

INTRODUCTION

1. In accordance with Article XIV.A of the Statute, the Board of Governors hereby submits to the General Conference the Agency's budget estimates for the year 2000. The Board requests the General Conference to adopt the draft resolutions set forth in Annex I.

2. The programme for 2000 and its preliminary budget estimates were presented in document GC(42)/7, the Agency's Programme and Budget for 1999–2000. As the programme for that biennium has been approved by the Board of Governors, the present document describes only the changes in the programme for 2000. The preliminary budget estimates for 2000 have been revised in the light of these programme changes.

Overview

3. The 2000 regular budget for Agency programmes is estimated at \$221 718 000 at an exchange rate of AS 12.70 to the United States dollar. The following table shows the overall resource requirements for the proposed programme for the year 2000.

Major Programme	1999-2000 GC(42)/7		Increase/(decrease) over		2000 estimates at 1999 prices	Price adj. (%)	2000 estimates at 2000 prices
	Approved 1999	2000 prel. estimates at 1999 prices	Approved 1999	2000 prel. estimates at 1999 prices			
1 Nuclear Power and Fuel Cycle	12 595 000	12 768 000	(147 000)	(320 000)	12 448 000	0.5	12 514 000
2 Nuclear Sciences and Applications	31 936 000	31 937 000	(160 000)	(161 000)	31 776 000	1.1	32 118 000
3 Nuclear, Radiation and Waste Safety	14 167 000	14 281 000	340 000	226 000	14 507 000	0.6	14 600 000
4 Nuclear Verification and Security of Material	80 812 000	81 130 000	28 000	(290 000)	80 840 000	0.9	81 568 000
5 Management of Technical Co-operation for Development	12 669 000	12 669 000	51 000	51 000	12 720 000	1.0	12 851 000
6 Policy-making, Co-ordination and Support	67 110 000	67 039 000	(112 000)	(41 000)	66 998 000	1.6	68 067 000
Total regular budget for Agency programmes	219 289 000	219 824 000	-	(535 000)	219 289 000	1.1	221 718 000
Unfunded regular programme activities*	25 861 000	22 780 000	(8 193 000)	(5 112 000)	17 668 000		17 668 000
Extrabudgetary resources*	19 649 000	18 312 000	(3 393 000)	(2 056 000)	16 256 000		16 256 000
Total	264 799 000	260 916 000	(11 586 000)	(7 703 000)	253 213 000		255 642 000

*Price adjustments are not applied to Unfunded Regular Programme Activities or to extrabudgetary funded activities.

4. The key features of the 2000 budget estimates and programme changes are:

- a zero real growth regular budget as compared with the 1999 approved budget, representing a reduction of 0.2% in real terms from the year 2000 preliminary estimates;
- the identification of further efficiency gains and savings in administrative and operating costs in all programmes, particularly in the areas of meetings, travel, consultancies and documentation, resulting in a decrease of approximately \$1.6 million compared with the preliminary estimates;
- the redistribution of the aforementioned resources to priority programme activities in line with recommendations of the Senior Expert Group (SEG), Programme Performance Assessment System (PPAS) evaluations and comments by Member States;
- an increase in safeguards verification activities, which has been accommodated within the proposed regular budget by shifting some requirements for safeguards equipment and contracts from the regular budget to Unfunded Regular Programme Activities;
- renaming of Major Programme 2 from 'Nuclear Applications' to 'Nuclear Sciences and Applications' to better reflect the scope and activities of that Major Programme;
- renaming of the former 'Additional High Priority Activities' (AHPA) as 'Unfunded Regular Programme Activities' (URPAs) to better reflect the nature of these activities, and reduction of the total amount thereof to \$17.7 million from the preliminary estimates of \$22.8 million; and
- downwards revision of the expected extrabudgetary resources activities for 2000 to \$16.3 million from the preliminary estimates of \$18.3 million.

Review of the 2000 programme and budget

5. The approved programme for 2000 has been reviewed in the light of new developments which have occurred since the conclusion of the 1999–2000 programme formulation. The preliminary budget estimates for 2000 have been fine tuned, reflecting the changes in the programme. The overall regular budget resources for Agency programmes have been reduced to a zero real growth level as compared with the 1999 approved budget.

6. The following key elements were taken into consideration in the review of the programme for the year 2000:

- (a) the resolutions and decisions taken by the Board of Governors and General Conference during 1998 which were not reflected in the approved 1999–2000 programme and budget;
- (b) the results of the PPAS reviews which became available after the conclusion of the 1999–2000 programme formulation;
- (c) some of the recommendations by the SEG and comments thereon by the Director General and Member States;
- (d) comments by Member States in reviewing the proposed programme changes and draft budget for 2000; and

- (e) relevant events or changes in the international situation which required programme adjustments.

7. The start of the process was marked by the issuance of Budget Instructions, containing general programme guidelines by the Director General. The internal review of programme proposals has been co-ordinated centrally by the Programme Co-ordination Committee (PCC), and the sectional review on staffing has been conducted by the Human Resources Advisory Group (HRAG). In view of the fact that this is a review of the second year of an already approved biennial programme, a full review of other sectional subjects, i.e. information technology plans, research activities, procurement plans and publications, was undertaken only within each programme area.

