

General Conference

GC(49)/8

Date: 19 August 2005

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Forty-ninth regular session

Item 11 of the provisional agenda
(GC(49)/1)

Funding of Phase II Security Enhancement Costs 2005

Summary

This document relates to funding requirements regarding Phase II security enhancements which were recommended by the Board of Governors in June 2005 for approval by the General Conference.

Recommendation Action

The General Conference is requested to approve a draft resolution included in the Annex to this document in order to:

- appropriate to the 2005 Regular Budget for Major Programme 7 — Policy and General Management — as a supplement to the total appropriations of \$281 430 000 made by resolution GC(48)/RES/6, an amount of \$2 653 031 (€2 448 000) at the rate of exchange of €0.9229 = \$1.00 for security enhancements;
- decide that this supplementary appropriation shall be financed by additional contributions from Member States amounting, at an exchange rate of €0.9229 = \$1.00, to \$2 653 031 (€2 448 000) in accordance with the base rates for 2005 as approved by the General Conference in its resolution GC(48)/RES/9; and
- appropriate to the 2005 Regular Budget for Major Programme 7 — Policy and General Management — as a further supplement to the previous appropriation, an additional amount of \$2 936 969, representing the cash surplus for 2003, for security enhancements.

Funding of Phase II Security Enhancement Costs 2005

Background

Phase II requirements

The Board of Governors at its session in June 2005 agreed on the actions proposed, outlined in document GOV/2005/21 (see Attachment 1), as recommended by the Programme and Budget Committee in Annex 3 to document GOV/2005/29, for funding the cost, approximately \$7.1 million, of Phase II security enhancement measures for 2005 at the Vienna International Centre (VIC) and at Agency offices and laboratories outside Vienna (GOV/OR.1127). The Board of Governors also agreed to waive Financial Regulation 4.04 insofar as concerns the additional security enhancement funds approved in response to GOV/2004/58-GC(48)/16 and in response to GOV/2005/21, so as to permit retention of these funds for an additional twenty-four month period.*

The funding of Phase II security enhancements is required for:

Measures approved by the UN General Assembly	\$3 965 000
Window replacement	\$1 635 000
Other Agency offices and laboratories	<u>\$1 490 000</u>
Total	\$7 090 000

The first two items listed refer to the Agency's share of the full costs of implementing the Phase II measures in the VIC. The balance of those costs is being shared by the other VIC based organizations. The third item represents the cost of corresponding measures at other Agency offices and laboratories outside Vienna.

These measures complement those for which a supplementary appropriation of \$4 825 000 for Phase I (at the rate of exchange of €0.9229 = \$1.00) was approved by the General Conference in 2004 (GC(48)/RES/5). The costs result from implementation of enhanced security measures (Headquarters-Minimum Operating Security Standards (H-MOSS)) mandated by the UN General Assembly in response to the bombing of the UN headquarters in Baghdad. The need for additional (Phase II) measures was drawn to the attention of the General Conference in document GOV/2004/58-GC(48)/16 when approval was being sought for the 2004 supplementary appropriation for Phase I security enhancement measures.

* The Chairman's conclusion, setting out the action taken by the Board on this item, is shown in Attachment 2.

It is proposed that the Phase II security enhancements will be funded in the following manner:

(a)	2005 supplementary appropriation to be assessed on Member States	\$2 653 031
(b)	Utilization of 2003 cash surplus	\$2 936 969
(c)	Existing regular budget resources for 2005	<u>\$1 500 000</u>
	Total	\$7 090 000

The action agreed on by the Board in June included recommending that the General Conference approve the funding as per (a) and (b) above. The balance as in (c) above (\$1.5 million at the rate of exchange of €0.9229 = \$1.00) will be met using existing regular budget resources already approved for 2005.

The package of VIC security enhancements approved by the UN General Assembly did not include funding for the UN's proposed Global ID access and control system. The UN General Assembly deferred its review of that item until later in 2005. The costs may, therefore, still be approved by the UN General Assembly for the current biennium and will be communicated to the Board of Governors thereafter.

The draft resolution for which the approval of the General Conference is requested is included in the Annex to this document.

