

Navigating the IAEA Budget Process

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The International Atomic Energy Agency (IAEA) facilitates cooperation in the nuclear field, implements safeguards to ensure nuclear technology is not diverted to the manufacture of nuclear weapons, and provides assistance and guidance for nuclear safety and security. These activities and the experts that conduct them are funded through assessed and voluntary contributions from its Member States, based on the United Nations (UN) Common System. However, the IAEA's budget is not growing commensurately with the demands placed on it by its Member States. This brief details how the IAEA budget works, why it is under strain, and other related issues.

How is the IAEA's Budget Composed?

The IAEA is funded through the Operational Regular Budget as well as voluntary contributions and smaller capital funds. The Operational Regular Budget consists of six Major Programmes, corresponding to different departments within the Agency:

- Nuclear Power, Fuel Cycle and Nuclear Science (Department of Nuclear Energy – NE);
- Nuclear Techniques for Development and Environmental Protection (Nuclear Applications – NA);
- Nuclear Safety and Security (Department of Nuclear Safety and Security – NSNS);
- Nuclear Verification (Department of Safeguards – SG);
- Policy, Management & Administration Services (Department of Management – MG); and
- Management of Technical Cooperation for Development (Department of Technical Cooperation – TC).

How is the IAEA's Budget Composed? (Cont)

Pursuant to Article XIV.D of the Statute, Member States' contributions are assessed in accordance with a scale fixed by the General Conference and guided by the principles adopted by the UN in assessing contributions of Member States to its regular budget.

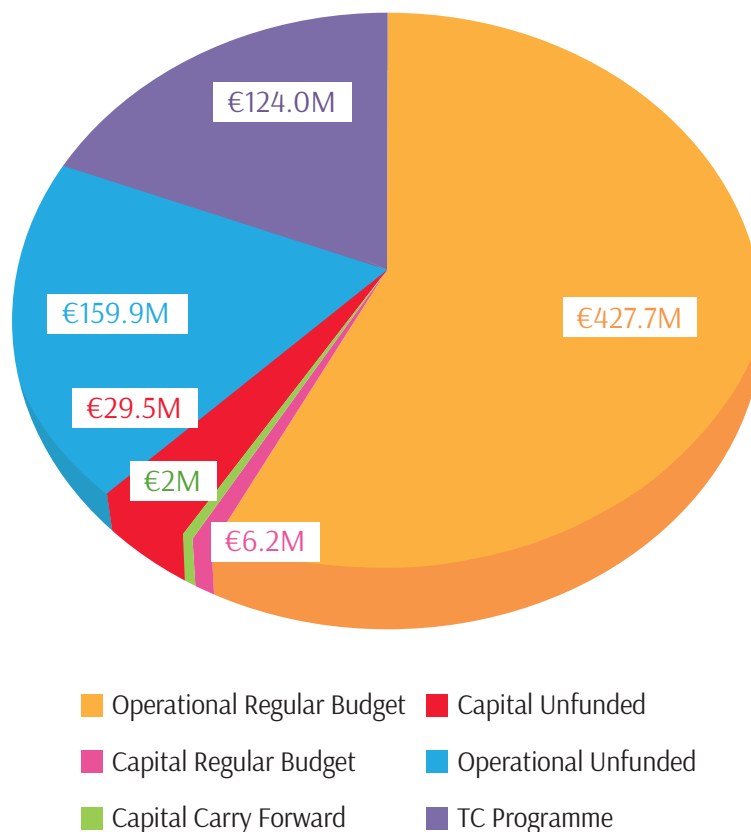
Safeguards became the largest programme in the budget in the late 1970s as a result of the provision of the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) requiring all non-nuclear-weapon States to conclude safeguards agreements. As the number of States and nuclear facilities to be safeguarded grew, the safeguards budget also grew correspondingly.

The regular budget request for 2024-2025 is €427.7 million for each year. Safeguards comprises 39 percent of that regular budget

request, followed by management at 22 percent, nuclear applications at 11 percent, nuclear energy at 11 percent, nuclear safety and security at 10 percent, and management of technical cooperation at 7 percent. Since the 2022-2023 biennium, the Director General has set a cap for human resource costs in the regular budget of 75 percent.

In the 2024-2025 biennium, the regular budget as proposed comprises 57 percent of the total funds anticipated by the Agency. The remaining 43 percent of the budget is comprised of anticipated extrabudgetary funds (represented by the sum of TC Fund targets as detailed in the next section, as well as "unfunded" portions of the budget for which the Agency anticipates other voluntary contributions) and a small Capital Regular Budget for basic operating expenses.

