

**ENERGY CHARTER
SECRETARIAT**

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Related documents: CC 719

DECISION OF THE ENERGY CHARTER CONFERENCE

Subject: Report by the Chair of the Budget Committee

The Energy Charter Conference at its 32nd Statutory Meeting held on 14 December 2021 **took note** of the attached 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 2021. The Conference is invited to take note of this Report.

Meetings of the Budget Committee

1. In 2021, four regular meetings and one extraordinary meeting of the Budget Committee were held on 16 February, 6 May, 31 May (extraordinary), 20 September and 5 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 2021.
2. As a consequence of the COVID-19 pandemic and taking into account travel restrictions in the ECT area, all meetings have been organised by videoconference over Zoom.
3. The following delegations attended at least one of the meetings of the Budget Committee in 2021: Austria, Azerbaijan, Croatia, Cyprus, Czech Republic, European Union, Georgia, Germany, Greece, Japan, Jordan, Kazakhstan, Kyrgyzstan, Lithuania, Luxembourg, Mongolia, Norway, Poland, Portugal, Romania, Slovakia, Spain, Sweden, Switzerland, The Netherlands, Turkey, Turkmenistan, Ukraine, United Kingdom and Yemen.

Introduction

4. In addition to the regular administrative and financial matters, the Budget Committee continued to implement the decisions of the Conference (Message 1645/20) following the Review based on Article 34(7) of the Energy Charter Treaty. In particular, the Budget Committee:
 - i. continued the revision 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. This review process should be finalised in 2022;
 - ii. finalised the revision of 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. finalised an updated the terms of reference of the Budget Committee;
 - iv. Implemented the International Public Audit's individual recommendations in the area of its competence, and assessed any other issue relevant to the Budget Committee activities.
 - v. Overlooked and steered the conversion of the accounts of the Energy Charter Secretariat to comply with the International Public Sector Accounting Standard (IPSAS)
 - vi. Discussed and agreed on the status of the two Signatories Russia and Australia leaving the Energy Charter process and its effect on the Budget

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 2020 following the conversion to IPSAS rules of the accounts of the Secretariat;
 - ii. the final implementation of the programme of work 2020;
 - iii. the final implementation of the Budget 2020;
 - iv. the collection of contributions 2021 and outstanding contributions;
 - v. the finalisation of the Terms of Reference of the Budget Committee;
 - vi. the finalisation of the Terms of Reference for the External Auditor, the call for tender for the new External Auditor and its selection;
 - vii. the review (still ongoing) of the structure of the Financial Rules and their Implementing Instructions;
 - viii. the finalisation of the review of the structure of the programme of work based on a prioritisation exercise;
 - ix. the finalisation of the review of the structure of the Budget;
 - x. the acceptance of a voluntary contribution from the Islamic Development Bank;
 - xi. the contributions of the two signatories Russian Federation and Australia leaving the Energy Charter process and its effect on the Budget;
 - xii. the finalisation of the draft Programme of Work for 2022;
 - xiii. the finalisation of the draft Budget for 2022.

Financial and Administrative Matters

Financial Statements and Auditor's report

6. The Financial Statements at 31 December 2020, together with the Auditor's report, were discussed in September 2021 following the conversion of the Secretariat's accounts to IPSAS rules. 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 2020. The Conference discharged the Secretary General on 10 October 2021 (CCDEC202117).

Programmes of work 2020 and 2022

7. The Budget Committee took note of the final status of implementation of the programme of work 2020.
8. The Budget Committee also discussed the draft programme of work 2022 using the new structure of the programme of work and recommended the Conference to approve the draft programme of work 2022.

Budgets 2020, 2021 and 2022

9. 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 year 2020. The Budget Committee took note of the final implementation of the budget 2020.
10. The Secretariat informed the Budget Committee about the implementation of the budget 2021 at 30 September 2021, including the implementation of posts under the establishment table as well as temporary officials.
11. The Budget Committee also discussed the draft budget 2022. After additional information provided by the Secretariat and further revision of the budget, the Committee recommended to the Conference the approval of the draft budget 2022. Nevertheless, the Committee requested the Secretariat to revise the budget 2022 at the beginning of 2022 following the official confirmation by the Depositary of the withdrawal of Australia.