8. Under the Director General's initiative, a Senior Expert Group (SEG) was established in 1998 to conduct a strategic review of the Agency's programme activities. The review focused on four major programmes: Nuclear Power and Fuel Cycle; Nuclear, Radiation and Waste Safety; Nuclear Sciences and Applications; and Nuclear Verification and Security of Material. Subsequent to the issuance of document GOV/1999/7, Report of the Senior Expert Group for the Review of the International Atomic Energy Agency's Programme of Activities, in February 1999, the comments thereon by the Director General were issued in document GOV/1999/8. In his comments, the Director General stated that while some recommendations could be acted on in the near future, others would need to be integrated into future Agency programmes through the Medium Term Strategy, which is being revised in the light of comments made in recent Board discussions. To the extent possible, where a general consensus was perceived among Member States, adjustments were made to the present budget proposals for the year 2000.

Highlights of changes

Major Programme 1

9. Regular budget resources for Major Programme 1 have been reduced by \$147 000 compared with the 1999 budget, and \$320 000 compared with the preliminary estimates. In line with observations included in the SEG report on waste management and disposal and the Director General's comments thereon, attention has been given to practical demonstration projects related to waste disposal and to solutions to problems of waste and spent fuel management in relation to nuclear power plants and research and test reactors. The following activities have therefore been added, through savings, in the present proposals: (i) facilitation of co-operative R&D and demonstration efforts in underground facilities for waste disposal; and (ii) support for spent fuel and radioactive waste management in Central and Eastern European Countries and the newly independent States of the former USSR. The strengthening of programme B (Nuclear Fuel Cycle and Waste Technology) is also in line with the findings of the PPAS review recently completed for this Major Programme, which attributes highest priority to programme B.

10. The 2000 programme has also been revised to reflect, to the extent possible, the results of PPAS reviews conducted in 1998 for selected topics within the Major Programme. In this connection, activities under subprogramme A.1 (Nuclear Power Planning, Implementation and Performance) have been adjusted to give emphasis to nuclear power planning in developing countries involving small and medium sized reactors (SMRs), and to activities in the area of nuclear power plant life management and performance optimization. In addition, a further increase in support to technical co-operation activities is foreseen in this subprogramme. Furthermore, the results of a PPAS review for programme C (Comparative Assessment of Energy Sources), which has been recently concluded, have been partially taken into account.

Major Programme 2

11. As with Major Programme 1, despite the overall resource reduction of \$160 000 compared with the 1999 budget, or \$161 000 compared with the preliminary estimates for 2000, areas of high priority have

been strengthened through internal redeployment of resources and savings derived from reductions in travel costs. The areas strengthened are: (i) the study of groundwater flow dynamics, and water resources assessment and management of coastal areas and small islands (two new Advisory Group meetings); (ii) a CRP on the characterization of radionuclide species and aggregates and their role in environmental radioactivity measurements; (iii) technical support for technical co-operation activities in Member States related to the use of the sterile insect technique for the control/eradication of insect pests; (iv) a CRP on the use of isotopic techniques to examine the role of infection in childhood malnutrition; and (v) a CRP on nuclear methods for humanitarian demining.

12. With regard to item (i) above, the adjustments have been made in line with Member State indications of priorities and indications by the SEG that high priority be assigned to isotope hydrology. The AGMs will also be of particular importance for formulating new activities in the water sector. In order to accommodate these activities, a Research Co-ordination Meeting (RCM) in the framework of a CRP on the radiation synthesis of intelligent hydrogels and membranes for separation purposes has been postponed to the year 2001.

13. The findings of the PPAS evaluation for this Major Programme have only recently been reported and so the conclusions of the review will be reflected in the next programme cycle.

Major Programme 3

14. Regarding Major Programme 3, the need for nuclear, radiation, transport and waste safety to remain as a key component of the Agency's activities is illustrated by the recurring safety incidents involving 'orphan' radioactive sources and the problem of ageing research reactors and their accumulating amounts of spent fuel. Total resources for this Major Programme have increased by \$340 000 compared with the 1999 budget and \$226 000 compared with the preliminary estimates for 2000. This is in line with the recommendations made by the SEG that nuclear safety should be "one of the strategic areas" of Agency activity.

15. The additional resources permitted the strengthening of two priority areas, namely, research reactor safety and the safety of radiation sources. New activities planned in research reactor safety include the provision of assistance to regulatory bodies, assistance in developing an ability for self-assessment of research reactor safety and assistance in the safe management of spent fuel from research reactors (jointly with programme B — Nuclear Fuel Cycle and Waste Technology). In connection with the problems encountered with 'orphan' radioactive sources, an action plan will be prepared to respond to General Conference Resolution GC(42)/RES/12 on the Safety of Radiation Sources and the Security of Radioactive Materials. In order to implement this action plan, the staffing resources in the relevant area need to be strengthened. This has been reflected in the present proposal for the year 2000.

