

# OVERVIEW

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## INTRODUCTION

1. In this document, the Secretariat is proposing a programme and budget for the Agency for 2002–2003 in which, for the first time, the results based approach is fully reflected. The programme structure as it appeared in the approved programme and budget for previous biennia has consequently been substantially revised to reflect the new approach.

## PROGRAMME FORMULATION

2. Results based programming and budgeting is concerned with formulating programmes that are driven by a number of desired outcomes. These outcomes are articulated at the outset of the programme and budget process and performance indicators are established in order to measure actual performance against them at the end of a biennium. The resource requirements are derived from and linked to the expected outcomes, within the limits of financial constraints. The focus is, therefore, on the *objectives* to be achieved as a result of the Agency's programme and the *outcomes* to be attained, rather than on the traditional *inputs* and *outputs*. As explained in document GOV/2000/13 on the Agency's New Approach to Programme Development, the programme structure does not necessarily match the organizational structure of the Agency. The implementation of certain programmes may, therefore, require the involvement of more than one organizational unit.
3. The proposals contained in this document are the result of the extensive consultations with Member States on the content of the substantive programmes, as well as external and internal review, and an assessment of future demands for Agency services and of the needs and interests of Member States. The proposed programme also reflects the priorities indicated in the Medium Term Strategy and the comments made thereon by Member States.
4. As in previous programme and budget cycles, and following the practices used throughout the United Nations system, the hierarchy used in the programme and budget is: *major programme*, *programme*, *subprogramme* and *project*. In general, the term *project* is used to denote coherent clusters of programme activities which have an identifiable commencement date and an expected termination date. For the clusters of activities for which it is not appropriate to define termination dates because of the repetitive nature of the activities from one cycle to the other, the term "*recurrent project*" is used. Examples of such recurrent projects in a substantive major programme are "Instrumentation Development and Field Support", and "Computer Application Support" in Programme M (Safeguards) of Major Programme 4. Examples in a functional major programme (i.e. Major Programme 7) are "Payment Processing and Treasury", and "Recruitment".

## PRIORITY SETTING PROCESS

5. As in previous programme periods, prioritization of the Agency's activities has been based on:
  - statutory responsibilities and legal commitments;
  - decisions of the Policy-making Organs;
  - expressions of priority attached by Member States to various activities, including comments by Member States on the Initial Planning for the Programme and Budget 2002–2003

(GOV/2000/10) circulated in April 2000, and the draft programme proposals circulated in August 2000 (2000/Note 18).

Also considered in the priority setting process were recommendations of standing and other review and advisory bodies (Senior Expert Group, PPAS evaluation groups).

6. An effort has been made to identify the relative priority ranking of different projects, including recurrent projects, within subprogrammes. When two or more projects have the same priority ranking within a subprogramme, it means that they are of equal importance and, in that sense, they are “ex æquo”. Other projects within the subprogramme then follow the relative priority ranking.
7. Activities required by the Agency’s Statute, by international agreements to which the Agency is a party, or by decisions of the Policy-making Organs, that are included in the regular budget were given the highest priority ranking of “1”. Other activities that are necessary to support the fulfilment of the Agency’s obligations so defined are also given the highest priority ranking “1”. In other areas the ranking of “1” signifies the highest priority within the subprogramme.
8. No attempt was made at this point to rank, relative to each other, the priorities of projects across different subprogrammes, programmes or major programmes. The overall ranking scheme should be understood in the sense that the Secretariat proposes to include in the programme only projects which are regarded as being of importance in terms of the prioritization criteria described in the preceding paragraphs.
9. In response to Member State requests, an attempt has been made to prioritize CAURBs within subprogrammes — the results can be seen in the list of CAURBs at the end of each major programme. The procedure followed was to classify them as being of high, medium or low priority. CAURBs in the last category were deleted. It should be noted that this approach to prioritization reflects the views of the Secretariat and Member States should not be discouraged by these priority ratings from contributing extrabudgetary funds for activities which they consider to be of higher priority but which have been classified by the Secretariat as being of medium priority.

## **PERFORMANCE INDICATORS AND OUTCOMES**

10. As foreseen in the Agency’s new approach to programme development (document GOV/2000/13), performance indicators have been formulated at the programme, subprogramme, as well as project levels. (The performance indicators at the project level can be found in the electronic internal management document.) These indicators will be used for the assessment of the outcomes which will be reported to Member States at the end of the programme and budget cycle in the Programme Performance Assessment Report.
11. As explained in document GOV/2000/13, outcomes and performance indicators can be either qualitative or quantitative, and the number of indicators per outcome can also vary. Thus, although special attention was given to the formulation of outcomes and performance indicators, it is only when the Secretariat starts assessing programme performance against these indicators and gains experience in the assessment process that it will be possible to formulate performance indicators and outcomes more accurately and precisely.

