

Board of Governors General Conference

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Biennial Budgeting

Summary

- The purpose of this paper is to inform Member States of progress in acceptance by Member States of the amendment to Article XIV.A of the Statute, and to reiterate the benefits of biennial budgeting.

Biennial Budgeting

A. Background

1. The Board of Governors, at its session of June 1999, approved the Secretariat's proposal to change the Agency's programme and budget process to enable the Agency to implement biennial programming in full (GOV/1999/23) thus eliminating the practice until then of reviewing the entire programme for the second year of the biennium.

2. Since a biennial *programme* would best be implemented under a *budget* that provides resources for the entire biennium, the General Conference on 1 October 1999, upon a proposal submitted by Slovenia and a recommendation by the Board of Governors (GC(43)/24), approved an amendment to Article XIV.A of the Statute (GC(43)/RES/8) to permit biennial budgeting to be introduced.

A.1. Acceptance procedure

3. The amendment of the Statute approved by the General Conference to allow biennial budgeting must, however, be accepted by two thirds of the Member States, in accordance with their respective constitutional processes, before it enters into force (Article XVIII.C (ii) of the Statute). Although nearly five years have elapsed since the General Conference resolution, to date only 34 Member States (see Annex) have accepted the change in the Statute by the deposit of acceptance instruments with the depositary Government referred to in Article XXI.C of the Statute — the United States of America. In this connection it is worth mentioning that the Agency is apparently the last organization in the United Nations system to have an annual budget approval process.

A.2. Interim arrangements

4. Pending the introduction of biennial budgeting and in order to at least partially address some of the shortcomings connected with annual budgeting, the Board approved interim arrangements (set out in GOV/1999/23), namely:

- The Secretariat was given authority to carry over into the second year of the programming cycle any unspent balance of regular budget resources deriving from postponed or unimplemented activities in the first year of the biennium, rather than having to surrender unspent programme funds at the end of that year. The changes to the Financial Regulations required to enable this arrangement to proceed came into effect on 1 January 2002 for the 2002–2003 biennium.
- A simplified budget update document for the second year of the biennium was introduced in lieu of the previous complete programme review for the second year of the biennium. This simplified budget document introduces the price adjustments, and, if applicable, any significant changes, for the second year, and a separate appropriation resolution for purposes of obtaining the approval of the annual budget by the General Conference.

A.3. Benefits of biennial budgeting

5. The introduction of biennial budgeting would facilitate better programme planning and increased flexibility in programme implementation and would thus enhance the effectiveness and efficiency of programme delivery. It would also produce administrative improvements and savings as outlined in the following paragraphs.

6. When the amendment to Article XIV.A comes into force, the interim arrangements referred to under A.2 would be discontinued. The biennial programme and budget document would be prepared every second year and the budget update document would no longer be necessary. Secretariat staff presently devoted to the preparation of the budget update document could be utilized for other purposes. Likewise, the resources which the Member States devote to the consultation process, within both the Programme and Budget Committee and the Board of Governors, and in the General Conference, would be reduced. They would have to consider only one programme and budget document and one appropriation resolution covering the whole biennium. The special arrangements within the Secretariat to administer any unspent balance of regular budget resources deriving from postponed or unimplemented activities in the first year of the biennium would also be replaced by a new arrangement under biennial budgeting which provides resources for the entire biennium.

7. A specific example of the cost reductions which would be made possible by biennial budgeting is the savings arising from discontinuing the budget update document — estimated at \$50 000 for printing, translation and interpretation at the relevant meetings. To this may be added savings in the time of staff directly involved in the preparation of the document and its management part. It is difficult to make an accurate estimate of this, but a first estimate is of the order of \$140 000.

8. In addition to the efficiencies and economies described above, more time would be made available for programme implementation and assessment, thus further enhancing the quality of the programme.

A.4. Other considerations

9. Any changes would, of course, be introduced in accordance with demonstrated best practices within the United Nations system. For example, the financial period for the purposes of auditing could be established as two years, with external audit reports being provided at the end of the second year of the biennium. Interim financial performance reports and income and expenditure reports could be prepared at the end of the first year of each biennium in the form of summaries of the financial position, and could be presented to the Board of Governors and/or the General Conference.

10. Notwithstanding a single appropriation resolution covering the two years of the biennium, however, separate Member States assessments would continue to be made for each of the two years. The assessments could, for example, be made on the basis of fifty-percent of the biennial appropriation for each year of the biennium. Article XVIII.E of the Statute, concerning the obligations of a State leaving the Agency, and Article XIX.A, concerning the suspension of voting rights, would not be affected by this approach.

Acceptance of Amendment to Article XIV.A of the IAEA Statute

(As informed by the depositary Government)

Member State	Date of Acceptance
1. Algeria	13 June 2001
2. Argentina	29 May 2002
3. Belarus	16 March 2001
4. Bulgaria	17 July 2003
5. Canada	15 September 2000
6. Croatia	3 November 2000
7. Czech Republic	9 April 2002
8. Finland	14 June 2000
9. France	2 May 2001
10. Germany	20 September 2001
11. Greece	15 June 2001
12. Holy See	2 February 2001
13. Iran, Islamic Republic of	22 October 2001
14. Ireland	29 November 2000
15. Italy	3 December 2002
16. Japan	29 June 2004
17. Korea, Republic of	11 February 2000
18. Liechtenstein	2 April 2001
19. Lithuania	6 December 2001
20. Luxembourg	14 September 2001
21. Malta	30 December 1999
22. Mexico	15 April 2003
23. Monaco	11 April 2001
24. Myanmar	7 May 2001
25. Netherlands	12 March 2002

Member State

Date of Acceptance

26. Pakistan	20 June 2000
27. Poland	20 December 2001
28. Romania	26 June 2001
29. Slovakia	29 October 2002
30. Slovenia	3 April 2000
31. Sweden	13 July 2001
32. Switzerland	24 August 2000
33. Ukraine	12 February 2003
34. United Kingdom	2 January 2001