16. In addition, projects under Programme H (Nuclear Safety) have been adjusted in order to respond to the recommendations of the Conference on Topical Issues in Nuclear, Radiation and Radioactive Waste Safety held in August 1998. In programme I (Radiation Safety) tasks have been added or reformulated on the basis of 1998 General Conference resolutions.

Major Programme 4

17. Regular budget resources for this Major Programme are higher by \$28 000 compared with the 1999 budget, but \$290 000 lower than the preliminary estimates for 2000. Increased inspection activities deriving from the opening of a number of new plants and the reopening of a reprocessing plant will result in an expansion of verification activities in the year 2000, which will require additional regular budget resources. This has been accommodated by shifting some requirements for safeguards equipment and contracts from the regular budget to URPA's.

18. The application of measures under the strengthened safeguards system will continue in 2000 to the extent permitted by the available resources. The implementation of measures under existing authority, i.e. the gathering of information from States, the use of unannounced inspections made possible by multiple entry visas, the collection of environmental samples and the employment of advanced technologies, will proceed as part of a coherent approach to safeguards. The experience derived from carrying out activities under Additional Protocols will be used to continue the development of the necessary infrastructure. This includes the updating and development of guidelines for submissions under Articles 2 and 3 of the Protocol, Subsidiary Arrangement language, internal guidelines for complementary access, procedures for information treatment, and operational procedures for protocol implementation on a State by State basis. The Secretariat periodically reports to the Board of Governors on progress in the application of measures under the strengthened safeguards system and will continue to do so until the long term aim — of fully meshing the traditional nuclear material accountancy based safeguards system with the new strengthening measures — has been accomplished.

19. Savings in resources for non-inspection related travel are being redeployed for inspection activities previously unfunded, reducing the URPA's in support of safeguards measures from \$950 000 to \$787 000. A new programme U (Verification in Iraq Pursuant to UNSC Resolutions), funded by the United Nations and outside of the regular budget, has been introduced to accommodate the activities of the Iraq Action Team, which was shown under programme O (Executive Management) in the 1999 approved budget.

Major Programme 5

20. The forecast of the technical co-operation programme for 2000 — based on the target set by the Board — is \$70 million, slightly higher than the original estimate of \$68.9 million. Regular budget resources for this Major Programme have been increased by \$51 000 compared with the 1999 budget and the preliminary estimates for 2000. These additional resources and the savings in travel allowed this Major Programme to strengthen activities in the area of technical co-operation project evaluation. This is in line with the emphasis of the SEG on the need for the Agency to assist, in particular developing Member States, in the peaceful uses of nuclear technology. The proposed adjustment is also in direct response to a number of Member States who indicated concern over the limited level of resources for technical co-operation evaluation activities.

21. The activities of this Major Programme will continue to be focused on the systematic implementation of the Technical Co-operation Strategy, including the application of model project standards to the entire programme and continued efforts on country programme frameworks, thematic planning and enhancing technical co-operation among developing countries (TCDC) to achieve the objectives of partners in development.

Major Programme 6

22. Regular budget resources for this Major Programme show a decrease of \$112 000 compared with the 1999 budget and \$41 000 compared with the preliminary estimates for 2000. Despite this decrease, savings within the Major Programme permitted programme adjustments without any financial implications, and in addition, funding of part of the implementation of the second phase of the Agency's Financial Information Management System (AFIMS) project in subprogramme R.1 (Financial Management).

23. In the light of the decisions made by the Director General in 1998 on the new approach to programme support and programme performance assessment activities and the subsequent re-organization, Programme O (Executive Management) has been restructured to include a new subprogramme O.3 (Programme Support and Evaluation). Similarly, subprogramme Q.2 (External Relations) has been renamed External Relations and Policy Co-ordination to emphasize its policy co-ordination activities. Oversight activities have been strengthened, in particular to provide Internal Audit with investigative capability.

24. In subprogramme Q.1 (Legal Activities), one meeting of the Standing Committee on Liability for Nuclear Damage, originally scheduled for 2000, will not now take place in view of the absence of a specific issue for consideration by this Committee under its mandate.

25. The initial proposal to allocate regular budget funds to the Equipment Replacement Fund has been maintained. Furthermore, the Agency's annual share of UNIDO's ten year preventive maintenance and replacement programme continues to be listed under URPA, as initially proposed, but adjusted downwards by \$405 000 to \$1.4 million.

Expected efficiency gains

26. The resources approved for the 1999 programme and budget included savings in the amount of \$5.4 million. As a result of the significant savings in the administrative area consistently identified in the past several years, further substantial savings in this area may affect the basic infrastructure needed to support the core activities of the Agency. Nonetheless, following a very austere plan, as instructed by the Director General, the regular budget estimates for the year 2000 include a total reduction of \$1.6 million compared with the preliminary estimates as a result of reductions in expenditure on travel, interpretation, procurement, translation and printing. The resources released were redeployed to fund additional activities in priority areas. In the particular case of non-staff travel, it is emphasized that savings will be achieved in particular by rationalizing the number of meetings and reducing financial support to participants from developed Member States.