

Rules and Procedures

The IAEA Programme and Budget Formulation and Approval Process

SUMMARY

- The IAEA follows a Results Based Approach when developing its Programme and Budget. Results Based Approach is a management approach focused 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



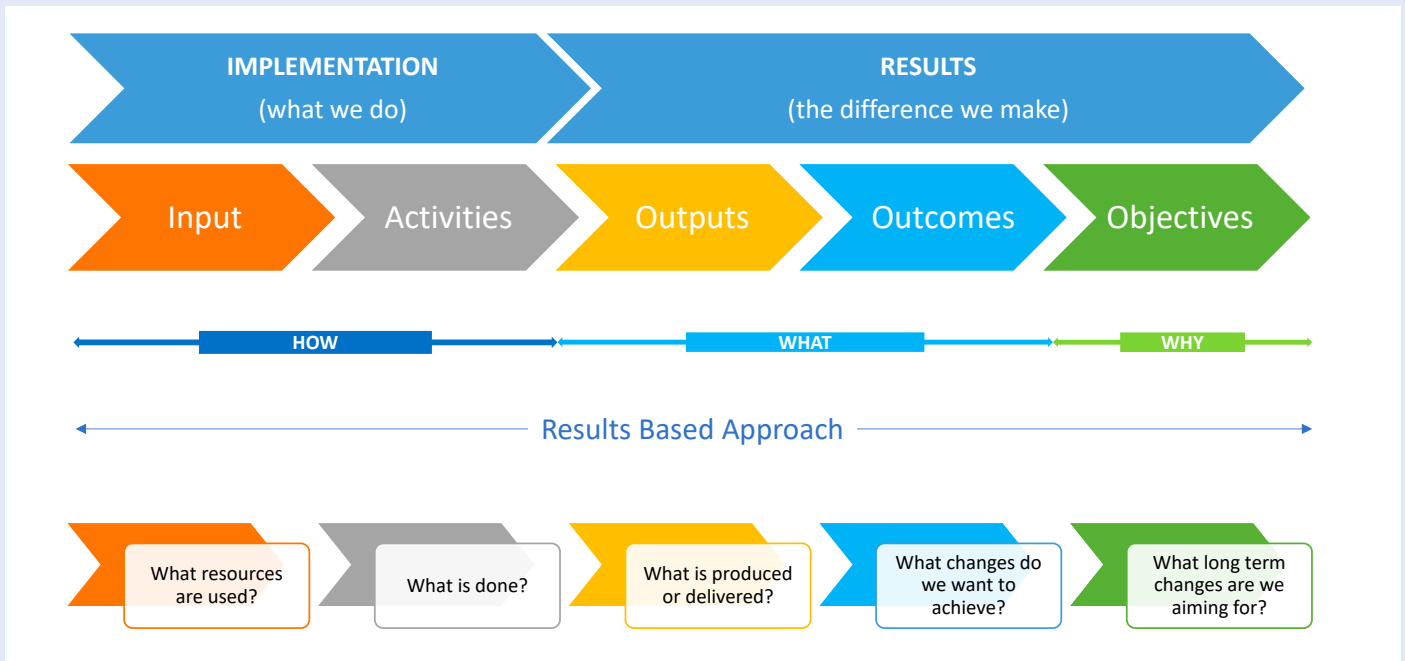
a Results Based Approach also helps to improve the clarity and consistency of programme designs, while facilitating a common understanding and better communication between all stakeholders involved.

The Results Based Approach cycle consists of three consecutive, continuous and interrelated stages:

- (1) Planning;
- (2) Implementation and monitoring;
- (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 focuses on the planning stage of the cycle.

Figure 1: Results Chain



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 an identified 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.

Outputs

What is produced or delivered?

Products or services delivered as a direct result of the implementation of Agency activities.

