
INTERNATIONAL RENEWABLE ENERGY AGENCY

Second meeting of the Council

Abu Dhabi, 13 – 14 November 2011

IRENA Programmatic and Budgetary Cycle**Note of the Director-General**

1. At the first session of the Council, the Members requested the Director-General to submit his proposal on a possible biennial Work Programme cycle for consideration by the Finance Committee and its subsequent advice thereon to the Council¹. It was further requested that the proposal should include procedural advice and legislative changes required, as well as pros and cons.

Legislative framework

2. Article XI.E of the IRENA Statute provides for the Secretariat to, “prepare and submit to the Council the draft work programme and the draft budget of the Agency” (paragraph 1). The Council is required to, “consider and submit to the Assembly the draft work programme and the draft budget of the Agency” (Article X.F paragraph 2), for adoption by the Assembly (Article IX.G paragraph 2). Articles V.A and XI.E paragraph 6 make reference to, “annual work programme”. IRENA Interim Financial Regulations define budget as “the annual budget adopted by the Assembly indicating estimated resources

¹ C/1/SR/1, paragraph 53.

and expenditures for a financial period”, and Regulation 2.1 defines this financial period to be one calendar year.

Introduction

3. During the preparatory phase, the draft work programme and budget was submitted in an annual form, although the implementation time varied from some five months for the Interim Work Programme and Budget for 2009-2010, to 15 months for the Work Programme and Budget for 2010. The Work Programme and Budget for 2011 was adopted in April 2011, to be implemented for remaining nine months of the year. This programmatic and budgetary cycle has been valuable during the nascent stages of the Agency, when its programmatic priorities and financial requirements needed frequent and expeditious reviews and adjustments to ensure the effectiveness of its activities and an efficient use of scarce resources that the Members and Signatories provided on a voluntary basis.
4. The establishment of the Agency brought a level of predictability with respect to its financing, as its core activities are funded by assessed contributions from the Members. Its programmatic priorities and activities have been refined and, with the adoption of its five year strategic plan, they will be further stabilized. Furthermore, the Agency’s long-term objectives require more systematic planning and sufficient time to consider the impact of undertaken activities. With these issues in mind, the pertinence of an annual cycle has been evaluated to assess its benefits and weaknesses.
5. The benefits of annual cycle are mostly related to budgeting. Forecasting is likely to be more accurate if undertaken annually, possibly reducing the need for supplemental appropriations and special legislative sessions. Furthermore, a budget deficit or policy issues with significant fiscal implications could cause legislative bodies to devote a large amount of time to budget issues in the off-year. Annual sessions allow for timely

responses to such issues and ensure that requests for supplemental appropriations would be reviewed in the context of the entire budget.

6. On the other hand, the annual cycle is less conducive to long-term planning and reduces the time available for programme review and evaluation. It is also costly in terms of staff time as internal work programmes and budgetary exercises as well as stakeholder consultations consume significant staff time. At present, a significant amount of the Agency's limited resources is allocated to the preparation and consideration of these major reports, which shifts focus from the implementation activities and analysis of programme effectiveness, and from efficient financial management. The annual budgetary review is also often at odds with the governmental budgetary cycles, which are decided well in advance and difficult to change at the later stage.
7. Biennial cycles would reduce costs of preparing the reports and budget documents, since the process is more consolidated. It would also offer more predictability and certainty of planning for both the Secretariat and legislative bodies. With the introduction of an ERP system, financial reports can be generated regularly at low cost and enhance transparency.
8. In this context, it would seem practicable to streamline the programmatic and budgetary processes to provide sufficient time for the implementation of the approved work programme containing activities requiring significant lead time before implementation, while preserving effective oversight and meaningful control on the part of the Members. In order to ensure a prudent use of resources and effective implementation of the programmatic activities, the Agency could adopt the practice commonly used by international organizations where the proposed work programme and budget is considered on a biennial basis, with annual reviews of the progress made and a possibility to make the necessary adjustments in odd years.

9. To help manage changes that may occur during the intervening period, it would be important to have clear guidelines on what budgetary changes could be proposed during the biennium and flexibility to make adjustments when unforeseen events happen. IRENA Interim Financial Regulations contain such guidelines in Regulation 3.5 on Supplementary Budget. It delegates authority to the Council to consider a supplementary budget submitted by the Director-General, or requested by the Council itself, when it is determined that there is an urgent and unforeseen need for supplementary resources to support activities that could not have been envisaged at the time the initial budget was proposed or in respect to decisions taken by the Assembly. Any such changes, as well as the progress on implementation of the work programme, would be presented to the Assembly as part of the annual report of the Director-General.

Legislative and procedural changes

10. If the Assembly were to adopt a biennial cycle, commensurate amendments would have to be made to IRENA Interim Financial Regulations, specifically to Regulation 1.2 paragraph 8 which provides a definition of “budget” for the purpose of these Regulations, and Regulation 2.1 which defines the financial period.

Recommendation

11. In view of the benefits that the biennial cycle would offer in terms of programme planning, implementation and evaluation, as well as the streamlined and less costly budgetary process, Members may wish to consider the proposed work programme and budget on a biennial basis, with annual reviews and adjustments, as required.
12. If Members are agreeable to this procedure, the Assembly may request the Director-General to submit future Proposed Work Programmes and Budget documents as biennial documents. The Director-General may be requested to submit the amended Interim

Financial Regulations, reflecting this change, to the subsequent meeting of the Council for its consideration and submission to the Assembly.