2012

- AFC welcomed efforts of the Secretariat to fill vacant positions and acknowledged the importance of timely payment of assessed contributions.
- In regards to the 2012 contributions from 16 new Members, the Secretariat had by 30 September 2012 received USD 100,044 from 4 of the Members. The methodology of assessing their contributions is in line with the Interim Financial Regulations and the Statute.
- AFC recommends that the Council agree to request the third Assembly to take note, with appreciation, on the implementation of the Work Programme and Budget for 2012 and the efforts made by the Director-General and IRENA staff.

2. Proposed Work Programme and Budget for 2013

- AFC welcomed the Secretariat's consideration of the current fiscal challenges for most Members when deciding on the approach for proposing an increase in the budget and resulting impact on assessed contributions for 2013. The resulting decrease of assessment for most Members should be considered as an exception.
- Members emphasised that in order to properly assess the overall adequacy of the requested resources, the Secretariat needs to do a holistic analysis of the requirements to deliver on the mandate when proposing the budget increase. It was noted that while the increase will definitely boost the capacity of the Secretariat, there are still many areas requiring improvement that would require additional resources in the future.
- One notable area with the need for improvement is strategic communication.
- In view of the fact that many Members' assessed contributions have decreased due to the increased number of Members, Members were requested to consider contribution of additional resources to areas that need strengthening, such as communications and

outreach. The current resources dedicated to communications mainly meet fundamental needs of internal organisation.

- A dedicated expert has been recently recruited to address the pressing need for a better and more understandable global profile of IRENA.
- Another notable need is to address the importance of greater participation of all countries in IRENA activities to ensure a broad participation and inclusive approach. One way of addressing this need is to ensure that they have access to IRENA and that they are kept updated on its work. The establishment of a modest presence in New York would greatly facilitate this. It would also help in improving collaboration and coordination of the sustainable energy initiatives at the political level with Members and with international organizations.
- The USD 2.0 million increase in core budget requirement is the net result of two components:
 - An increase in staffing cost of USD 3.6 million, composed of the re-costing of the 2012 approved positions (USD 2.3 million) and the cost of 7 new positions (USD 1.3 million); and
 - A decrease in non-staffing costs of USD 1.6 million, composed of: the discontinuation of the arrangements for seconded staff (USD 0.9 million, accounting for 56% of the decrease in the non-staffing costs), and the remaining 44% decrease in the non-staffing costs is under various areas such as consultants, temporary assistance, travel and other general operating expenses.
- In order to allow for better reporting and performance measurement, the Secretariat will be including additional details linking deliverables and outputs with resources in the annual work programme progress reports.
- AFC recommends that the Council transmits the proposed work programme and budget for 2013 to the third Assembly for its approval.

3. Biennial work programme and budget cycle

- AFC welcomed the proposal for biennial budgeting which was based on the request of the Council at its third meeting.

- AFC noted the numerous benefits of having a biennial work programme and budget and stressed its importance in ensuring sufficient time is available for programme implementation. It was also underlined that mechanisms are needed for consultations with Members on the work programme framework and priorities, approval process, inclusion of activities and outputs in the proposal, timing of assessment of contributions, application of surplus, and the handling of unforeseen emerging funding. The solutions proposed by the Secretariat and Members to these concerns should be based on the adoption of relevant and beneficial precedents in organizations with similar practices.
- AFC recommends to the Council to agree to recommend to the Assembly to approve the biennial work programme and budgetary cycle starting with 2014-15 as the first biennium. AFC also recommends that the Report of the Director-General on IRENA Programmatic and Budgetary Cycle to the Assembly includes a number of issues to address the points raised by Members regarding: input on the biennial work programme and framework in a transparent manner, the timing of its review, the incorporation into the proposed work programme appropriate deliverables and indicators of success, and the means for addressing possible adjustments required after adoption of the biennial budget. AFC specifically recommends that the biennial work programme and budget process include:
 - An invitation to Members to provide views and suggestions for consideration for development of the work programme, including appropriate deliverables and indicators of success;
 - Confirmation of the role of the PSC and AFC in providing guidance and recommendations to the Council on priorities and resource allocation;
 - Incorporation of the Matrix of Activities, Deliverables, and Performance Indicators as an annex to the Work Programme and Budget; and
 - Use of the Matrix of Activities, Deliverables, and Performance Indicators as the mechanism for recording changes in priorities resulting from new or changing work programme requirements in the context of consideration of the 1st year Annual implementation report.