Activities

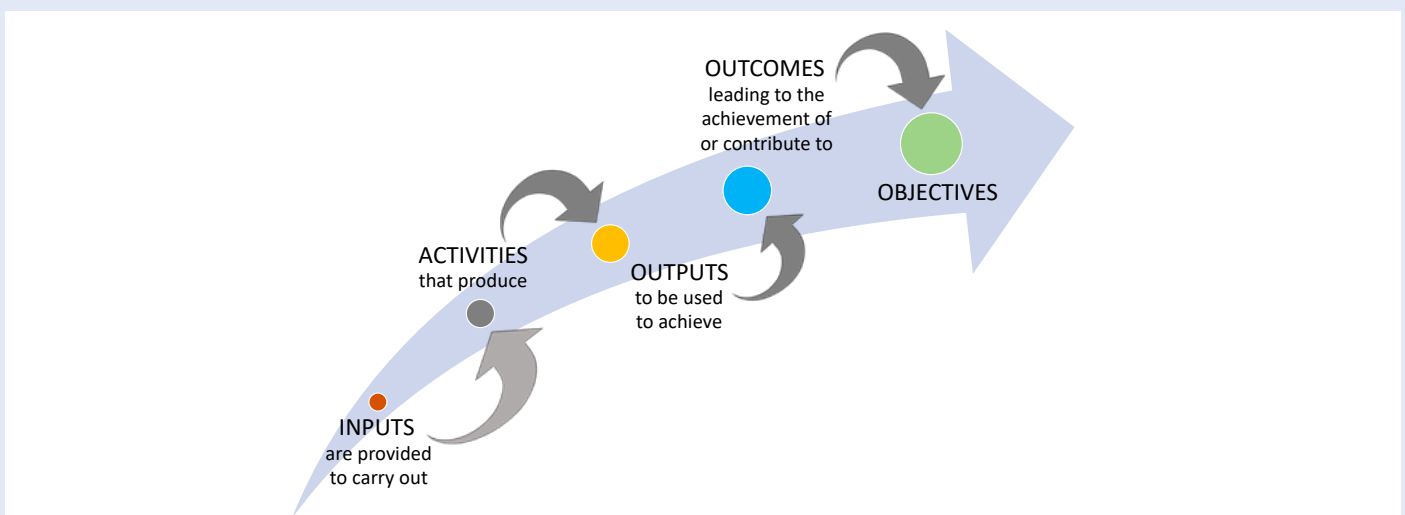
What is done?

The processes that transform inputs into outputs.

Inputs

What resources are used?

The organizational, human and material resources required to carry out activities and produce results within a given timeframe.



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.

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.

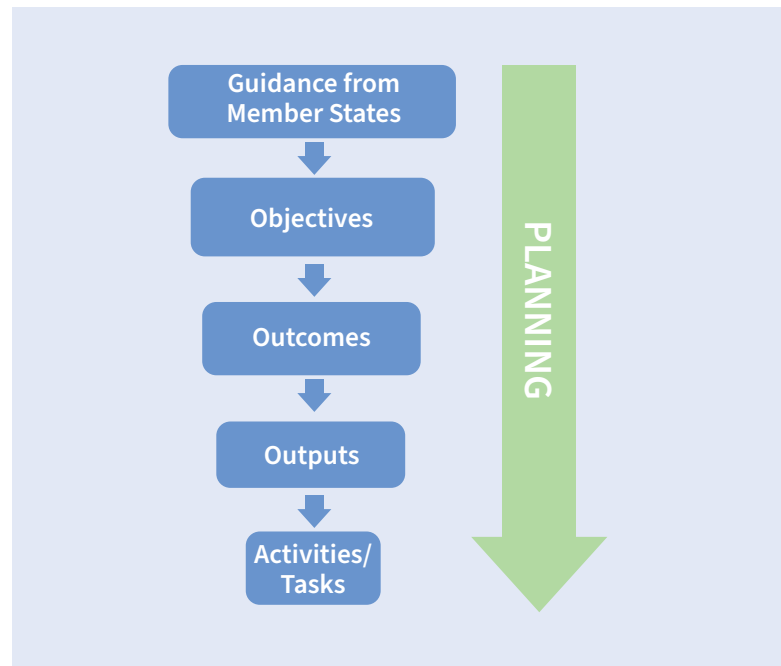
While a result chain shows a causal relationship over time, it is not a simple linear process. There are many external factors that may affect the results of the intervention, particularly at outcome level.

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 will 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. The Programme and Budget is prepared every two years for the following biennium.