## **PROGRAMMING AND BUDGETING PERIODS**

12. The programme will extend over a two year period, reflecting the Agency’s move to full *biennial programming*. This has been facilitated by the amendment to the Financial Regulations, approved by the Board of Governors in 1999, under which any unspent balance of regular budget resources deriving from activities in the first year of the biennial programme are automatically carried over into the second year for implementation of the postponed or unimplemented part of the programme. The introduction of full *biennial budgeting*, of course, must await the entry into

force of the amendment to Article XIV.A of the Agency's Statute; consequently, the draft appropriation resolution will be for 2002 only and it will be necessary, in 2002, to submit another, although much simplified, budgetary document to Member States concerning the draft appropriation and other resolutions for 2003.

### **COSTING OF PROGRAMME PROPOSALS**

13. In drawing up the initial programme proposals, the Secretariat sought to define the range of activities which would be needed to implement fully the Agency's statutory and other mandatory responsibilities without constraints as to whether or not the activities could be financed from the regular budget. The consultation documents on the four substantive programmes distributed to Member States in August 2000 were drawn up on this basis. These proposals, and the corresponding proposals relating to the three functional major programmes, were costed to produce the Secretariat's initial budget estimates. These programme proposals and estimates were subsequently reviewed in the light of comments received from Member States on the substantive programmes and guidelines from the Director General on the budgetary parameters which should be followed. This process resulted in adjustments to the programme proposals and, consequently, to the budget proposals. In particular, the programme structure and distribution of programme activities were modified to reflect the views expressed by Member States and, in the light of the relative priority rankings assigned in the initial programme documents, certain projects and activities were deleted, reduced or reclassified as unfunded programme activities to enable the proposals to conform generally with the internal budgetary guidelines. The proposals were further modified in the light of subsequent consultations with Member States.

### **PROGRAMME AND RESOURCE HIGHLIGHTS**

14. The new programme structure comprises seven major programmes in place of six in the 2001 programme and budget. The four substantive major programmes — Nuclear Science and Technology, Nuclear Techniques for Development and Environmental Protection, Nuclear Safety and Protection against Radiation, and Nuclear Verification and Security of Material — are mainly as outlined in the programme consultation papers transmitted to Member States in August 2000 and reflect the three substantive goals referred to in the Medium Term Strategy (MTS). With the structural modifications mentioned below, they correspond to major programmes in the 2001 programme and budget, although in three cases the titles have been changed to reflect their revised content and objectives.
15. The three other major programmes are functional programmes that aim to ensure excellence in management and to promote information collection and dissemination. They include a separate major programme for Management of Technical Co-operation for Development. The other two functional major programmes are the result of splitting the content of Major Programme 6 in the 2001 programme and budget to distinguish between the functions of policy and general management, which are now in Major Programme 7, and information support services, which are now in Major Programme 5. As has been stated previously in consultations with Member States, the introduction of a seventh major programme has no direct implications for Agency staffing levels and, in particular, will not entail creation of a new Department.
16. The new programme structure reflects a number of significant innovations and activity transfers at the programme level. One of them, which refers to all four of the substantive major programmes, is the grouping together of activities which relate to all programmes in the major programme. These include overall management and co-ordination as well as other common activities. The costs of these activities, which in the 2001 budget were allocated across the various programmes, have now been regrouped. There have also been other shifts in resources both between and within the major programmes. The highlights of these programmatic changes and resource shifts are outlined in the following paragraphs (all changes refer to 2001 prices).

## **MAJOR PROGRAMME 1: NUCLEAR SCIENCE AND TECHNOLOGY**

17. This major programme reflects the interest of Member States for the Agency to maintain a core programme in the nuclear science and nuclear technology area and to play a key role in the related international co-operation as mandated by the Agency's Statute. The major programme has been designed by integrating and further developing activities from the former Nuclear Power and Fuel Cycle with relevant activities from the former Nuclear Sciences and Applications. It comprises four programmes in place of three in the 2001 programme and budget. A new programme, entitled Nuclear Science, is introduced. This relates to basic scientific subjects such as nuclear physics, nuclear data and nuclear fusion, which are closely linked to nuclear technology. It includes a new subprogramme incorporating activities on maintenance of knowledge in nuclear science and technology and also activities relating to the promotion of education, training and research conducted in close co-operation with the Abdus Salam International Centre for Theoretical Physics in Trieste (ICTP). It also contains an integrated subprogramme on research reactors which combines activities previously shown in separate subprogrammes in two different major programmes.
18. Major Programme 1 also gives, in the 2002–2003 cycle, greater emphasis to: increasing capabilities in Member States to improve nuclear power plant performance and competitiveness and to optimize nuclear power plant service life; strengthening and catalysing the development of innovative nuclear power plants and nuclear fuel cycles, small and medium sized reactors, and nuclear desalination; increasing awareness of proliferation resistance and environmental soundness in nuclear fuel cycle activities; and maintaining the availability of effective input to United Nations bodies and intergovernmental organizations on the role of nuclear power in changing electricity sectors, in sustainable energy development and in the mitigation of climate change. The technology aspects of radioactive waste management, previously part of this major programme, are now part of an integrated programme in Major Programme 3.
19. The regular budget resources proposed for Major Programme 1 amount to \$17 358 000 for 2002 and \$17 372 000 for 2003. The proposed resource level for 2002 represents a reduction of \$59 000 when compared with the adjusted budget for 2001 as a result of the budget cuts, reductions and savings referred to in paragraphs 40 and 41. There is also a redistribution of resources within the major programme, with a strengthening of resources for Nuclear Science (\$59 000 related mainly to the maintenance of knowledge subprogramme) and overall management, co-ordination and common activities (\$146 000 due to the incorporation of all costs related to overall programme management and co-ordination as well as the provision of support to the Standing Advisory Group on Nuclear Energy and to the preparation of policy documents and reviews, including the Nuclear Technology Review). These increases are balanced by corresponding reductions in the programmes on nuclear power (\$77 000), nuclear fuel cycle and material technologies (\$58 000), and analysis for sustainable energy development (\$129 000) (Programmes A, B and C, respectively). Only minor adjustments are envisaged in 2003 relative to 2002.