4. Audit observations and status of the implementation of audit recommendations

- AFC appreciated the efforts made by the Secretariat to address the audit observations and recommendations raised by the External Auditors.
- The use of AFC as a review body similar to an Audit Committee is currently adequate, but this may evolve with other internally and externally driven arrangements as the need arises.
- In order to further improve the understanding on the progress made, it was suggested that the communication from the Auditor to Members could be made in a tabular format as part of the Director-General's report.
- The Finance Committee recommends that the Council agrees to request the third Assembly to take note, with appreciation, of the satisfactory implementation of the audit recommendations by the Agency.

5. Process of the appointment of the external auditor

- AFC received an overview of the process applied and the current status for selection of an External Auditor.
- There was overall satisfaction with the approach applied, and comments were raised about the timing of the procurement exercise and the criteria for eligibility. Some Members indicated their preference already expressed in the past, of exclusively using public sector audit institutions for IRENA external audit and that this view should be reviewed in the next External Auditor selection round.
- AFC recommends that the Council takes note of the process and decide on appointment of the External Auditor at its fourth meeting based on submission of the results of the procurement exercise.

6. Investment policy of IRENA

- AFC welcomed the proposal for an investment policy for the Secretariat. The consensus view was that it is sound and prudent policy.

- Its implementation will be based on the three principles in the order of significance: preservation of capital, sufficient liquidity to meet cash requirements, and income expressed as maximised rate of return.
- Caution was called for, with careful consideration of the prevailing market conditions, due diligence and adherence to the Agency's established ethics reporting requirements. These will be addressed through internal mechanism of the Secretariat as well as by use of external investment advisors.
- AFC recommends that the Council agrees to recommend to the third Assembly to adopt the investment policy of IRENA as proposed by the Director-General on the understanding that members of the Investment Committee and any staff members associated with investment management will be subject to financial disclosure requirements.

7. Investment policy of the Staff Provident Fund

- AFC was given a background on the structure and administrative policies of the Staff Provident Fund (SPF).
- The investment policy is based on similar principles to that of the IRENA but has a fundamental difference in that it deals with both short-term and long-term investments while the Agency deals with short-term investments only.
- Special emphasis will be put on the preservation of capital to ensure that the amount is paid to staff upon end of their tenure with the Agency, including overall contributions and some income.
- AFC recommends that the Council agrees to recommend to the third Assembly to adopt the investment policy of the Staff Provident Fund as proposed by the SPF Management Board and any staff members associated with investments will be required to be subject to financial disclosure requirements.

8. Status of funding of the Fund for Developing Country Representatives

- The Secretariat gave an overview of the status of the Fund, including the low level of contributions and pledges received so far, as well as provided several disbursement

scenarios for funding delegates' participation in the third Assembly. AFC took note of the presented funding scenarios.

- AFC acknowledged the importance of the Fund for Developing Country Representatives (FDCR) in facilitating the participation of developing countries in the decision-making processes of the Agency. The need to have a clear and concise indication of the total requirements was emphasized, as well as additional voluntary contributions to ensure participation of the LDCs and SIDS.
- AFC endorsed the recommendations as contained in paragraph V. in the note of the Director-General on the Fund for Developing Country Representatives.

9. Administration of Justice at IRENA

- AFC was provided with a detailed report explaining the need for the Assembly to establish an independent mechanism for staff wishing to challenge the outcome of the internal appeal process, consistent with staff regulation 12.3. The report provides information necessary for a decision to be made as to whether an arbitration system should be outsourced or established within the Agency, with IRENA-specific Arbitration Rules.
- The AFC expressed appreciation for the research that had been done for the preparation of the report. It was noted that outsourcing would be unnecessarily complicated and costly. The AFC agreed with the Director-General's proposal for IRENA to establish a system designed to be as simple and cost-effective as possible, while protecting the rights of staff members and the interests of the Agency.
- In answer to a question whether there was a risk that a case would need to be considered before the arbitrators were approved by the Council at its fifth meeting, it was explained that there was no pending case at present and that, even if a case were to arise in the next weeks or months, it would need to go through management review and consideration by the internal appeals body and it is unlikely that it would be ready to be submitted to arbitration before the Council meeting.

- AFC recommends that the Council agrees to recommend to the third Assembly to approve the proposal on mechanism for Administration of Justice as proposed by the Director-General.

10. Implementation of the decision on the secondment and related matters

- AFC considered the information provided by the Director-General on the implementation of Assembly decision A/2/DC/5 which introduced new mechanisms for secondment and the provision of staff funded from voluntary contributions, and related arrangements.
- Several requests were made for the Secretariat to improve communications to Members by providing clearer and specific information on the needs that could be met through the new mechanisms, the criteria of the job to be done and the profile of individuals that could be selected. Members should also be informed of the legal and administrative steps required to put any of the new arrangements into place.
- AFC recommends that the Council takes note of the report of Director-General.