

**ENERGY CHARTER
SECRETARIAT**

CCDEC 2021

01 NOT

Brussels, 15 February 2021

Related documents: CC 688 Rev, Mess 1779/21
--

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Adoption by correspondence - Report by the Chair of the Budget Committee

By CC 688 Rev dated 27 January 2021, the Conference was invited to take note of the attached revised report by the Chair of the Budget Committee.

As specified by Rule 19(b) of the Rules of Procedure concerning the adoption of decisions by correspondence, members of the Energy Charter Conference were informed that any delegation that wished to object to take note of the attached revised report by the Chair of the Budget Committee should notify the Secretariat of its position in writing by 15 February 2021.

Having received no objections within the specified time limit, on 15 February 2021, the Conference **took note**, with immediate effect, of the attached revised report by the Chair of the Budget Committee.

Keywords: Report, Chair, Budget Committee

REPORT BY THE CHAIR OF THE BUDGET COMMITTEE

This Report provides an overview of the activities undertaken by the Budget Committee in 2020. The Conference is invited to take note of this Report.

Meetings of the Budget Committee

1. In 2020, three regular meetings and one extraordinary meeting of the Budget Committee were organised on 6th February, 26th June, 15th October and 2nd November respectively. All meetings of the year were chaired by its Chairperson, Mr. Christian Bühlmann (Switzerland). Despite the calls of the Chair and the Secretariat to Member Countries to nominate a vice-Chair of the Budget Committee, no nomination was received and the position remained vacant in 2020.
2. Only the first meeting of the year could be convened physically in the premises of the Secretariat. As a consequence of the COVID-19 pandemic and taking into account travel restrictions to Belgium and suspension of Belgian visa activities, the following three meetings were held by videoconference.
3. The following delegations attended at least one of the meetings of the Budget Committee in 2020: Afghanistan, Austria, Azerbaijan, Belgium, Croatia, Czech Republic, Estonia, European Union, Germany, Greece, Japan, Jordan, Kazakhstan, Kyrgyzstan, Lithuania, Mongolia, Republic of Moldova, Slovakia, Slovenia, Spain, Switzerland, The Netherlands, Turkey, Turkmenistan, United Kingdom, Yemen.

Introduction

4. In addition to the regular administrative and financial matters, the agenda of the Budget Committee got enriched by the decision of the Conference (Message 1645/20) following the Review based on Art. 34 (7) of the ECT to mandate the Budget Committee to :
 - i. Assess and revise the Financial Regulations and its Implementing Instructions, including but not limited to implications of a biannual budget, voluntary contributions as well all other issues to provide for transparency and sufficient financial and budgetary control;
 - ii. Assess the structure of the biannual Budget based on a zero nominal growth, as well as the structure of the Programme of Work, which should be based on a prioritisation exercise;
 - iii. Evaluate and, if necessary, propose an update of its terms of reference;
 - iv. Implement the International Public Audit's individual recommendations in the area of its competence, and assess any other issue relevant to the Budget Committee activities.
5. Thus, the main topics discussed during the meetings of the Budget Committee were:

- i. the Financial Statements and the Auditor's report for the year 2019;
- ii. the final implementation of the programme of work 2019, the implementation and the revision of the programme of work 2020 and the draft programme of work 2021;
- iii. the final implementation of the Budget 2019, the implementation and the revision of the budget 2020 and the draft budget 2021;
- iv. the collection of contributions 2020 and outstanding contributions as well as the draft contributions 2021;
- v. the review of the Manual on Data Protection;
- vi. the co-financing involved by some voluntary contributions;
- vii. the evaluation and potential review of the Terms of Reference of the Budget Committee;
- viii. the assessment and review of the structure of the Financial Rules and their Implementing Instructions;
- ix. the assessment and review of the structure of the programme of work based on a prioritisation exercise;
- x. the assessment and review of the structure of the Budget;
- xi. various reports requested by the Budget Committee.

Financial and Administrative Matters

Financial Statements and Auditor's report

6. The Financial Statements at 31 December 2019, together with the Auditor's report, were discussed in October. The Auditor released a qualified opinion in relation to the contributions of the Russian Federation due to the decision of the Budget Committee in 2018 to continue the previous practice. Since there was no other particular issue, the Budget Committee recommended the Conference to discharge the Secretary General from his management and administrative responsibility in respect of the budget for 2019. The Conference discharged the Secretary General on 4 November 2020 (CCDEC2020 10).

