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(GC(48)/1)

Specimen Draft Resolution on the Regular Budget Appropriations for 2005 at the September 2004 US dollar/euro Exchange Rate

Note by the Secretariat

A. Background

1. The Agency's expenditures are based largely on the euro (previously on the Austrian schilling) and on currencies linked to it. Prior to 1986 the budget was expressed and assessed in US dollars; thus fluctuations in the value of the US dollar relative to the Austrian schilling led to expenditures either exceeding or falling below the budgeted amounts. The resulting need for approval of supplementary appropriations in the event of a drop in the value of the dollar proved to be unsatisfactory.
2. The need for a mechanism to adjust the Agency's appropriations and its assessments of Member States so as to reflect 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 using 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 euro (previously to the Austrian schilling), the budget, since 1986, has been calculated and presented in two currency portions — between 1986 and 2001, the Austrian schilling and the US dollar and, beginning in 2002, the euro and the US dollar — and Member States have been assessed for their shares in each portion.

^{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.

4. Technically, the adjustment referred to in paragraph 2 is achieved through the ‘adjustment 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 actually 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, the budget since 2002 has been presented at a rate of €0.9229 to US\$1.00 (equivalent to the previously utilized rate of AS12.70 to one United States dollar). This makes current budgets easily comparable with those of prior years.

B. Regular Budget for 2005

5. Document GC(48)/2 — “The Agency’s Budget Update for 2005” — contains in its Annex draft resolution A relating to the Regular Budget appropriations for 2005. 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 regular 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 US dollar/euro exchange rate and to illustrate how the adjustment formula operates, specimen draft resolution A is reproduced on pages 1 and 2 of the Annex to this document on the basis of a rate of €0.831 to US\$1.00, the United Nations operational rate of exchange for September 2004. On page 3 of the same Annex, division by 0.831 (i.e. the value for R in this specimen draft resolution) 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 2005 of \$306 490 000 (i.e. 54 827 000 + 209 132 000/0.831), as shown on page 1, paragraph 1 of the specimen draft resolution in the Annex.

7. As indicated above, the purpose of this information paper is illustrative. In submitting to the General Conference the budget estimates for 2005 in document GC(48)/2, the Board of Governors requested the General Conference to adopt the draft resolution set forth in its Annex.

SPECIMEN Draft Resolution

Regular Budget Appropriations for 2005

The General Conference.

Accepting the recommendations of the Board of Governors relating to the Regular Budget of the Agency for 2005 ^{1/},

1. Appropriates on the basis of an exchange rate of €0.831 to \$1.00, an amount of \$306 490 000 for the Regular Budget expenses of the Agency in 2005 as follows ^{2/}:

	<u>United States dollars</u>
1. Nuclear Power, Fuel Cycle and Nuclear Science	27 061 000
2. Nuclear Techniques for Development and Environmental Protection	33 718 000
3. Nuclear Safety and Security	25 411 000
4. Nuclear Verification	118 410 000
5. Information Support Services	21 252 000
6. Management of Technical Cooperation for Development	17 906 000
7. Policy and General Management	59 566 000
Subtotal Agency Programmes	<hr/> 303 324 000
8. Reimbursable Work for Others	<hr/> 3 166 000
TOTAL	<hr/> <hr/> 306 490 000

the amounts in the Appropriation Sections to be adjusted in accordance with the adjustment formula presented in the Attachment in order to take into account the exchange rate variations during the year.

2. Decides that the foregoing appropriation shall be financed, after the deduction of
 - revenues deriving from Reimbursable Work for Others (Section 8); and
 - Other Miscellaneous Income of \$3 058 000 (representing \$2 058 000 plus €31 000);from contributions by Member States amounting, for an exchange rate of €0.831 to \$1.00, to \$300 266 000 (\$52 206 000 plus €206 138 000), in accordance with the scale of assessment fixed by the General Conference in resolution GC(48)/RES/ ; and
3. Authorizes the Director General:
 - (a) To incur expenditures additional to those for which provision is made in the Regular Budget for 2005, provided that the relevant emoluments of any staff involved and all other costs are entirely financed from revenues arising out of sales, work performed for Member States or international organizations, research grants, special contributions or other sources extraneous to the Regular Budget for 2005; and
 - (b) With the prior approval of the Board of Governors, to make transfers between any of the Sections listed in paragraph 1 above.

^{1/}See document GC(48)/2.

^{2/}The Appropriation Sections 1–7 represent the Agency’s Major Programmes.

Attachment

ADJUSTMENT FORMULA IN US DOLLARS

1.	Nuclear Power, Fuel Cycle and Nuclear Science	7 103 000	+	(	16 585 000	/R)
2.	Nuclear Techniques for Development and Environmental Protection	9 510 000	+	(	20 117 000	/R)
3.	Nuclear Safety and Security	4 624 000	+	(	17 274 000	/R)
4.	Nuclear Verification	21 739 000	+	(	80 334 000	/R)
5.	Information Support Services	2 490 000	+	(	15 591 000	/R)
6.	Management of Technical Cooperation for Development	2 072 000	+	(	13 158 000	/R)
7.	Policy and General Management	6 726 000	+	(	43 910 000	/R)
	Subtotal Agency Programmes	54 264 000	+	(	206 969 000	/R)
8.	Reimbursable Work for Others	563 000	+	(	2 163 000	/R)
	TOTAL	54 827 000	+	(	209 132 000	/R)

Note: R is the average United Nations euro-to-dollar exchange rate which will be experienced during 2005.