SUMMARY

- The IAEA follows a Results Based Approach when developing its Programme and Budget. Results Based Approach is a management approach whose focus is on achieving results, improving performance, integrating lessons learned into management decisions and monitoring and reporting on performance.
- The IAEA Programme and Budget identifies the programmatic activities to be implemented by each major programme, and along with the Budget Update, it allocates how much money will be spent for these activities.
- The programme of work of the IAEA is funded in several ways: through the Regular Budget, the Technical Cooperation Fund and extrabudgetary funds.

This brief outlines the process by which the IAEA Programme and Budget are formulated and approved.

THE RESULTS BASED APPROACH

In 2000, the Agency introduced the Results Based Approach to Programme Development, which involves formulating biennial programmes that are driven by a number of desired results articulated at the outset of the process, and against which actual performance is measured at the end of the biennium (as described in document GOV/2000/13). One of the main reasons for introducing results based programming is to establish clearly how the Agency’s programmes and activities deliver tangible benefits to Member States. Following a Results Based Approach also helps to improve the clarity and consistency of programme designs while facilitating a common understanding and better communication between all stakeholders involved.

The Results Based Approach cycle consists of three consecutive, continuous and interrelated stages: (1) planning; (2) implementation and monitoring; and (3) performance assessment and reporting. Thus, at any given time, the Agency is managing all three stages of the process simultaneously: planning for the upcoming biennium, monitoring implementation of the current biennium and learning from and reporting on performance of the previous biennium. This Brief focus on the planning stage of the cycle.

Results are changes in a state or condition that derive from a cause-and-effect relationship. There are three types of such changes — outputs, outcomes and objectives — that can be achieved.
Objectives (What long term changes are we aiming for?): The situation that should exist at the end of a specified period as a result of Agency activities contributing towards meeting the identified Member State need.

Outcomes (What changes do we want to achieve?): Outcomes are specific changes to be induced by the Agency’s activities during a biennium if the objective is to be achieved. Outcomes are directly linked to outputs and can be assessed by performance indicators. Immediate outcomes can for example include engagement of Member States with IAEA activities, information, networks, research reports etc. or Member State and stakeholder reactions and support. Intermediate outcomes include improved capacity of and/or actions by relevant stakeholders. Outcomes are the basis for measuring programme performance and thus are at the core of the Agency’s results based approach.

Outputs (What is produced or delivered?): Products or services delivered as direct result of the implementation of Agency activities.

Activities (What is done?): The processes that transform inputs into outputs.

Inputs (What resources are used?): The organisational, human and material resources required to carry out activities and produce results within a given time-frame.
Achievement of results through the implementation of a project or programme can be claimed at any of the output, outcome or objective levels which constitute the “results chain”. A results chain can be summarized as a series of conditional statements: If A is done, B will happen; if B happens, C is also likely to happen as illustrated in Figure 1 on page 2. While a result chain shows a causal relationship over time, it is not a simple linear process. There are many external factors that may affect the results of the intervention, particularly at outcome level.

Planning along the results chain follows a top down approach whereby guidance from Member States is translated into objectives, outcomes, outputs and activities/tasks. Care is taken to ensure that the programme development is the result of assessment of Member States needs within the bounds established by the Policy Making Organs. This top down approach during planning helps to ensure that the resources allocated correspond to the results expected by policy-making organs, objectives are defined from “what do we want to achieve” and move towards the “how we are going to achieve it.”

Based on the programmatic planning for a biennium, including task and output planning, the corresponding activities will be costed and resource requirements be determined. These costs are added together to arrive at the two annual budgets.

**BUDGET FORMULATION AND APPROVAL PROCESS**

Article XIV.A of the Statute requires that the “Board of Governors shall submit to the General Conference the annual budget estimates for the expenses of the Agency.” In 1999, the General Conference approved an amendment to Article XIV.A of the Agency’s Statute which would allow biennial budgeting. However, this amendment has not yet entered into force. In its annual report to the General Conference, the Secretariat continues to draw Member States’ attention to the fact that in the context of current resource constraints, the current process of adopting annual budgets draws considerable resources both from the Secretariat and from Member States, which could be utilized otherwise. Until the amendment enters into force, current practice of Programme and Budget will continue with the approval of the Programme for the biennium, and approval of the Budget for each year.

