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SPECIMEN DRAFT RESOLUTION

on the Regular Budget appropriations for 2002

at the September 2001 dollar/euro exchange rate

Note by the Secretariat

BACKGROUND

1. The majority of the Agency's expenditures are based on the Austrian schilling or on currencies which are linked to it. However, before 1986 the budget was expressed and assessed in US dollars, so that increases or decreases in the value of the US dollar led to expenditures exceeding the budgeted amounts or falling below the budgeted level. The process of approval of supplementary appropriations in the event of a drop in the dollar value proved to be unsatisfactory.

2. The need for a mechanism to adjust the Agency's appropriations and assessments on Member States for variations in the dollar exchange rate was first accepted by the Board and the General Conference in 1985 when approval was given to a regular budget for 1986 based on the adoption of a "split appropriation and assessment system" with an adjustment formula. This formula, which is part of the budget, has protected the Agency ever since against adverse effects of currency fluctuations. At the same time, it has ensured that Member States' contributions have not exceeded the Agency's resource requirements at the actual United Nations rates of exchange during the budget year.^{1/}

3. In recognition of the fact that most of the Agency's expenditures are linked to the Austrian schilling, the budget has since 1986 been calculated and presented in terms of two currency portions — the Austrian schilling and the US dollar — and Member States have been assessed for their shares in each portion. Since the introduction of the euro from January 2002 will lead to the replacement of the national currencies (including the Austrian schilling) of the twelve European Union Member States participating in the euro, however, it is necessary henceforth — commencing with the 2002 budget to calculate and present the Agency's budget in terms of euro and the US dollar.

^{1/} The United Nations operational rates of exchange are determined by the United Nations in New York every month and are available on the first day of the month in which they apply.

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4. Technically, the expenditure adjustment is achieved through a formula which has two components, the sum of which gives the appropriations in United States dollars. One component is fixed in terms of United States dollars while the euro portion when converted to dollars varies according to the value of the average of the United Nations operational dollar/euro exchange rates that will be experienced during the year — which is referred to as parameter R in the adjustment formula. This average exchange rate will determine the final dollar figures for the appropriation sections. Since the exchange rate and, therefore, the final dollar figure cannot be foreseen in advance, the budget has for a number of years been presented at a rate of AS12.70 to US\$1.00 (equivalent to 0.9229 euro to one United States dollar, the exchange rate used for presenting the 2002 budget estimates in document GC(45)/8). This makes current budgets easily comparable with those of prior years.

REGULAR BUDGET FOR 2002

5. Document GC(45)/8 – “The Agency’s Programme and Budget for 2002–2003” – contains in its Annex, draft resolution A relating to the Regular Budget appropriations for 2002. Attached to that draft resolution is the adjustment formula described above. With this adjustment formula, the resolution adopted on the Regular Budget becomes self-adjusting, that is, if the exchange rate varies, the dollar equivalent changes so that the purchasing value of the total budget estimates is preserved.

6. In order to give the General Conference the Regular Budget appropriation figures on the basis of the most up-to-date dollar/euro exchange rate and to illustrate how the adjustment formula operates, specimen draft resolution A is reproduced on page 1 of the Annex to this document on the basis of a rate €1.1 to US\$1.00, the United Nations operational rate for September 2001. In this draft resolution, on page 3 of the same Annex, division by 1.1 (i.e. the value taken for R in this case) of the figures in the right-hand column of the adjustment formula (which reflect budget estimates in euros) and addition of the results to the figures in the left-hand column, gives the total appropriations for 2002 of \$213 165 000 (i.e. 46 704 000 + 183 107 000/1.1), as shown in paragraph 1 of the specimen draft resolution, on page 1 of the Annex.

7. As indicated above, the purpose of this information paper is illustrative. In submitting to the General Conference the budget estimates for 2002 in document GC(45)/8, the Board of Governors requested — in paragraph 51 of the Overview in that document — the General Conference to adopt the draft resolutions set forth in its Annex.