
INTERNATIONAL RENEWABLE ENERGY AGENCY

Third session of the Assembly

Abu Dhabi, 13 – 14 January 2013

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

1. The report of the Director-General on the Working Capital Fund of IRENA (A/2/5) was submitted to the Assembly at its second session. The Assembly addressed this report by deciding that the Council review the proposed level of the Working Capital Fund and its financing mechanism and make its recommendation thereon to the third session of the Assembly. At its third meeting, the Council considered the Report of the Director-General on the Working Capital Fund (C/3/4) and adopted decision C/3/DC/1 on the establishment of the Working Capital Fund of IRENA, recommending to the Assembly, *inter alia*, that it establishes the Working Capital Fund of IRENA at a level of USD 1.6 million at its third session.

2. Interim 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.”

3. 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, 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. Actual results for 2011 confirmed the reported trend.

4. In the same report, the Director-General estimated utilisation of the 2011 core budget at the rate of 77.61%. The actual 2011 core budget implementation rate was 74.7% and it yielded a cash surplus in the core budget of USD 2.8 million. In his report on the Implementation of the Work Programme and Budget for 2012 (C/4/2) to the fourth meeting of the Council, the Director-General informed that projected 2012 core budget implementation rate is projected at 90.25%

5. 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. According to Financial Regulation 4.5 (b), the cash surplus will be refunded to Members and contributing Signatories as of 1 January 2013.

6. In addition, as a result of the liquidation of the Preparatory Commission for IRENA, the operating reserves of USD 0.3 million for 2009 and USD 0.8 million for 2010 which have been transferred to IRENA are due as of 1 January 2013 to Members and Signatories who had contributed to them and are apportioned to them as credits against their liabilities.

7. Based on actual financial results of September to November 2012, representing almost full component of staff, estimated operational core budget cash requirement for one month of operations is estimated at USD 1.2 million, including USD 0.8 million to cover staff costs.

8. Based on the experience drawn from the UN system and other international organizations, the level of the Working Capital Fund is normally in the range of 10-15% of the annual core budget, e.g. USD 1.6 million to USD 2.4 million of the 2012 core budget of IRENA.

9. In order to implement Interim Financial Regulation 9.5, the Director-General proposes the following:

- a. 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 approves the Working Capital Fund at the level of USD 1.6 million to be advanced by Members in accordance with the established scale of assessments.
- b. Advances to the Working Capital Fund from Members are made in accordance with Interim Financial Regulations 9.5 and 6.6 (b).

¹ Interim 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.

- c. The 2011 core budget cash surplus and, where appropriate, the Preparatory Commission's 2009 and 2010 operating reserves apportionment, are to be first credited as advances from Members to the Working Capital Fund, where such advances may remain unpaid. The then remaining balance of cash surplus and/or Preparatory Commission operating reserves, where appropriate, is applied to outstanding 2013 contributions in accordance with Interim Financial Regulation 4.5. These actions should be reflected in the accounts as of January 2013 based on Assembly decision.

9. As prescribed by Interim 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

10. Pursuant to Interim Financial Regulation 9.5, the Assembly may wish to establish the Working Capital Fund at a level of USD 1.6 million.