It usually takes about a year and a half to prepare and approve the Programme and Budget document as well as the Budget Update. We will start with the Programme and Budget which is prepared every two years for the following biennium.

The formulation of the Programme and Budget begins with guidance for the major programmes, which takes into account Member State mandates and priorities identified by the Director General.

The Programme and Budget breaks down the work and budgets of each of the IAEA’s six major programmes, in accordance with the structure of the Agency’s work programme:

- **Major Programme 1**: Nuclear Power, Fuel Cycle and Nuclear Science;
- **Major Programme 2**: Nuclear Techniques for Development and Environmental Protection;
Major Programme 3: Nuclear Safety and Security;
Major Programme 4: Nuclear Verification;
Major Programme 5: Policy, Management and Administrative Services;
Major Programme 6: Management of Technical Cooperation for Development.

Each major programme constitutes a separate appropriation and, accordingly, funding cannot be moved between appropriations without the approval of the Board of Governors.

The budget formulation currently follows a two-step process. In the first step, every major programme is required to identify ways in which its budget can be reduced by 5% through prioritization and the more efficient use of resources. These reductions must be specific and verifiable. Step 1 is an exercise to ensure that the IAEA is continuously becoming more efficient, even as its workload increases. In the second step, every major programme is asked to identify new activities which will require additional funding. These activities must be high-priority and carry the promise of yielding impactful results as identified during the programme planning phase.

The IAEA Director General reviews the information and proposes a Programme and Budget to Member States for a given biennium. The Director General’s proposal is contained in the Draft Programme and Budget, often referred to as the ‘White Book’. This document is issued at the end of January of the year preceding the start of the biennium. You will see this document for the biennium 2020-2021 in January next year.

The Draft Programme and Budget is then reviewed by Member States through a comprehensive consultative process that takes several months. The review starts with an informal meeting of the Programme and Budget Committee (PBC) in February of the same year.

The Board of Governors may decide to perform a more thorough review and to start the consultative process among Member States through a working group process. A financial and administrative workshop is also held in April. The workshop is a technical briefing for Member States on all financial and administrative issues to be reviewed by the PBC.

The PBC meets formally in May each year, with one of its objectives being to reach a consensus on the Programme and Budget and make a recommendation to the Board of Governors, which at its June meeting is expected to take a decision, adopt the Programme for the following biennium and make a recommendation for the General Conference to adopt the IAEA’s budget.
for the first year of the biennium. The Agency’s Programme and Budget as recommended by the Board of Governors, often referred to as the ‘Blue Book,’ is then submitted to the General Conference for final adoption in September.

For example, the Agency’s programme for the 2018–2019 biennium, adopted by the Board of Governors in June 2017, was presented to the General Conference in September 2017 in The Agency’s Programme and Budget 2018–2019 (document GC(61)/4). The document included budget estimates for both 2018 and 2019. However, the estimates presented for 2019 were only preliminary, and General Conference approval of the budget was for 2018 only.

The General Conference’s resolution for the Regular Budget appropriation contains an adjustment formula to take into account the exchange rate variations during the year. To take inflation into account, the budget also builds in a ‘price adjustment’.

Now we move to the process for the second year of the biennium.
For the Budget Update, which presents the budget for the second year of the biennium, a lighter process of development and consultation with Member States is followed, as no overall programme or technical cooperation target discussion is required.

In line with the procedures adopted for biennial programming, the budget estimates for the second year of the biennium are contained in a concise summary document — The Agency’s Budget Update. The Budget Update is submitted during the first year of the biennium, including any programme changes and it introduces the applicable price adjustment for the second year of the biennium, highlights any significant changes to preliminary budget estimates, and sets out the draft appropriations and other resolutions. The draft Budget Update for 2019 (GC(62)/2) was adopted by the Board of Governors in June 2018 and will be presented to the General Conference in September 2018.

**IAEA SOURCES OF FINANCING**

The Agency’s total resources consist of the Regular Budget, Technical Cooperation Fund and extrabudgetary resources.