## **MAJOR PROGRAMME 2: NUCLEAR TECHNIQUES FOR DEVELOPMENT AND ENVIRONMENTAL PROTECTION**

20. This major programme provides the core scientific and technical support to Member States for non-power applications. It has been changed considerably to reflect the enhanced contribution of nuclear sciences and applications to sustainable development through the strengthening of national capacities. For agriculture and food, it tackles specific problems in the areas of productivity enhancement, natural resource conservation, and plant, animal and consumer protection. In human health, where nuclear techniques are in many cases the sole means of diagnosis and treatment, or a necessary complement to non-nuclear techniques, the major programme seeks to enhance the capabilities of developing Member States to address needs

related to the prevention, diagnosis and treatment of health problems. A new subprogramme with an expanded terrestrial environment dimension has been included — Protection of the Marine and Terrestrial Environment — while the former subprogramme, Development and Management of Water Resources, is now a full programme, entitled simply Water Resources, reflecting the importance of these activities as underlined by General Conference resolutions. Radiation technology and radioisotope applications for the development of industry, radiopharmaceuticals and analytical quality control services are presented now as Programme I (Physical and Chemical Applications). This programme includes an activity on land mine detection. Furthermore, in response to General Conference Resolution GC(44)/RES/24 of September 2000, research and development activities which may lead to possible application of the sterile insect technique (SIT) for the control or eradication of malaria-transmitting mosquitoes will be initiated.

21. The regular budget resources proposed for Major Programme 2 amount to \$25 644 000 for 2002 and \$25 656 000 for 2003. The proposed level for 2002 represents a reduction of \$59 000 when compared with the adjusted budget for 2001 — due to the major programme's contribution to the additional cuts, savings and reductions referred to in paragraphs 40 and 41. FAO regular budget resources, however, are increased by \$262 000 per year, or \$524 000 for 2002 and 2003. In 2002, the resources for Programme F (Human Health) have been strengthened (by \$173 000), as have those for Programme G (Water Resources) (\$31 000) and Overall Management, Co-ordination and Common Activities (\$63 000 — due to the incorporation of costs related to overall programme management and co-ordination together with those of the Standing Advisory Group for Nuclear Application, SAGNA). These adjustments were made possible mainly through a reduction of \$295 000 in resources for Programme E (Food and Agriculture). However, the decrease is compensated by the comparable increase in FAO funds mentioned above. Only minor adjustments are envisaged for 2003. To support the new R&D activities in SIT for malaria-transmitting mosquitoes, staff costs amounting to \$100 000 have been transferred within Programme F (Human Health).

### **MAJOR PROGRAMME 3: NUCLEAR SAFETY AND PROTECTION AGAINST RADIATION**

22. Major Programme 3 is concerned with the establishment or adoption of safety standards to protect health and to minimize danger to human health and life, and to provide for the application of these standards. Through its programmes, it aims to: increase the capability of Member States to achieve and maintain a high level of safety in nuclear installations under design, construction or operation; achieve global harmonization and raise levels of protection of people against radiation exposure; and increase global harmonization in the policies, criteria, standards and provisions for their application, as well as in methods and technologies for radioactive waste management including safety aspects. The major programme has been restructured compared with 2001 to provide more coherent groupings of the critical activities. Most of the activities shown previously in the former safety co-ordination programme have now been allocated to the relevant thematic programmes for 2002–2003 — Programme J (Safety of Nuclear Installations), Programme K (Radiation Safety) and Programme L (Management of Radioactive Waste). The remainder are included in the new Overall Management, Co-ordination and Common Activities. Separate subprogrammes have also been established dealing with the radiological protection of patients and occupational radiation protection. Radioactive waste technology activities, previously part of Major Programme 1, are now included in Programme L, together with activities on waste safety.
23. The regular budget resources proposed for Major Programme 3 amount to \$18 611 000 for 2002 and \$18 627 000 for 2003. These figures represent a reduction of \$68 000 for 2002 compared with 2001 and of \$52 000 for 2003 compared to 2001 — due to the contribution of this major programme to the software licence and staff travel savings and the cuts and reductions referred to in paragraphs 40 and 41. There are no major changes in 2003 compared to 2002.