National Contributions

12. The Budget Committee was kept informed during the year on the collection of national contributions for 2021 as well as the outstanding contributions (prior to 2021). The Committee also discussed the cases of Australia and the Russian Federation.
13. 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
14. The Budget Committee took also note of the draft contributions 2022 based on the new United Nations scale of assessment still to be approved during its General Assembly in December 2021.

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

15. The Budget Committee continued 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. All topics have been discussed during the several meetings of the Budget Committee in 2021 and nearly all have been finalised.

Terms of Reference of the Budget Committee

16. 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:
 - the potential amendments of the Financial Rules;

- the Staff Regulations and Rules including the Manual on Data Protection and the Code of Conduct;
 - the Rules of Procedure of the Conference;
 - as well as any other decision related to the matter.
17. The Committee concluded its discussions on the matter by issuing its new Terms of Reference which were approved by the Conference on 23 June 2021 (CCDEC2021 10). Once the Financial Rules and Implementing Instructions will be finalised, a further revision of the Terms of Reference may be required.

Financial Rules and Implementing Instructions

18. The Budget Committee continued the review and revision of the Financial Rules and their Implementing Instructions. Given the substantial need for amending the Financial Rules and their Implementing Instructions including the need to introduce references to IPSAS, the work has not been finalised in 2021, thus, discussions on the matter will continue in 2022.
19. 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. The Committee finalised the Terms of Reference for the external Auditor, agreed to the call of tender for the selection of the new external auditor. An extraordinary meeting of the Budget Committee was held on 31 May 2021 to evaluate the offers received and to select the new external auditor who started immediately his work performing the audit of the accounts 2020 following the conversion of the accounts to IPSAS.

Transformation of the Accounts to IPSAS

20. Up to 2019, the accounts of the Energy Charter Secretariat were governed by the Energy Charter Treaty and the main internal provisions, rules and decisions of the organisation such as the Financial Rules and Instructions. In order to modernize the governance and the accounting within the Energy Charter Secretariat, in line with the accounting in other international organizations of similar size, the accounts were transformed to the International Public Sector Accounting Standard (IPSAS) during the year 2021. For the financial year 2020, the Energy Charter Secretariat issued for the first time its accounts based on IPSAS. The Financial Auditor approved the accounts while issuing a qualified opinion in relation to the contribution of the Russian Federation.

Structure of the programme of work based on a prioritisation exercise

21. The Budget Committee continued reviewing the structure of the programme of work and the prioritisation of activities. The Committee concluded its work on the matter during its meeting on 5 November 2021 and recommended to the Conference the approval of the new structure of the budget and the prioritisation of activities.
22. The draft programme of work 2022-2023 has been established using this new structure.

Structure of the budget

23. The Budget Committee continued reviewing the structure of the budget. The Committee concluded its work on the matter during its meeting on 5 November 2021 and recommended to the Conference the approval of the new structure of the budget.
24. The draft budget 2022-2023 has been established using this new structure.

Various reports

25. As further issues relevant to the Budget Committee under the Review conclusions, the Committee requested the Secretariat to prepare specific reports on
 - the recruitment policy and process;
 - consultancy fees and travel expenses;
 - and the costs of Human resources.
26. All reports have been issued by the Secretariat and further revised at the request of the Budget Committee, to include additional data and explain year-to-year variations. The Committee took note of all reports.

Conclusions

27. In 2021, apart from discussing ordinary financial and administrative matters, the Budget Committee continued its work on the implementation of the conclusions of the Review under Article 34(7) of the Treaty including the conclusions from the Independent Public Audit.
28. In particular, the Budget Committee undertook to review and revise the entire set of rules governing budgetary matters of the Energy Charter Secretariat which will continue in 2022.
29. Despite the limited capacity of Secretariat's staff to produce documents and reports (the position of Deputy Secretary General, in charge of financial and administrative matters, has been vacant until mid-September 2021), all other work streams could be concluded in 2021:
 - new terms of reference of the Budget Committee
 - new terms of reference for the external auditor;
 - a new structure of the programme of work;
 - a prioritisation of activities included in the programme of work;
 - a new structure of the budget;
 - an modernized accounting based on IPSAS;
 - a better information received through specific reports requested by the Budget Committee.