1. **Regular Budget**

Regular Budget appropriations, fully financed by the Member States, are presented in two parts: one for the operational Regular Budget and one for the capital Regular Budget. The Operational Regular Budget covers operational activities that should take place during the biennium concerned. The Capital Regular Budget covers infrastructure and major one-off purchases of large equipment, or renovation and construction projects that may require funding over multi-year periods.

The expenditures against these operational and capital budget appropriations will be recorded separately, so that funds appropriated for the operational Regular Budget will not be used for major capital investments and vice versa.

Once the General Conference approves the budget, the portion of the Regular Budget payable by each Member State (how much it must contribute/pay) is assessed. These assessments are made in two currencies, the United States dollar and the euro. This is done to minimize the risk of exchange rate gains or losses for the Agency. Most of the Agency’s requirements are in euros and US dollars; currently the proportions are about 88% for euro and 12% for US dollars, respectively.

Member State contributions, which are mandatory in nature, is based on the scale of assessment fixed by the General Conference. The system determining the scale of assessment or the contribution that each Member State makes to the Regular Budget is based upon the United Nations scale of assessment. The amount payable varies from year to year, because of changes in the United Nations scale of assessment and changes in the Agency’s membership in addition to
the changes in the budget amount. In 2018, the IAEA's Regular Budget is about €370.5 million (see chart).

2. Technical Cooperation Fund
The technical cooperation activities of the Agency are financed from the Technical Cooperation Fund (TCF), National Participation Costs (NPCs) and extrabudgetary contributions in support of the technical cooperation programme. The TCF is comprised of voluntary contributions by Member States, for which a target is recommended each year by the Board of Governors, and obligatory NPCs paid by recipient Member States. Although the contributions to the TCF are of voluntary nature, the TCF target is assessed to all Member States based on the scale of assessment used for the Regular Budget and Member States are strongly encouraged to pay their assessed shares in full. In 2018, the total TCF target was about €85.7 million and total technical cooperation programme resources (including TCF, NPCs and extrabudgetary contributions in support of the technical cooperation programme) were forecast at about €97.8 million.

3. Extrabudgetary contributions
The Agency continues to rely on extrabudgetary funds, mostly from Member States, to carry out some of its activities for which funding is not foreseen in the Regular Budget as well as to support technical cooperation activities. Extrabudgetary contributions are provided by Member States and other donors, including non-traditional donors. They are provided...
in the form of cash or in-kind contributions. In the biennium 2016-17, for example, the Agency received revenue of more than two hundred seventy million euros of extrabudgetary contributions.

The Agency’s Programme and Budget 2018–2019 reports activities currently unfunded in the Regular Budget as ‘unfunded’. In 2018, unfunded activities seeking extrabudgetary resources amounted to approximately €87.6 million.

Information regarding the levels of funding in the operational and capital portions of the Regular Budget, TCF and extrabudgetary budgets can be found in the IAEA’s published Programme and Budget document (issued for the whole biennium) and Budget Update (issued for the second year of the biennium). Information regarding the Agency’s finance can be found in the Agency’s Financial Statements.

IMPLEMENTATION AND REPORTING

During the implementation phase, managers use information from performance monitoring for internal management learning and decision-making and for external reporting to Member States on results achieved. This is illustrated in an example in Figure 2 on page 7.

Accordingly, Programme and Budget performance is reported to Member States through the Mid-Term Progress and Programme Performance Reports, issued in the middle and at the end of the biennium, respectively. In addition to showing the results achieved through the Agency’s programme of work, these reports detail budget usage. Additionally, the Agency’s Financial Statements are audited each year by the External Auditor. The audited Financial Statements are presented to Member States in April each year and reviewed by the PBC.

REFERENCES

1. The Agency’s Programme and Budget 2018-2019
2. The Agency’s Budget Update for 2019 (draft submitted to the General Conference)
3. IAEA Budget: An Overview
4. The Agency’s Financial Statements for 2016
5. The Agency’s Financial Statements for 2017 (draft submitted to the General Conference)
6. Management Reform (GOV/INF/1998/18, GC(42)/INF/7 and GOV/INF/2000/20 – GC(44)/INF/12
7. The Agency’s New Approach to Programme Development (GOV/2000/13)
8. Reporting on Programme Results in the Framework of the Results Based Approach (GOV/INF/2002/5)