Annex:

Draft Resolution

Supplementary Budget Appropriation for 2005

The General Conference,

Accepting the recommendation of the Board of Governors as to the necessity of increasing the Regular Budget appropriation for 2005 for the Agency's share of security enhancements at the Vienna International Centre and corresponding requirements for the Agency's offices and laboratories outside Vienna,

Accepting also that the funding requirement should be partly met by use of available regular budget funds totalling \$1.5 million in the salary provisions of all major programmes and partly by use of the cash surplus for 2003 in the amount of \$2 936 969, and recognizing the need for a supplementary appropriation of \$2 653 031,

1. Appropriates to the 2005 Regular Budget for Major Programme 7 — Policy and General Management — as a supplement to the total appropriations of \$281 430 000 made by Resolution GC(48)/RES/6, an amount of \$2 653 031 at the rate of exchange of €0.9229 = \$1.00 for security enhancements;
2. Decides that this supplementary appropriation shall be financed by additional contributions from Member States amounting, at an exchange rate of €0.9229 = \$1.00, to \$2 653 031 (€2 448 000) in accordance with the base rates for 2005 as approved by the General Conference in its resolution GC(48)/RES/9; and
3. Appropriates to the 2005 Regular Budget for Major Programme 7 — Policy and General Management — as a further supplement to the appropriations referred to in paragraph 1 an additional amount of \$2 936 969, representing the cash surplus for 2003, for security enhancements.

Attachment to Annex

ADJUSTMENT FORMULA IN US DOLLARS

7. Policy and General Management	000 000	+	(2 448 000 /R)
	<hr/>		<hr/>
TOTAL	<u>000 000</u>	+	<u>(2 448 000 /R)</u>

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

Board of Governors

GOV/2005/21

Date: 4 April 2005

Restricted Distribution

Original: English

For official use only

Programme and Budget Committee

Item 4 of the provisional agenda
(GOV/COM.9/148)

Funding of Phase II Security Enhancement Costs 2005

Summary

- This document requests the Board of Governors to approve: (1) measures to fund the cost, approximately \$7.1 million, of Phase II security enhancements for 2005 at the Vienna International Centre and at Agency offices and laboratories outside Vienna, and (2) retention by the Agency of funds approved for Phase I security enhancements in response to GOV/2004/58–GC(48)/16 and for Phase II in response to this document until used or no longer required.

Recommended Action

The Board is asked to:

- Consider proposals for regular budget funding for 2005 in an amount of \$7 090 000 to cover: (a) the Agency's budgetary requirements in 2005 for Phase II security enhancements at the Vienna International Centre (VIC), to achieve compliance with United Nations system-wide *Headquarters — Minimum Operating Security Standards (H-MOSS)*; and (b) corresponding security enhancements at the Agency's offices and laboratories outside of Vienna;
- Authorize the Director General to make transfers of funds between appropriation sections (as set out in paragraph 11) not exceeding \$1.33 million so as to utilize 2005 regular budget resources intended to cover an ICSC forecast increase in salaries which is now not expected to arise, in order to partially cover the above funding requirement;
- Waive Financial Regulation 7.03 — as an exceptional measure — so as to permit retention of the final cash surplus for 2003 in the amount of \$2 936 969 (see document GOV/2005/20), to partially cover the above funding requirement;
- Recommend to the General Conference appropriation of the 2003 cash surplus of \$2 936 969 to Major Programme 7 in 2005, as set out in the draft resolution annexed hereto;
- For the remainder of the requirement, to recommend to the General Conference a supplementary appropriation to the 2005 regular budget of \$2 653 031, as set out in the draft resolution annexed hereto;

- Waive Financial Regulation 4.04 to permit the retention of all funds for security enhancements approved in response to this document and in response to GOV/2004/58–GC(48)/16 until used or no longer required;
- Take note of the further security measure identified in paragraph 9 not yet resolved by the United Nations General Assembly.

Funding of Phase II Security Enhancement Costs 2005

A. Background

1. A supplementary appropriation for 2004 of \$4 825 000 (at the budget exchange rate of €0.9229 = \$1.00) was approved by the General Conference in 2004 (GC(48)/RES/5). The funds were to cover the costs (capital/one-off and recurrent) for 2004 of immediate or Phase I security enhancement measures (mandated following the bombing of UN headquarters in Baghdad) at the Vienna International Centre (VIC) and at the Agency's offices and laboratories outside of Vienna. The Board and the General Conference were also asked at the time to take note of further Phase II security enhancement measures (GOV/2004/58-GC(48)/16 refers), including both additional items and projects not covered by the Phase I measures approved by the General Assembly. The document¹ indicated that "Any further submissions by the Agency's Secretariat for an additional supplementary appropriation in 2005 will be based on the General Assembly's response, the funding situation in 2005, and refinements to the proposed measures."