#### MAJOR PROGRAMME 4: NUCLEAR VERIFICATION AND SECURITY OF MATERIAL

24. This major programme is intended to establish and administer safeguards to ensure that special fissionable and other materials, services, equipment, facilities and information are not used to further any military purpose. It also assists the international community in improving the security of nuclear and other radioactive material, and in nuclear disarmament efforts. Particular attention will be paid to initiating the implementation of integrated safeguards in States where a comprehensive safeguards agreement and an Additional Protocol are in force. The objective is to provide for those States credible assurance on the non-diversion of nuclear materials from declared activities and the absence of undeclared nuclear material and activities.
25. The development of improved unattended and remote monitoring systems is foreseen to remain a priority, as will support for computer applications enabling inspectors to retain, analyse and process data related to inspection work in the field. Except for Overall Management, Co-ordination and Common Activities, the structure of Major Programme 4 follows the basic pattern of 2001. In 2002–2003 the Operations subprogramme, however, subdivides inspections for the first time into four separate projects showing the budgetary resources required for the different types of inspection activities — in States with comprehensive safeguards agreements, in States with comprehensive safeguards agreements and an Additional Protocol in force, in States with INFCIRC/66 type agreements, and in States with voluntary offer agreements.
26. The regular budget resources proposed for Major Programme 4 amount to \$82 241 000 for 2002 and \$82 129 000 for 2003, representing increases of \$1 038 000 for 2002 and \$926 000 for 2003, both compared with 2001. There is also an additional regular budget funding requirement of \$1 776 000 (\$1 847 000 at 2002 prices) for 2002 for safeguards equipment which cannot be accommodated within an Agency zero real growth budget. The increase in the regular budget resources for this major programme is the result of the resources needed for procurement of safeguards equipment at the Japan Nuclear Fuel Limited (JNFL) reprocessing plant under construction in Rokkasho Mura, estimated at \$2 900 000 in 2002 and \$1 000 000 in 2003. The above zero real growth budgetary requirement for 2002 has been offset in part by this major programme's contribution (\$86 000) to the savings, budgetary reductions and cuts referred to in paragraphs 40 and 41. The balance of this requirement is provided by part (\$1 038 000) of the corresponding savings, budgetary reductions and cuts provided by the other major programmes. It is proposed that the \$1 847 000 additional requirement be financed from a special appropriation as outlined in paragraph 44. It should be noted that, apart from the additional resources requested for JNFL, the budgetary proposal for Major Programme 4 represents a reduction of \$86 000 on the 2001 adjusted budget — due to the Major Programme 4 contribution to the savings, budget reductions and cuts already referred to.
27. The increase in the Agency's responsibilities in this area over the years has not been matched — owing to the zero real growth policy over a decade — by a corresponding growth in regular budget resources. For this reason, the programme has been relying excessively on extrabudgetary resources to finance execution of programme activities that should be funded by the regular budget. For the 2002–2003 biennium, the needed resources *which are not included in the regular budget appropriations* amount to \$54 001 000. It is not certain that all of these resources will be available. Out of the \$27 527 000 for which financing is not available within the regular budget for 2002, \$7.6 million of extrabudgetary funding is available but there is almost \$20 million for which no funding is currently available.
28. The breakdown of the regular budget for Programme N (Security of Material) for 2002 cannot be directly compared with the regular budget for 2001. The apparent budget changes at subprogramme level (increase for Subprogramme N.1, decrease for Subprogramme N.2) in 2002 reflect the revision of the content and scope of Programme N. It should also be noted that the activities involving resources of \$304 000 previously shown in project M.3.01 (Prevention,

Detection and Response to Illicit Trafficking in Radioactive Material) in 2001 are now included in Major Programme 3 under Subprogramme K.5 (Safety of Radiation Sources) in 2002 and 2003.

29. The annual resource requirements for Programme O (Verification in Iraq Pursuant to UNSC Resolutions) are estimated at \$10 650 000 per year for 2002 and 2003. This estimate of the full cost complies with the intent of paragraph 9 of United Nations Security Council Resolution 1284, which states that the Government of Iraq shall be liable for the full cost of the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC) and the IAEA in relation to their work under this and other related resolutions on Iraq. The amount represents the best estimate of the full cost of the Agency's mandate in Iraq pursuant to the relevant Security Council resolutions as already provided in 2001, allowing for the fact that the Agency must remain prepared to resume, at short notice, the required verification activities. These verification activities have been suspended since 16 December 1998. The UN currently contributes around \$1 million of this requirement annually to maintain the Action Team in readiness; receipt of the balance of the funding is dependent on the Agency resuming its verification activities in Iraq pursuant to the Security Council resolutions.

