

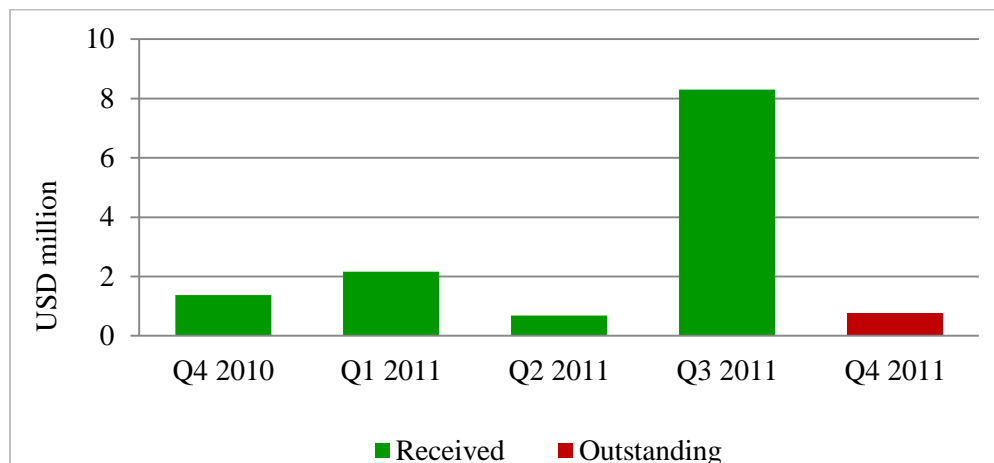
INTERNATIONAL RENEWABLE ENERGY AGENCY

Second session of the Assembly
Abu Dhabi, 14 – 15 January 2012

The Working Capital Fund of IRENA Report of the Director-General

1. Financial Regulation 9.5 on the Working Capital Fund states that “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.”
2. In his report on the Implementation of the Work Programme and Budget for 2011 (C/2/2) to the second meeting of the Council, the Director-General informed that some 63% of contributions to the core budget were received in the third quarter (please refer to Figure 1), prompting a prudent and judicious vacancy management and a slower implementation of the Work Programme. During the deliberations, delegations expressed concerns about the resulting cash flow challenges and discussed ways to mitigate this situation.

Figure 1: Value of contributions to the IRENA 2011 core budget, received and outstanding



3. In the same report, the Director-General estimated utilisation of the 2011 budget at the rate of 81.39% for all components of the 2011 Work Programme, including 77.61% for the core budget. Therefore, it is estimated that the 2011 core budget would yield a cash surplus of about USD 3.0 million (to be confirmed after the audit of the accounts of 2011).
4. Through decision A/1/DC/8, the Assembly decided that any core budget cash surplus at the close of financial year 2011 shall be apportioned among Members and contributing Signatories, in proportion to their contributions for 2011, notwithstanding Financial Regulation 4.5 (a)¹.
5. The proposed Work Programme and Budget for 2012 (A/2/1) will be considered by the Assembly at its second session. The projections regarding income in 2012 are contained in Annex II of that report. The projected implementation of Work Programme activities and related disbursements of funds are based on the assumption that the payment of assessed contributions will be prompt. If actual receipts of contributions in 2012 follow the same pattern as in 2011, the implementation of the Work Programme and the full encumbrance of 62 posts funded by the core budget will be compromised.
6. To avoid cash flow difficulties in 2012, the Director-General calls upon Members to pay their assessed contributions promptly and in full.
7. However, in view of the experience in 2011, and mindful of the uncertain global economic situation as well as of the concerns expressed by delegations at the second meeting of the Council, the Director-General considers it prudent to take measures that would minimize as much as possible the negative impact of possible cash shortages during the year. In that light, the

¹ Financial regulation 4.5 (a): Any cash surplus in the budget at the close of any financial period shall be apportioned among Members in proportion to their mandatory contributions for the financial year to which the surplus relates.

Director-General is of the view that in order to avoid a situation that would negatively affect implementation of its Work Programme at such an early stage of its activities, the following steps may be taken:

- a. Based on the experience drawn from the UN system and other international organizations, the level of the Working Capital Fund is proposed to be in the range of 10-15% of the annual core budget, i.e. USD 1.6 million to USD 2.4 million of the proposed budget for 2012.
- b. To ensure the continuity of the momentum in programme implementation through predictable funding and a reliable and stable cash flow, it is proposed that the Assembly decide to allocate USD 1.6 million of the estimated cash surplus of about USD 3.0 million from the 2011 core budget to the Working Capital Fund on the basis of the current scale of assessments, and to apportion the remaining balance of the cash surplus attributable to Members.
- c. As prescribed by Financial Regulation 6.3, states and regional intergovernmental economic integration organisations that become a Member after the beginning of a new financial period shall be assessed their share in the Working Capital Fund based on the IRENA scale of contributions adjusted to account for their membership. Such contributions shall accrue from the beginning of the month following the month in which they become a Member. Existing Members will receive a credit toward the following year's contribution according to the revised assessment proportions.

Recommendations

8. The Director-General recommends that the Assembly:
 - a. Establish the Working Capital Fund at a current level of USD 1.6 million;
 - b. Allocate USD 1.6 million of the estimated cash surplus from the 2011 core budget to the Working Capital Fund, and to apportion the remaining cash balance attributable to Members. The full amount of the 2011 core budget cash surplus attributable to Signatories will be apportioned to Signatories who contributed to the 2011 core budget.