The formulation of the Programme and Budget begins with guidelines for the Major Programmes, which take into account guidance from Member States and directions 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.

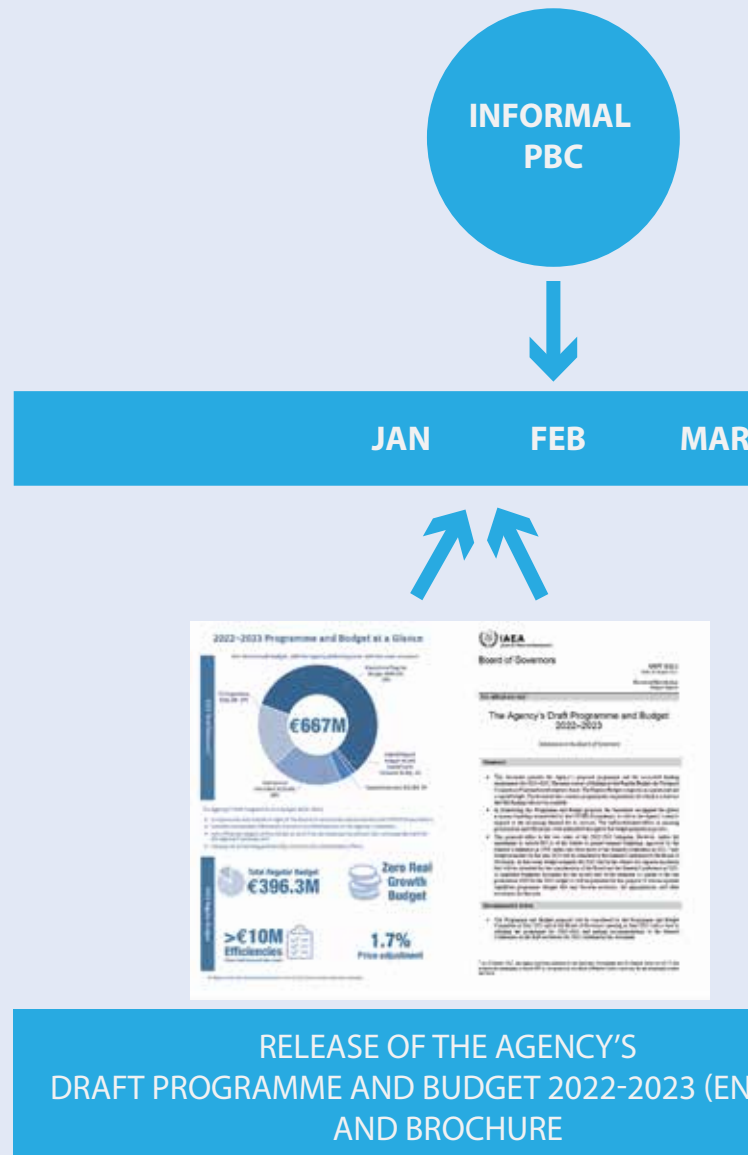
For the first time, the Director General set an Agency-level efficiency target of at least 10M EUR for the operational regular budget for the 2022-2023 biennium. This represented a 2.6% efficiency target per Major Programme in comparison to the approved 2021 budget. Since a zero real growth budget was proposed, these savings and efficiencies by Major Programme are to be re-invested in new and increased activities that are to be elaborated as part of the Programme and Budget submission.

The IAEA Director General reviews the submissions prepared by Major Programmes 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.

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. In addition, a financial and administrative workshop is 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.