#### **MAJOR PROGRAMME 5: INFORMATION SUPPORT SERVICES**

30. This new major programme has been established in order to give the necessary emphasis to the Agency's information management and outreach activities aimed at both traditional constituencies and new partners. It comprises four programmes: public information, information technology infrastructure and services, nuclear information resources and conference, translation and publishing services. In 2001, these programmes were part of Major Programme 6 (Policy-making, Management and Support Services). These activities require an increased investment for development of the Agency's web site. Increased efforts will be made to broaden and foster better understanding of nuclear issues and to support the Agency's role within key segments of civil society. Greater emphasis will be placed in the future on external users of the Agency's information technology infrastructure in terms of sharing information and communicating among Member States, Missions and the Secretariat staff.
31. The regular budget resources proposed for Major Programme 5 amount to \$18 440 000 for 2002 and \$18 554 000 for 2003. The figure for 2002 represents reductions of \$938 000 in the resources devoted to corresponding activities in the 2001 programme and budget, made possible by savings totalling \$495 000 achieved in information technology services, as a result of reorganization and other efficiency and economy measures identified in a study initiated in 1999, by a small reduction in costs in Conference, Translation and Publishing Services, and the contribution of \$443 000 of this major programme to the savings and reductions referred to in paragraphs 40 and 41. The proposals for the use of these and the other savings, budget reductions and cuts achieved are summarized in paragraph 42. For 2003, the proposed regular budget represents a reduction of \$824 000 compared to 2001.

#### **MAJOR PROGRAMME 6: MANAGEMENT OF TECHNICAL CO-OPERATION FOR DEVELOPMENT**

32. This major programme is concerned with ensuring that the Agency's technical co-operation activities are well managed, that the contributions of Member States are utilized efficiently and effectively, and that the projects contribute to tangible social and economic benefits and to the scientific advancement of Member States. Compared with the 2001 programme and budget, however, technical co-operation programme evaluation activities have been regrouped together with the evaluation of other Agency programmes in Major Programme 7 (Policy and General Management) under Programme W (Oversight and Evaluation).

33. The growing imbalance between the work demands of the technical co-operation programme and the human resources available to meet the demand has been the focus of increasing concern for some time. The number of recipients of national, regional and interregional programming grew from 88 in 1991 to 110 in 1999. In the past decade, disbursements have increased by almost 40%, while actual outputs (expert assignments, placement of fellows, trained persons) went up by an average of almost 50%. Moreover, considerable efforts were made to improve the quality of the programme, involving greater upstream work and intensive consultation with Member States. In the same period, the number of staff increased by only 10%. The resulting pressure on human resources could have adverse impacts on the efficient and effective implementation of the programme and could limit the Secretariat's capacity to respond to requests for project support. The Secretariat has already made considerable efforts to resolve the problem by making better use of information technology, rationalizing procedures, nominating project officers from other Agency areas to manage technical co-operation projects and outsourcing implementation where possible.
34. At its meeting in December 2000, the Board of Governors recognized the serious shortage of human resources and the urgent need to address this problem. As an exceptional measure, the Board approved the use of up to \$1 million from the Technical Co-operation Fund (TCF) to finance short term contracts for this purpose in 2001. There had been general agreement, at the prior meeting of the Technical Assistance and Co-operation Committee, however, that in principle the financing of management resources should come from the regular budget. In line with this principle, the Secretariat proposes increasing the budget for this major programme to accommodate these additional costs. As is the case with every other activity of the Agency, however, the search will continue for further savings and efficiencies which might enable the management costs of the technical co-operation programme to be reduced. The area is, for example, currently being reviewed by a United Nations Office for Project Services (UNOPS) expert to identify and quantify the problems faced by the programme.
35. The share of the savings, budget reductions and cuts referred to in paragraphs 40 and 41 for Major Programme 6 amounts to \$33 000. Taking this reduction into account, the overall regular budget resources proposed for this major programme amount to \$13 806 000 for 2002 and \$13 814 000 for 2003. This represents a net increase in 2002 of \$967 000 above the corresponding resources in 2001 and effectively provides the additional funding of \$1 million required to strengthen the programme's management resources.
36. The regular budget savings, budget reductions and cuts referred to in paragraphs 40 and 41 — which are being utilized to offset the increases requested for this major programme and Major Programme 4 — are sufficient to enable the Secretariat to offset completely the increase in regular budget resources required for the strengthening of staffing resources for the years 2002 and 2003. The additional resources sought for Major Programme 6 will be used in the same manner as the \$1 million of TCF resources whose utilization for technical co-operation management purposes in 2001 was approved by the Board of Governors in December 2000.

## **MAJOR PROGRAMME 7: POLICY AND GENERAL MANAGEMENT**

37. This major programme, which includes the offices of the Director General and the oversight function, provides for the co-ordination of overall policy, direction and support to all Agency programmes and activities. It comprises, in a regrouped structure, the policy and general management activities of the former Major Programme 6; the other activities of that major programme relating to information support services — public information, information technology infrastructure and services, and conference, translation and publishing services — have been transferred to Major Programme 5. The evaluation of all Agency programmes, including the technical co-operation programme, has been integrated into a new programme on oversight and evaluation in order to have a more co-ordinated approach towards improving

accountability for the delivery of programme results, effectiveness and efficiency. The need to assess the achievement of outcomes which will accompany the introduction of results based programming and budgeting is met by incorporating into Subprogramme W.2 (Programme Performance Assessment and Evaluation) a new project entitled “Programme Performance Assessment”.

