

INTERNATIONAL RENEWABLE ENERGY AGENCY

Third session of the Assembly

Abu Dhabi, 13 – 14 January 2013

**Report of the Director-General on
IRENA Programmatic and Budgetary Cycle****Introduction**

1. At its third meeting, the Council requested the Director-General to submit a proposal on the introduction of a biennial Work Programme and Budget, with the aim of introducing a biennial cycle for 2014 – 2015. The present report is submitted in response to this request. It provides information on the developments to date, and on the proposed way forward. It also reflects the effect that the shift to a biennial cycle will have in terms of changes to procedures and regulations.

Background

2. At the first meeting of the Council in July 2011, Members requested the Director-General to submit his proposal on a biennial work programme cycle for consideration by the Finance Committee and its subsequent advice thereon to the Council (C/1/SR/1, paragraph 53). In response, the Director-General submitted a proposal (C/2/9) which stressed that, while the annual programmatic and budgetary cycle has been valuable during the Agency's nascent stages, the Agency's long-term objectives require more systematic planning and sufficient time to consider the impact of its work programme activities, some of which can only be implemented over multiple years. At its second meeting in November 2011, the Council agreed that the biennial approach had merits in principle, and that the matter should be examined further in the future, bearing in mind the early stage in the development of the organization and planning uncertainties resulting there from.

3. Pursuant to this conclusion, and in preparation for the third Council discussion, the Finance Committee reviewed the initial proposal of the Director-General and unanimously supported the introduction of a biennial work programme and budgetary cycle as soon as possible. The Finance Committee recommended, and the third Council agreed, that the Director-General submits his proposal on biennial Work Programme and Budget for consideration at the fourth Council meeting, with the aim of having a biennial Work Programme and Budget of IRENA for 2014-2015 approved by the Assembly at its fourth session.

Introduction of biennial programmatic and budgetary cycle

4. In the course of implementation of the Work Programmes to date, it has become evident that the vast majority of IRENA's work is multiyear in nature, and that the planning of activities has to be done in a systematic manner, with sufficient time allocated for implementation and review. Recognizing this need, the Members requested that the Director-General, in consultation with the Council, develop a Medium-term Strategy (MTS). Consequently, the proposed MTS is before the Council at the current meeting, with the view for adoption by the Assembly at its third session (C/4/4).
5. The proposed MTS charts the way for the Agency's work in the coming five years and provides the vision and a framework for longer term programmatic planning. Therefore the introduction of a biennial cycle is timely, as it will facilitate the aligning of longer-term programmatic activities with IRENA's vision and strategy. Streamlining the programmatic and budgetary processes will also provide sufficient time for implementation, monitoring and evaluation of the work programme, to ensure consistency with IRENA's strategic priorities. A prudent use of resources, effective oversight, and meaningful control on the part of Members remain pivotal to this process. Furthermore, a biennial programmatic and budgetary cycle also brings about greater efficiency both in terms of staff time for preparation of work programmes and budgetary submission by the Secretariat, as well as for Members who would review and approve resources every two years rather than annually.
6. Consistent with the recommendation of the Finance Committee and the Council's third meeting, it is proposed that IRENA adopts the practice commonly used by international organizations where the work programme and budget is considered on a biennial basis, with annual assessments and annual reviews of the progress made, which allow for adjustments as necessary.

Procedural and Regulatory framework

7. The current procedural and regulatory framework will require certain adjustments to accommodate for the new cycle.
8. 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). While Articles V.A and XI.E.6 make reference to “annual work programme”, the Statute does not make reference to the timeframe with respect to the Agency’s budget. Current IRENA Interim Financial Regulations define budget as “the annual budget adopted by the Assembly indicating estimated resources and expenditures for a financial period”, and Regulation 2.1 defines this financial period to be one calendar year. Therefore, commensurate amendments would have to be made to the Interim Financial Regulations, to recognize and distinguish between the annual accounting period and the biennial budget period which shall consist of two consecutive calendar years, the first of which shall be an even year.
9. In order to ensure an inclusive and participatory approach in the preparation of the work programme, the Secretariat will commence its preparations of the programmatic cycle with an invitation to Members to elicit their views on IRENA work programming. Members’ suggestions for incorporation into the proposed work programme, including on appropriate deliverables and indicators of success, will be taken into consideration by the Secretariat as part of its internal programming procedures. Based on these inputs, lessons learned from the work programmes of preceding period, and within the overall Medium-term Strategic framework, the Director-General will present a proposed programme budget for a two year period, for the Council’s review and recommendation to the Assembly.
10. While the work programme and budget would be approved for a biennium, the contributions of Members will continue to be assessed annually, in accordance with assessed contributions modalities defined in Regulations 6.1, 6.2 and 6.3. Annual assessment will approximate half of the biennium appropriations approved by the Assembly, taking into consideration the timing of multi-year project implementation, as well as adjustments for salary and other expenditures for the second year of the biennium. The budgetary cash surplus of the biennium will be reflected in the audited Financial Statements for the second year of the biennium and will be apportioned among Members consistent with Financial Regulation 4.5.