B. Phase II components

2. The Phase II proposals applicable to the VIC, prepared jointly and agreed to by the VIC based organizations, were included as part of a comprehensive United Nations system-wide security enhancement budget to supplement measures approved under Phase I. The proposals were submitted by the United Nations Secretary-General to the General Assembly in September 2004 (A/59/365 and Add.1). On 22 December 2004, the General Assembly adopted a resolution (A/RES/59/276) approving \$53 633 300 of the \$97 074 200 requested by the Secretary-General.

3. In terms of VIC requirements, the General Assembly approved \$7.6 million of the \$8.5 million requested by the Secretary-General for Phase II measures (at UN rate of exchange of €0.901=\$1.00). The Agency's share of this amount is approximately 53%, or just over \$4 million (equivalent to \$3 965 000 at the Agency's budget rate of exchange) based on the cost sharing formula utilized by the VIC based organizations. Of this figure, \$1 547 000 million is for recurring costs in 2005, whereas from 2006 onwards annual recurring costs are estimated to be €150 000. Recurring costs for the Agency's offices and laboratories outside Vienna are estimated at €280 000.

¹ Paragraph 9.

4. In addition to the amount approved by the General Assembly, the Agency must provide, also as part of the Phase II measures, its share, \$1 635 000, of the cost of window replacement (installation of windows with heat-insulated, sun-reflective and anti-shatter glazing), at the VIC. By proceeding in conjunction with the asbestos removal project — already under way in the VIC — significant cost reduction will be achieved. The cost of window replacement was not included in the Secretary-General's Phase II proposals; UNOV's share is instead being funded from capital expenditure budget funds already available to it. As indicated to Member States during the presentation on enhanced security measures in September 2004, the installation of the replacement windows, in addition to providing increased safety for all VIC users, is predicted to produce energy economies that would fully offset their cost over a period of six years.

5. UNOV having obtained the additional funding for the Phase II security enhancement measures and capital expenditure budget funding for the window replacement, the other VIC based organizations, namely CTBTO, UNIDO and IAEA, must now request their respective governing bodies to provide their shares of the required budgetary resources.

6. In addition to the Phase II requirements for the VIC, the Agency also requires funding estimated at \$1 490 000 for corresponding security measures at Agency premises outside the VIC, comprising mainly a security fence around the Seibersdorf laboratory and additional security staff for that location. While these requirements were established independently by the Secretariat following security reviews and threat and risk assessments, the need for increased security at Seibersdorf has also been raised by the External Auditor in his examination of and report on the Agency's Accounts for 2004.

7. The Agency's total Phase II funding requirement for 2005 is, therefore, estimated at \$7 090 000:

Measures approved by General Assembly	\$3 965 000
Window replacement	\$1 635 000
Other Agency office and laboratories	<u>\$1 490 000</u>
Total:	\$7 090 000

8. The recurring costs of €2.43 million for 2006–2007 arising from the Phase II proposals are reflected in the Agency's draft programme and budget proposals for that biennium (GOV/2005/1), as updated in the modifying document (GOV/2005/1/Mod. 1).

9. The package of VIC security enhancements approved by the General Assembly did not include the proposed funding for a global ID and access control system. The General Assembly deferred its review of that item until later in 2005. The costs may, therefore, still be approved by the General Assembly for the current biennium.

C. Phase II funding proposals for 2005

10. It is proposed that the funding requirement (totalling \$7 090 000) for Phase II security enhancement measures in 2005, comprising capital/one-off funding plus recurring costs for 2005, be provided by a number of means:

- (i) Use of funds totalling \$1.5 million provided for salaries in the 2005 budget on the basis of an ICSC forecast for a post-adjustment increase for Professional staff which has not materialized;
- (ii) Use of the cash surplus for 2003 in the amount of \$2 936 969 and appropriation of this amount to Major Programme 7, as set out in the draft resolution annexed hereto. The funds in question would otherwise be allocated in accordance with Financial Regulation 7.03;
- (iii) The provision of the balance of the funding requirement (\$2 653 031) through a supplementary appropriation to the regular budget for 2005, financed by additional contributions from Member States, as set out in the draft resolution annexed hereto.

11. The proposal in (i) requires the Board's authorization for the Director General to make the necessary transfers of funds between appropriation sections, i.e. transfer from other major programmes to Major Programme 7, from which the necessary security enhancement expenditure is made. The amounts involved are:

Major Programme 1	\$150 000
Major Programme 2	\$120 000
Major Programme 3	\$180 000
Major Programme 4	\$720 000
Major Programme 5	\$50 000
Major Programme 6	\$110 000
Total to be transferred to Major Programme 7	\$1 330 000

The balance of the \$1.5 million (i.e. \$170 000) is already available in Major Programme 7 salary provisions.