38. The regular budget resources proposed for Major Programme 7 amount to \$48 993 000 for 2002 and \$48 941 000 for 2003. The figure for 2002 represents a reduction of \$881 000 compared with 2001 owing to the major programme’s contribution to the savings, budget reductions and cuts referred to in paragraphs 40 and 41 — mainly for software licences and staff travel and the reduction in the budget for buildings maintenance. The larger reduction of \$933 000 in the major programme’s resources requirement in 2003 compared with 2001 is due to additional information technology savings expected to be realized in 2003.

## **HUMAN RESOURCES**

39. Efforts have been made to relate human resources requirements more closely to programme needs. Some proposals for additional posts and medium term temporary assistance positions have been considered but no posts additional to the approved staffing table for 2001 — authorizing a total of 1791 established posts — are foreseen under the proposals for 2002–2003. New posts approved will be accommodated either from redeployment within the Agency or through transfer from the post reserve.

## **SAVINGS AND CUTS**

40. The search for further programme savings, through efficiencies and economies, to secure additional resources to fund new and enhanced activities was pursued with the same vigour as in other biennia, notwithstanding the reduced scope for such savings. As a result of this effort, savings totalling \$788 000 in 2002 and \$854 000 in 2003 (both by reference to 2001) were identified. The major part of these savings (\$450 000 in 2002 and \$516 000 in 2003) are derived from reorganization of information technology (IT) services and appear as contributions from Programme Q (Information Technology Infrastructure and Services) and, in 2003, Subprogramme V.2 (Personnel Management). It should be noted that information technology reorganization has already yielded savings of \$184 000 in connection with the programme and budget for 2001 and the cumulative long term savings are expected to be significant. A further IT related saving of \$143 000 per year for both years of the biennium compared with 2001 was made possible by United Nations wide negotiations which enable a reduction in the cost of desktop software licences for staff members using PCs. The resulting reduction in costs comes from all major programmes. A small saving of \$45 000 in Recurrent Project S.1.01 (Direction — Conference, Translation and Publishing Services) is due to a personnel change. The balance of the savings, a net \$150 000 per year, are from Subprogramme V.1 (Financial Management) and arise from re-engineering of business processes and enhancement of the financial information system.
41. In addition to the savings referred to in the preceding paragraph, further budgetary reductions and cuts totalling \$1 486 000 in 2002 and \$1 296 000 in 2003 were identified. These budget reductions and cuts are summarized below (at 2001 prices).

|   | <b>2002</b>        | <b>2003</b>        |
|---|--------------------|--------------------|
| Buildings Management (Project V.3.02)               | 800 000            | 800 000            |
| INIS and Library (Subprogrammes R.1 and R.2)        | 300 000            | 300 000            |
| Staff travel (other than inspection related travel) | 248 000            | 196 000            |
| Hospitality   | 7 000              | -                  |
| Supplies  | 30 000             | -                  |
| Printing  | 53 000             | -                  |
| Publishing  | 48 000             | -                  |
| <b>Total</b>  | <b>\$1 486 000</b> | <b>\$1 296 000</b> |

The reductions in Buildings Management (\$800 000 per year) and in INIS projects and in Library materials for Agency staff (\$300 000 per year) followed a review of allocations in the areas where underspending was recorded in 2000. In all these cases, the reductions also respond to comments of Member States about costs in those areas. Part of the reduction (\$150 000 per year of the 2002–2003 biennium) in staff travel costs (other than safeguards inspection related travel) was also prompted by the review of actual expenditure in 2000 but subsequently additional cuts were proposed which applied also to the other items of expenditure listed (hospitality, supplies, printing and publishing). These additional programme cuts total \$236 000 in 2002 and \$46 000 in 2003. The areas subjected to the cuts were selected in a way that would produce the least disruption to the implementation of the Agency's legal obligations and other activities that cannot be postponed or curtailed. Nevertheless, the cuts will have some adverse effect on programme delivery. The combined savings referred to in the preceding paragraph and the budget reductions and cuts proposed in this paragraph amount to \$2 274 000 for 2002 and \$2 150 000 for 2003, both at 2001 prices.

42. With the exception of the savings in Subprogramme V.1 (Financial Management) — which have been utilized to provide funding for the increased programme monitoring necessary in connection with results based budgeting in Programme U (General Management and Programme Co-ordination) — it is proposed that these savings, budgetary reductions and cuts will be utilized to offset completely the increased allocations above zero real growth proposed in Major Programme 4 (Nuclear Verification and Security of Material) and in Major Programmes 6 (Management of Technical Co-operation for Development) in both 2002 and 2003. In the case of Major programme 4, the amount offset in 2002 is \$1 038 000 while in the case of Major Programme 6 the amount is \$967 000. Proposals for addressing the residual requirement for safeguards equipment of \$1 776 000 (\$1 847 000 at 2002 prices) in 2002 are described in paragraph 44.

