

INTRODUCTION TO THE AGENCY'S ACCOUNTS FOR 1998 AND FINANCIAL HIGHLIGHTS

1. I present herewith the Agency's accounts for the year ended 31 December 1998. Part I contains the External Auditor's report to the Board of Governors on the audit of the accounts. Parts II and III contain the Agency's accounts, comprising Statements I to IV and Schedules S1 to S12, respectively. Part IV, entitled "Notes to the financial statements", describes the purpose and financing of the Funds and the authority under which they are administered, and the significant accounting policies applied by the Secretariat in preparing the statements and schedules. The notes offer additional information on significant items and events which could have a bearing on the financial position of the Agency, or on funds in its possession or under its control. The Annex (Part V) presents information which under the current United Nations system accounting standards no longer has the status of a financial statement, schedule or note, but is considered useful for Member States.

Significant changes

2. There are no significant changes in presentation and format this year except for the introduction of additional information in Schedule S1 (Status of Contributions to the Regular Budget Fund) on prior years' contributions. A new column shows payments received and credits applied in the current year. In Schedule S8 (Status of Contributions to the Technical Co-operation Fund) similar information was added to show the 1 January status of unpaid prior years' contributions and payments received against them in the current year.

3. The General Fund has two new accounts under the Technical Co-operation Extrabudgetary Fund (Fund group IV).

Sri Lanka - to administer contributions in support of the Regional Co-operation Agreement project on clean drinking water and energy efficient industrial process.

Czech Republic - to administer contributions in support of footnote a/ project UKR/4/004 "Upgrading WWER reactor pressure vessel inspection capacity".

Financial Highlights

General

4. As of the end of 1998, the Agency's total Agency cash holdings in all fund groups amounted to \$125.4 million (1997: \$138.5 million).

5. The United Nations rate of exchange of the Austrian schilling versus the United States (US) dollar decreased from 12.50 in January to 11.90 in December 1998, with an annual average of 12.40. This resulted in gains on exchange in US dollar terms which are shown under the provision for revaluation of cash as reflected in the balance sheet on Statement II for the Regular Budget.

Fund Group I. Regular Budget Fund and Working Capital Fund

6. Appropriations originally approved in the amount of \$221.4 million at the rate of 12.70 Austrian schillings to the US dollar were recalculated at \$226.0 million using the average rate of exchange of 12.40 Austrian schillings, in accordance with Resolution GC(41)RES/6.

7. Cash for the Regular Budget Fund, including the Working Capital Fund (WCF), decreased from \$65.0 million in 1997 to \$51.8 million in 1998. This decrease is due in part to the return of cash surpluses to the Member States. As \$56.7 million of the 1998 contributions were received only in December, it was necessary to temporarily utilize \$15.9 million from the Working Capital Fund.

8. The cash surplus for 1997 amounted to \$8.7 million as compared with \$19.1 million for 1996. This reflects lower collections of prior years' arrears as well as reduced savings on prior years' obligations. Member States' individual shares in this surplus are shown in Schedule S5.

9. The 1998 budgetary surplus of \$3.9 million (1997: \$1.1 million) consists of the following:

	<u>Millions of US dollars</u>	
	<u>1998</u>	<u>1997</u>
Unused balance of appropriations (Statement IV)	0.6	1.3
Surplus/(deficit) of actual resources over adjusted estimates (Annex 1)	3.1	(0.5)
Contributions assessed on new Member States (Schedule S1)	<u>0.2</u>	<u>0.3</u>
Budgetary surplus (Statement I)	<u>3.9</u>	<u>1.1</u>

The increase in the budgetary surplus is the result of higher interest income of \$5.6 million (1997: \$4.1 million) and lower loss on exchange of \$1.1 million (1997: \$3.8 million) due to the strengthening of the Austrian schilling against the US dollar in the last quarter of 1998.

Fund Group II. General Fund - Technical Co-operation Fund

10. The Fund's resources improved with total pledges amounting to \$53.4 million (1997: \$47.8 million) against a target of \$71.5 million (1997: \$68.0 million). Cash held was higher than last year, with \$ 32.6 million (1997: \$30.9 million). A significant part of this cash is held in difficult to use currencies.

Other Fund groups

11. The financial situation of Fund groups III, IV, V and VI is satisfactory. Their resources are based on extrabudgetary contributions from Member States or Member State institutions received before the respective activities are undertaken, or funding agreements with United Nations or other international organizations and agreements with contributors.

(signed) MOHAMED ELBARADEI
Director General