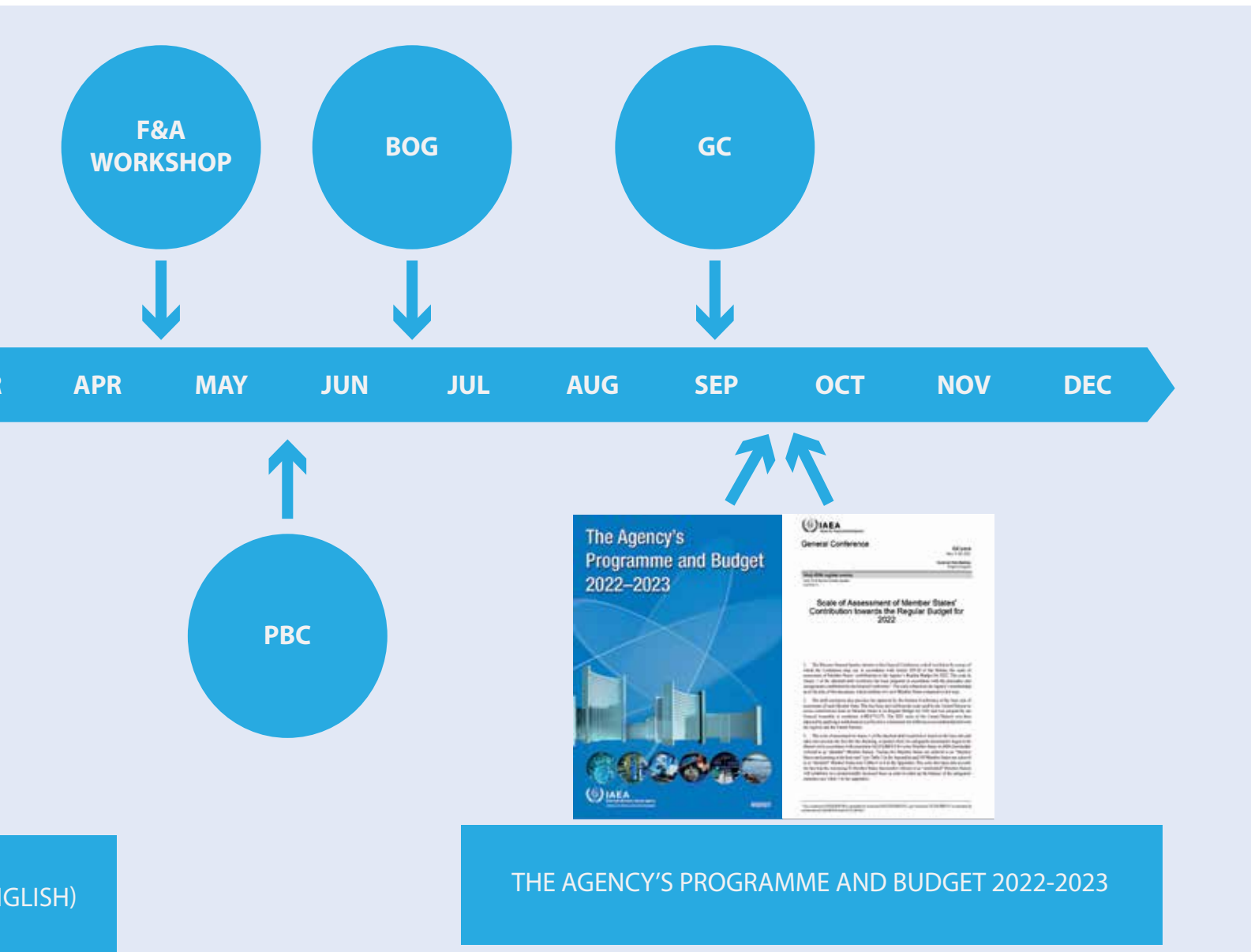
For example, the Agency's Programme for the 2022–2023 biennium, adopted by the Board of Governors in June 2021, was presented to the General Conference in September 2021 in the Agency's Programme and Budget 2022–2023 (GC(65)/2). The document included budget estimates for both 2022 and 2023. However, the estimates presented for 2023 were only

preliminary, and General Conference approval of the budget was for 2022 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.

The process for the second year of the biennium is explained next.