## **SUMMARY OF BUDGETARY REQUIREMENTS**

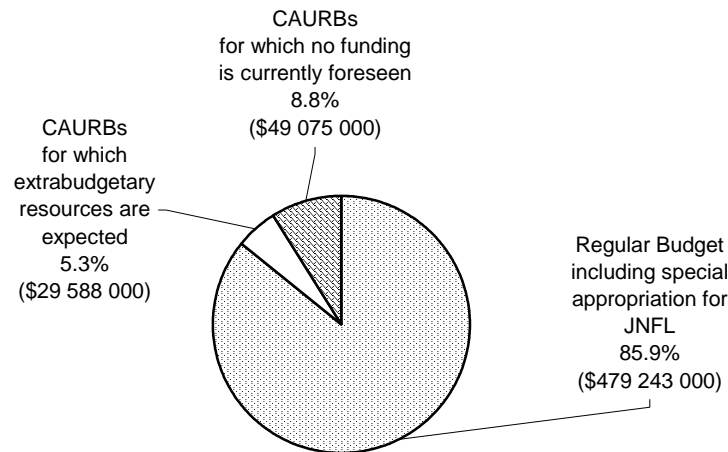
43. In setting the proposed regular budget ceiling for the two years of the biennium, the Secretariat has had to consider what are effectively irreconcilable views of Member States — ranging from the adoption of zero nominal growth as the budgetary norm to the suggestion that there should be some budgetary growth. The Secretariat has also been conscious of the extent to which the regular budget of the Agency is underfunded in the light of its statutory and other obligations that run across all major programmes, particularly the safeguards and safety programmes. In view of the fact that most major programmes have CAURBs, and in the light of General Conference resolutions requiring the maintenance of balance between the promotional and other statutory activities of the Agency, it is not feasible for the Secretariat to propose *significant* transfers of resources between major programmes other than those relating to the savings and budget reductions referred to in paragraphs 40 and 41. The Secretariat is particularly aware of the inadequacy of the resources available within zero real growth to provide fully for the budgetary requirement, signalled in successive programme and budget documents since at least 1994 and now maturing, for significant additional funding in respect of the procurement of equipment for implementation of safeguards measures at the JNFL reprocessing plant at Rokkasho Mura. It

should be mentioned that this requirement arises notwithstanding a very significant contribution of \$27 million expected from Japan over the years 2002–2005 towards the overall costs of \$36 million for the JNFL safeguards equipment.

44. The JNFL activities constitute mandatory obligations for the Agency. The net additional costs of these activities, after the application of part of the savings, cuts and cost reductions described in paragraphs 40 and 41, amount to \$1 776 000 (or \$1 847 000 at 2002 prices) in 2002. These net additional costs cannot be accommodated within a regular budget for 2002 limited to the zero real growth norm of recent years. It is accordingly proposed that they be financed exceptionally by the retention and use by the Agency for this purpose of \$1 847 000 of the 1999 cash surplus, as described in Note by the Secretariat 2001/Note 12 of 11 June 2001 and Corrected Appendix 6 of 2001/Note 12 which were considered by the Board of Governors at its meeting in June 2001. A special regular budget appropriation for this amount is included in the Draft Appropriation Resolution in the Annex. The partial use of the cash surplus enables the growth which would otherwise be necessary in the proposed regular budget for 2002 to be eliminated and the zero real growth policy to be fully observed. The Board of Governors agreed at its June 2001 session (paragraphs 1 and 3 of GOV/OR.1028) to waive Financial Regulation 7.03 governing the use of the cash surplus to enable this proposal to be implemented should the General Conference so decide. The following features of this proposal are emphasized:
- the special appropriation proposed here (\$1 847 000) would not be included in that part of the 2002 budget which would be used as a basis of comparison for the 2003 budget — inter alia for the determination of zero real growth;
  - since certain Member States (the so called ‘shielded’ countries) are exempt from contributing to safeguards growth under the Financing of Safeguards Formula (see GC(39)/RES/11 paragraph 1(c)(i), and GC(44)/RES/9 paragraph 1(A)(i)), they would not be required to contribute to the special appropriation for safeguards envisaged in this proposal. Thus their aggregate share of the 1999 cash surplus would not form part of the proposed special appropriation;
  - adoption of this proposal would be on the understanding that it would not constitute a precedent for dealing with similar budgetary situations in the future.
45. The zero real growth budget proposed and the special appropriation sought do not reflect the full extent of the Agency’s total regular programme funding requirement. The total funding required for CAURBs for the biennium is \$78 663 000. Of this amount, extrabudgetary contributions totalling \$29 588 000 are expected. The core activities for which no funding is available from any source — \$49 075 000 for the biennium — are included in this document to draw this situation to the attention of Member States, and with a view to attracting extrabudgetary funds. They are listed separately, as appropriate, at the end of each major programme narrative for adoption by the Board of Governors, so that they may be implemented without further formalities or delay should voluntary contributions be made available or regular budget savings materialize in the course of the implementation period. Activities which are not funded will not be implemented. The outputs which will not be delivered as a result are also listed in the tables of CAURBs at the end of the major programme narratives. As can be seen from the tables relating to Major Programmes 3 and 4, for example, the ability of the Agency to strive to maintain safety at the highest possible level and the quality and nature of the assurances provided by the safeguards system are at risk if the funding required for these activities is not forthcoming.