Programmes of work 2018-2019, 2020 and 2021

7. After discussing the items, the Budget Committee took note of the final status of implementation of the programme of work 2018-2019.
8. The Budget Committee was informed by the Secretariat on the implementation of the programme of work 2020 and was notified about the necessity to revise the programme of work due to the extension of the implementation period of the EU4Energy project until the end of 2020 with no extra financial contribution. The Committee approved the revision of the programme of work 2020 which included:

- i. the extension of the implementation period of the EU4Energy project until the end of 2020 (approved by the Conference as CCDEC2020 05);
- ii. the extension of the voluntary contribution in kind by ECOWAS (approved by the Conference as CCDEC2020 11);
- iii. a staff on loan from The Gambia;
- iv. a voluntary contribution by UNESCAP;
- v. and the cancellation of several events due to the COVID-19 pandemic.

The Conference approved the revised Program of Work for 2020 on 23 November 2020 (CCDEC2020 13).

9. The Budget Committee also discussed the draft programme of work 2021 and an extraordinary meeting was scheduled on 2 November to finalise it. The Committee further recommended the Conference to approve the draft programme of work 2021. The Conference approved the Program of Work for 2021 on 26 November 2020 (CCDEC2020 15).

Budgets 2019, 2020 and 2021

10. The Budget Committee was informed by the Secretariat on expenditure under Budget Part I, as well as the implementation of both the Establishment Table and the Temporary Officials posts for the years 2019 and 2020. The Budget Committee took note of the final implementation of the budget 2019.
11. The Budget Committee took note of the implementation of the budget 2020 and revised the budget 2020 including:
 - i. the extension of the "EU4Energy" project until the end of 2020,
 - ii. the consequences of the COVID-19 pandemic,
 - iii. a staff on loan from the Gambia,
 - iv. the extension of the contribution in kind by ECOWAS,
 - v. the receipt of a voluntary contributions by UNESCAP,

The Conference approved the revised Budget 2020 on 23 November 2020 (CCDEC2020 12).

12. The Budget Committee also discussed the draft budget 2021. After additional information provided by the Secretariat during the extraordinary meeting of the Budget Committee on 2 November and the revision of the Secretariat's proposal, the Committee recommended to the Conference the approval of the draft budget 2021. The Conference approved revised Budget 2021 on 26 November 2020 (CCDEC2020 14).

National Contributions

13. The Budget Committee was kept informed during the year on the collection of national contributions for 2020 as well as the outstanding contributions (prior to 2020). The

Committee did not discuss the outstanding contributions from the Russian Federation and will come back on the matter once the Conference makes a decision on the subject.

14. The Committee encouraged countries with outstanding contributions to take the necessary steps to settle their arrears and requested the Secretariat to continue informing on the progress on collection of contributions including budgetary implications as well as reporting when appointment of officials and voting rights are affected by arrears
15. The Budget Committee took also note of the draft contributions 2021, which remain unchanged compared to 2020 since both the total budget 2021 and the scale of assessment of the United Nations remain also unchanged.

Manual on Data Protection

16. The Budget Committee took note of the report on the implementation of the Manual on Data Protection in 2019 prepared by the Secretariat and considered a review of the Manual on Data Protection. Nevertheless, the Committee agreed to re-visit the issue at a future meeting of the Budget Committee.

Co-financing

17. At the request of the Budget Committee, the Secretariat produced a paper on how co-financing works and its potential impact on the budget and programme of work. The Committee further requested to include all voluntary contributions involving co-financing, including the ones received in 2020.

Interpretation

18. At the request of the Chair of the Budget Committee, the historic practice to engage Moscow based Russian interpreters was changed from July 2020. The Secretariat tendered the interpretation service, engaged a Member Country based service provider from Brussels for a comparable cost and service quality and informed the Budget Committee on the outcome of the tender at its 3rd meeting on 15 October.