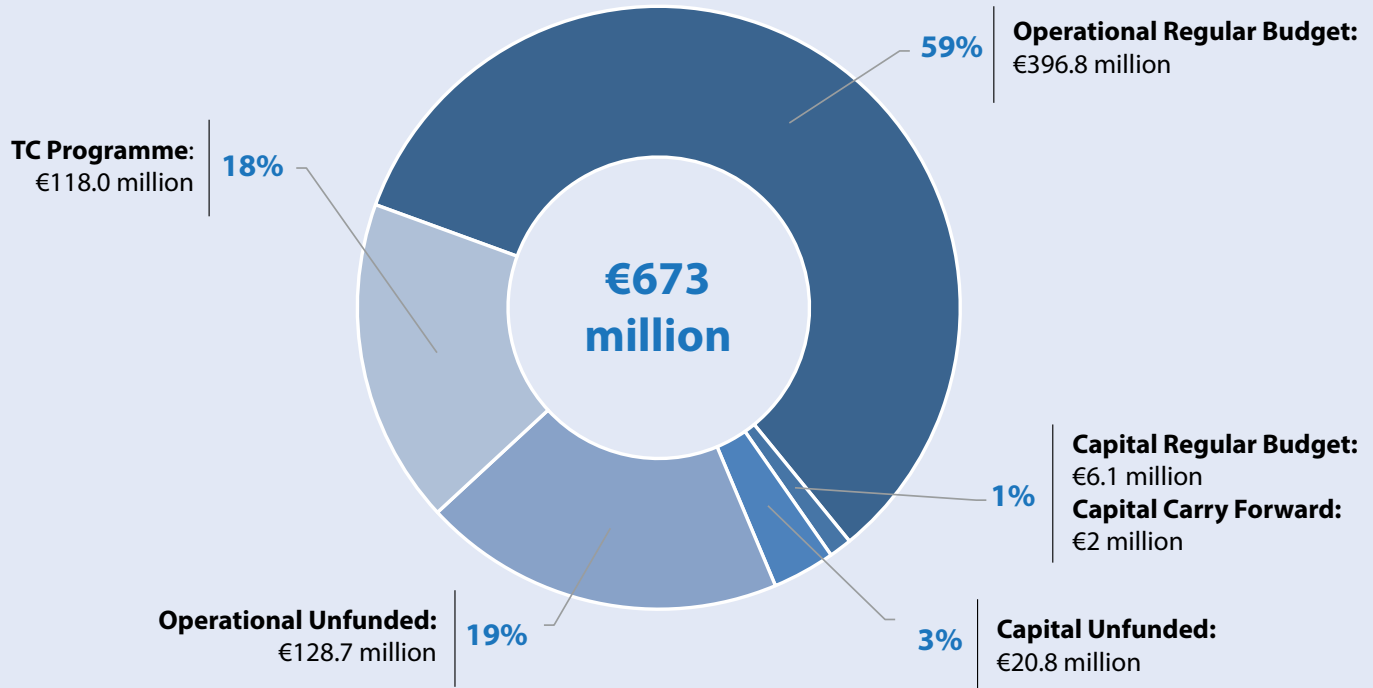
For the Budget Update, which presents the budget for the second year of the biennium, a lighter process of



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THE AGENCY'S PROGRAMME AND BUDGET 2022-2023

2023 Total Resources at a Glance



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 the applicable price adjustment for the second year of the biennium. It highlights any significant changes to preliminary budget estimates and sets out the draft appropriations and other resolutions.

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 Member States, are presented in two parts: one for the Operational Regular Budget and one for the