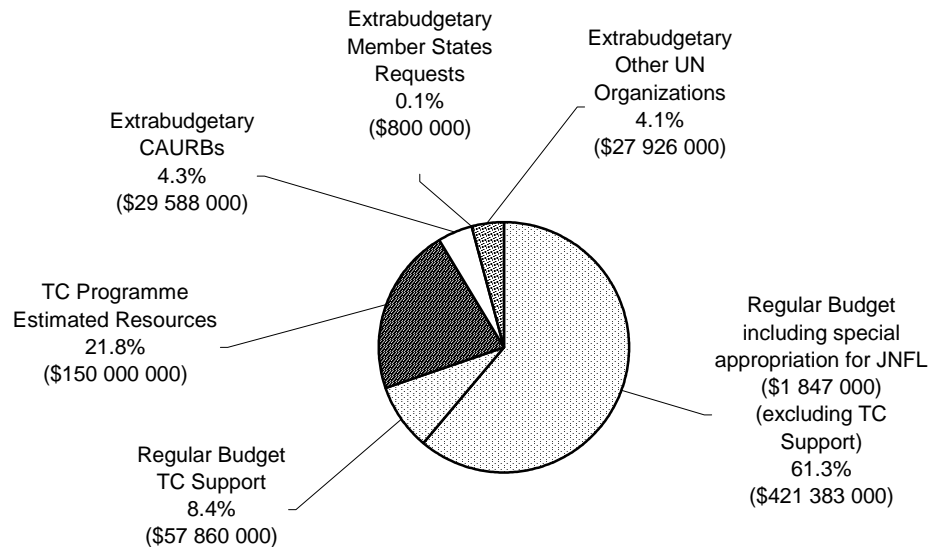
46. The chart below summarizes the resource requirements for the total regular programme. The total requirement of \$557 906 000 contains three elements: (1) the regular budget proposal, including the special appropriation for safeguards (\$1 847 000) — \$479 243 000 (at 2002 prices), (2) the CAURBs expected to receive extrabudgetary funding — \$29 588 000, and (3) the CAURBs for which no funding is available from any source — \$49 075 000.

### Resource Requirements for the Total Regular Programme in 2002–2003



47. It is evident from the chart that even with the proposed regular budget and the extrabudgetary resources that are expected to cover some CAURBs, there would still be a deficiency of 8.8% in the funds needed to implement the total regular programme.
48. With regard to the overall programme activities of the Agency in the 2002–2003 biennium, the chart below illustrates the estimates of resources for implementation from the three major sources of funding available to the Agency — the regular budget, extrabudgetary resources and estimates of resources for the technical co-operation programme. Together they represent the total resources the Agency will manage during the two years of the biennium (\$687 557 000). The predominant element is the regular budget of the Agency, accounting for \$479 243 000, including the special appropriation for 2002 (referred to in paragraph 46 above), or 69.7% of the total. This includes both \$421 383 000 for regular programmes and \$57 860 000 for support for the technical co-operation programme. The special appropriation in 2002 amounts to \$1 847 000.

**Total Resources for all Agency Programmes in 2002–2003  
(including technical co-operation programme)**



49. Current estimates of resources for the technical co-operation programme for the biennium are about \$150 000 000. This figure is comprised of approved amounts for the programme from the Technical Co-operation Fund for 2002 and estimates for 2003 (including amounts for the programme reserve and miscellaneous costs), plus estimates of extrabudgetary funds and government cost-sharing for the period.
50. The extrabudgetary resources expected amount to \$58 314 000. The resources for the biennium are divided into three portions — representing: (a) for CAURBs — 4.3% (already illustrated in the previous pie chart); (b) the aggregate amount available for extrabudgetary activities supported by other United Nations organizations — 4.1%; and (c) activities undertaken at the request of particular Member States — 0.1%.

**SUBMISSION TO THE GENERAL CONFERENCE**

51. Unless the amendment to Article XIV.A of the Statute enters into force prior to the General Conference in 2001, then in accordance with Article XIV.A of the Statute, the Agency's programme and budget estimates for the year 2002 will be submitted to the General Conference by the Board of Governors, which requests the General Conference to adopt the draft resolutions set forth in the Annex. The budget for 2003 will be the subject of a separate resolution to be submitted for the consideration of the Board in 2002.

**REPORT ON THE BUDGET TO THE UNITED NATIONS GENERAL ASSEMBLY**

52. In accordance with Article XVI of the Agency's relationship agreement with the United Nations (INFCIRC/11, part I), the budget will be reviewed by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), which will report on the administrative aspects thereof to the United Nations General Assembly.