Implementation of the Conclusions of the Review under Article 34(7) of the Energy Charter Treaty

19. The Budget Committee started implementing the conclusions of the Review under article 34(7) of the Treaty, including the international public audit recommendations as mandated by the Conference (Message 1645/20). The work was time-consuming for both the Budget Committee and the Secretariat. Some topics could not be discussed during the meetings of the Budget Committee in 2020 and the Budget Committee will continue this work in 2021.

20. A detailed statement of the implementation of the conclusions of the Review under Article 34(7), including the international public audit recommendations can be found in document GOV 14 Rev, paragraph "B. Budget Committee", page 15.

Terms of Reference of the Budget Committee

21. Following the evaluation of the current Terms of Reference of the Budget Committee by the Secretariat, the Budget Committee decided to revise its terms in line with:
 - i. the potential amendments of the Financial Rules;
 - ii. the Staff Regulations and Rules including the Manual on Data Protection and the Code of Conduct;
 - iii. the Rules of Procedure of the Conference;
 - iv. as well as any other decision related to the matter.
22. First proposals were made by delegations. Given the interdependencies with other tasks, this work stream was not finalized in 2020. The Budget Committee will continue the discussion in 2021.

Financial Rules and Implementing Instructions

23. The Budget Committee started the review and revision of the Financial Rules and their Implementing Instructions. The Committee first indicated which rules are to be amended, deleted or added. In its following meeting, the Committee reviewed all rules and instructions individually. Given the substantial need for amending the Financial Rules and their Implementing Instructions including the need to introduce a nationally or internationally accepted accounting standard, the work stream was not finalized in 2020 and the review and revision will continue in 2021.
24. Even though the Terms of Reference for the external Auditor are an integral part of the Financial Rules, the Committee decided to discuss the topic separately in order not to delay the process to tender the Secretariat's external auditor for the first time since its creation. The Committee not only discussed the Terms of Reference for the external Auditor but also the call for tender itself including the conditions and criteria to fulfil. Given the substantial need for amendment of the Terms of Reference for the external Auditor including its interdependence with the Financial Rules and their Implementing Instructions and the accounting framework in place, the work stream was not finalized in 2020 and discussions will continue in 2021.

Structure of the programme of work based on a prioritisation exercise

25. The Budget Committee started to review the structure of the programme of work based on a prioritisation exercise. Given the workload and the interdependencies with other tasks, the works were not finalized in 2020. The revision of the structure of the programme of work based on a prioritisation exercise will continue in 2021.

Structure of the budget

26. The Budget Committee started to review the structure of the budget. Given the workload and the interdependencies with other tasks, the works were not finalized. The revision of the structure of the budget will continue in 2021.

Various reports

27. As any other issues relevant to the Budget Committee under the Review conclusions, the Committee requested the Secretariat to prepare specific reports on
 - i. the recruitment policy and process;
 - ii. consultancy fees and travel expenses;
 - iii. and the costs of Human resources.

The first two reports could be released and discussed during the third meeting of the year. A revision of both reports was requested by delegations to include additional data or explain year-to-year variations. The structure of the third report was discussed and agreed and the report itself is expected for the second meeting of the Budget Committee in 2021.

28. Other specific reports have been requested by the Budget Committee and will be delivered for the coming meetings of the Committee.

Conclusions

29. In the year 2020, apart from discussing the ordinary financial and administrative matters, the Budget Committee started its work implementing the conclusions on the Review under Article 34 (7) including the conclusions from the Independent Public Audit.
30. The Budget Committee undertook to review and revise the entire set of rules governing budgetary matters of the Energy Charter Secretariat. In several work streams, the works advanced considerably. Given the extent of the task, the need to introduce a nationally or internationally accepted accounting standard and the interdependencies of different work streams, the work was not finalized in 2020 and the Budget Committee will continue its work in 2021.
31. The capacity of Secretariat's staff to produce the documents and reports is limited. The position of Assistant/Deputy Secretary General, in charge of financial and administrative matters, is vacant since summer 2019 with no quick replacement foreseen.
32. Both the Budget Committee and the Secretariat also concluded that discussions on the Programme of work and budget for the following year should be finalised earlier during the year.
33. Given the agenda of the Budget Committee in 2021, it is envisaged to increase the number of meetings to at least three.