12. Measure (ii) in paragraph 10 would require waiver by the Board of Financial Regulation 7.03 and a recommendation by the Board to the General Conference at its forthcoming 49th regular session to appropriate to Major Programme 7 for 2005 the amount corresponding to the 2003 cash surplus.

13. The supplementary appropriation referred to in measure (iii) in paragraph 10 would also require a recommendation by the Board to the General Conference.

14. Responsibility for the implementation of the various security enhancement measures envisaged in this document and in the Supplementary Appropriation for 2004 (GOV/2004/58–GC(48)/16) rests

with UNOV and UNIDO. Both of these organizations have the facility to retain funds beyond the end of the related financial period until full implementation is possible. Given the range of measures, and that some require approval of, and coordination with, the Austrian authorities, not all funds may be utilized in the short time between General Conference approval and the close of the biennium. The funds will nevertheless be required to fully implement the proposed security enhancements. The Board is accordingly requested to waive Financial Regulation 4.04 insofar as concerns the additional security enhancement funds approved in response to this document and in response to GOV/2004/58–GC(48)/16, so as to permit retention of these funds until used or no longer required.

15. A separate document has been prepared (GOV/INF/2005/3) giving updated information on the security enhancement measures taken (Phase I) and still required (Phases I and II) for the VIC and the Agency's offices and laboratories outside Vienna.

Annex:

Draft Resolution

Supplementary Budget Appropriation for 2005

The General Conference,

Accepting the recommendation of the Board of Governors as to the necessity of increasing the Regular Budget appropriation for 2005, for the Agency's share of security enhancements at the Vienna International Centre and corresponding requirements for the Agency's offices and laboratories outside of Vienna,

Accepting also that the funding requirement should be partly met by use of available regular budget funds totalling \$1.5 million in the salaries provisions of all major programmes and partly by use of the cash surplus for 2003 in the amount of \$2 936 969, and recognizing the need for a supplementary appropriation of \$2 653 031,

4. Appropriates to the 2005 Regular Budget for Major Programme 7 — Policy and General Management — as a supplement to the total appropriations of \$281 430 000 made by Resolution GC(48)/RES/6, an amount of \$2 653 031 at the rate of exchange of €0.9229 = \$1.00 for security enhancements;
5. Decides that this supplementary appropriation shall be financed by additional contributions from Member States amounting, for an exchange rate of €0.9229 = \$1.00, to \$2 653 031 (€2 448 000) in accordance with the base rates for 2005 as approved by the General Conference in its resolution GC(48)/RES/9; and
6. Appropriates to the 2005 Regular Budget for Major Programme 7 — Policy and General Management — as a further supplement to the appropriations referred to in paragraph 1 an additional amount of \$2 936 969, representing the cash surplus for 2003, for security enhancements.

Attachment*

ADJUSTMENT FORMULA IN US DOLLARS

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TOTAL	<u>000 000</u>	+	(<u>2 448 000</u>	<u>/R</u>)

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

* The heading reflects the correction included in GOV/2005/21/Corr.1.

Programme and Budget Committee
4 May 2005

Chair's Conclusion on Item 4

Funding of Phase II Security Enhancement Costs 2005

All statements will be fully reflected in the summary records of the Committee.

Several members emphasized that, while in principle cash surpluses should be returned to Member States, the proposal in this case could be agreed to on an exceptional basis.

The Committee expressed its appreciation to the Austrian authorities for the cooperation and assistance extended to enhance physical security for the Vienna Based Organizations (VBOs).

Some members indicated that the security measures applied by the Agency should be in conformity with those applied by the other VBOs as well as the UN offices in New York and Geneva. Some noted with concern that the window replacement cost estimates had not been included in the UN Secretary General's Phase II proposals. In this regard, the Secretariat was requested to provide further clarifications on the issue of window replacement. The Committee noted the clarifications provided by the Secretariat.

Several expressed the view that the Secretariat should incorporate any recurrent costs for security upgrades into the regular budget after 2007.

Some Member States emphasized that, while they agreed with the rationale for funding security enhancement measures, the additional sums involved would constitute an extra burden on developing countries.

May I take it that the Committee agrees to recommend to the Board the actions proposed in the cover page of document GOV/2005/21 with the following change: the sixth bullet should read "*waive Financial Regulation 4.04 insofar as concerns the additional security enhancement funds approved in response to this document and in response to GOV/2004/58-GC(48)/16, so as to permit retention of these funds for an additional twenty-four month period*".

It is so agreed.