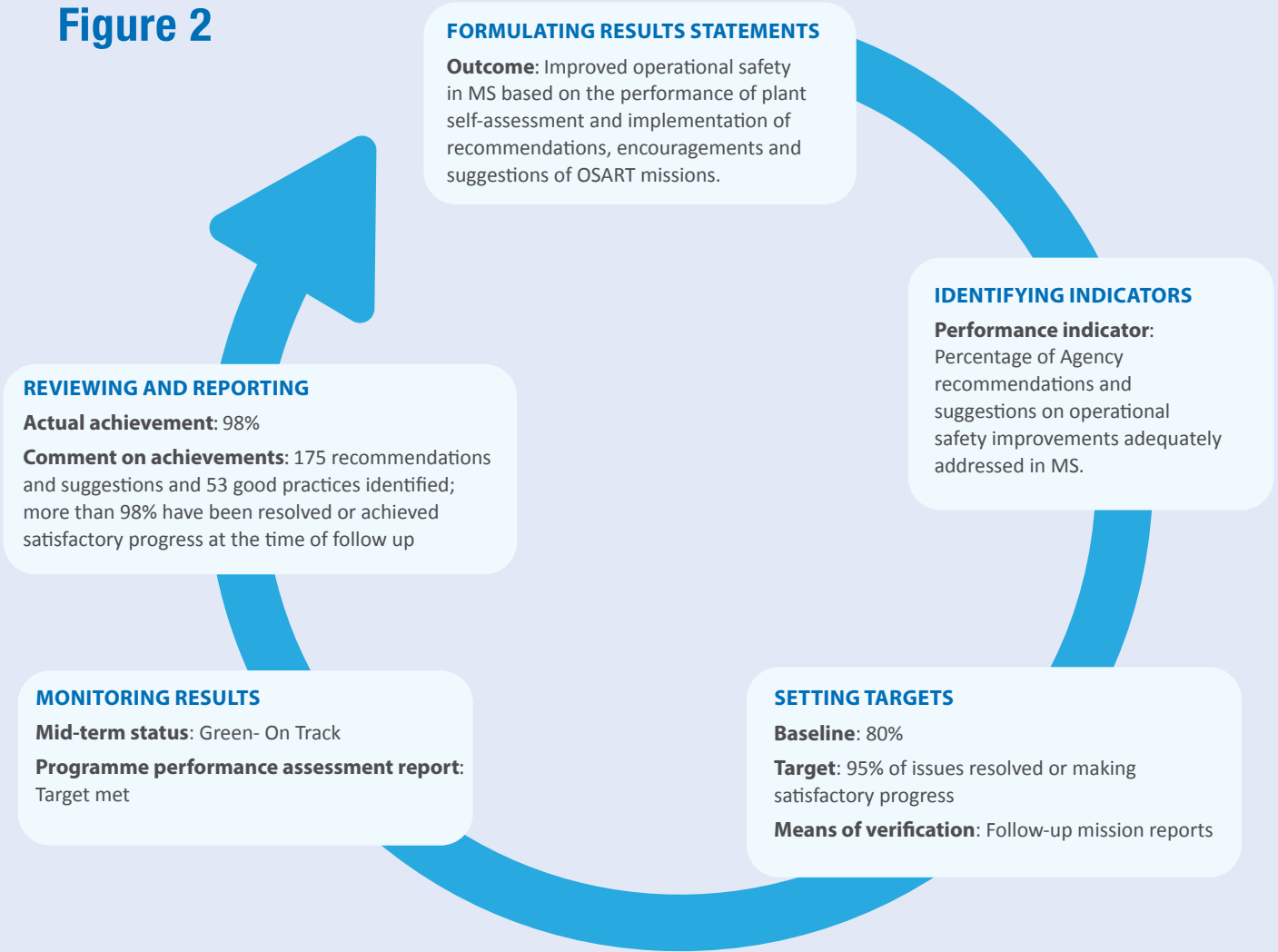
Capital Regular Budget. The Operational Regular Budget covers operational activities that should take place during the biennium concerned. The Capital Regular Budget covers infrastructure and major one-off purchases of large equipment or renovation and construction projects that may require funding over 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 (USD) 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 USDs; currently the proportions are about 88% for euro and 12% for USDs.

Figure 2



Member State contributions, which are mandatory in nature, are 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 2023, the IAEA’s Regular Budget is €396.8 million (see page 6).

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 2023, the total TCF target is €92.6 million, and total technical cooperation programme resources (including TCF, NPCs and extrabudgetary contributions in support of the technical cooperation programme) are forecast at €118 million.

3. Extrabudgetary contributions

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.

The Agency continues to rely on extrabudgetary funds 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. For 2023, activities currently unfunded in the Regular Budget for which extrabudgetary resource would be required amount to €128.7 million for the operational portion and €20.8 million for the capital portion of the Regular Budget.

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 implementation. 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 2022-2023 (GC(65)/2)
2. The Agency's Budget Update for 2023 (GC(66)/6)
3. The Agency's Financial Statements for 2020 (GC(65)/4)
4. Management Reform (GOV/INF/1998/18, GC(42)/INF/7 and GOV/INF/2000/20 – GC(44)/INF/12)
5. The Agency's New Approach to Programme Development (GOV/2000/13)
6. Reporting on Programme Results in the Framework of the Results Based Approach (GOV/INF/2002/5)

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