11. In accordance with statutory requirements, the Director-General will continue to present his Annual Report, which will reflect the progress in the implementation of the biennial work programme. The annual report, will include an updated matrix of activities, deliverables, and performance indicators, which clearly articulates progress against plan and any necessary changes or resources to achieve objectives, so as to facilitate the Membership's understanding of the Agency's achievements, challenges, and direction. This annual report should also provide the basis for Membership to discuss establishment of new or adjustment of existing priorities for the second year of the cycle. Regulation 3.5 of the IRENA Interim Financial Regulations would guide any budgetary modifications on Supplementary Budgets. In accordance with the current practice, annual reports will be considered first by the AFC and PSC at the fall session of the Council for its recommendation to the Assembly.
12. The introduction of a biennial programme budget cycle will not impact on financial reporting requirements since the Director-General will remain responsible for submitting the annual IPSAS-compliant financial statements, as at 31 December of each year, to the External Auditors for annual audit.
13. Annex I provides a graphical illustration that indicates the sequence of various steps involved for the preparation, review, approval, monitoring, and reporting of the biennium programme budget cycles 2014-2015 as well as preliminary preparations required for the next biennium cycle, 2016-2017. As illustrated in Annex I, after the consultation process undertaken on the preliminary framework of the work program and budget as elaborated in paragraph 9 above, the Secretariat will present the framework for the 2014-2015 biennium to the Council at its spring session. In accordance with established practice, the PSC and AFC will review the proposed framework and provide recommendations to the Council. The Secretariat will submit the biennium budget proposal for 2014-2015, to be reviewed by the Council at its fall session, which will include a matrix of activities, deliverables, and performance indicators, as well as resources allocated by component.

Recommendation

14. In view of the benefits that the biennial programmatic and budgetary cycle would offer in terms of programme planning, implementation, and evaluation, as well as a more streamlined and efficient budgetary process, Members may wish to consider the proposed work programme and budget on a biennial basis, effective 2014-2015, with annual reviews of the progress and consideration of adjustments, as required. Members may also wish to request the Director-General to submit the amended Interim Financial Regulations to the Council for its consideration and submission to the fourth Assembly.

Annex I. Illustrative IRENA Biennium Programme Budget and Reporting Cycle

		2014-2015 Biennium	2016-2017 Biennium
2013	Spring Council	- Changes to Interim Financial Regulations proposed - 2014-2015 biennium preliminary framework submitted	
	Fall Council	- 2014-2015 Biennium Work Programme and Budget submitted	
2014	Assembly	- 2014-2015 Biennium programme budget approved - Revised Financial Regulations adopted	
	Spring Council		
	Fall Council	- First annual report on the Work Programme and Budget for the biennium 2014-2015 submitted	
2015	Assembly	- First annual report on the Work Programme and Budget for the biennium 2014-2015 adopted	
	Spring Council	- 2014 audited financial statements submitted	- 2016-2017 Biennium preliminary framework submitted
	Fall Council	- Second annual report on the Work Programme and Budget for the biennium 2014-2015 submitted	- 2016-2017 Biennium programme budget submitted
2016	Assembly	- 2014 audited financial statements approved - Second annual report on the Work Programme and Budget for the biennium 2014-2015 adopted	- 2016-2017 Biennium programme budget approved
	Spring Council	- 2015 audited financial statements submitted	
	Fall Council		- First annual report on the Work Programme and Budget for the biennium 2016-2017 submitted
2017	Assembly	- 2015 financial statements approved - Distribution of budgetary cash surplus	- First annual report on the Work Programme and Budget for the biennium 2016-2017 adopted
	Spring Council		- 2016 year audited financial statements submitted
	Fall Council		- Second annual report on the Work Programme and Budget for the biennium 2016-2017 submitted