IAEA 2024-2025 Programme and Budget at a Glance (€749 million in total)



*The draft Programme and Budget request of the IAEA for the 2024-2025 biennium.
Source: The Agency's Draft Programme and Budget 2024-2025 (GOV/2023/1).*

How do Extrabudgetary Funds Work?

In one of its first resolutions (GC.1(S)/RES/6), the General Conference authorised the Board of Governors to accept voluntary contributions outside of the Regular Operational Budget. Today, voluntary contributions primarily support the IAEA's activities in technical cooperation, nuclear security, and safeguards.

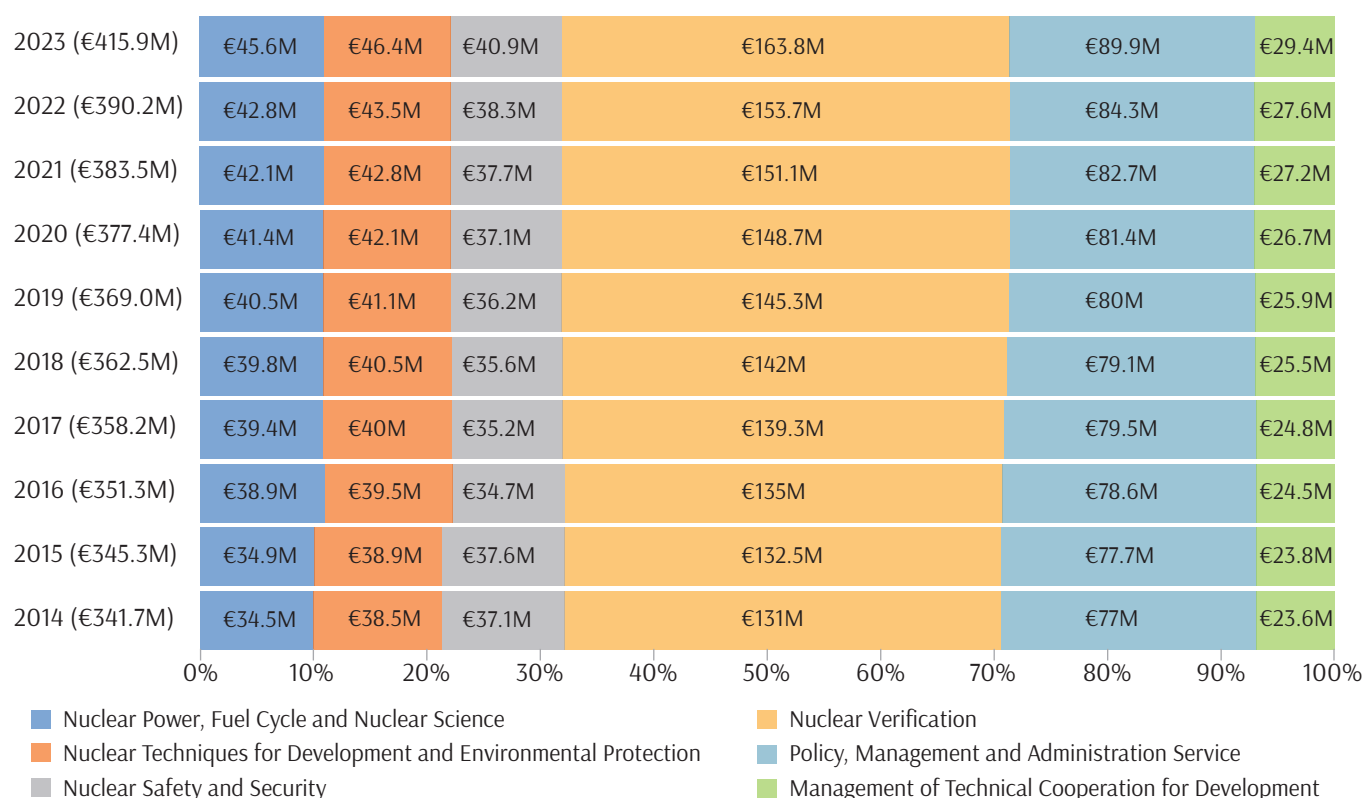
Resources for the Technical Cooperation Programme

Since its foundation, the IAEA has maintained a separate fund for technical assistance, based originally on the instruments developed by the UN through its Technical Assistance Committee of the Economic and Social Council, as well as the UN Expanded Programme of Technical

Assistance. This was later referred to as the Technical Assistance and Co-operation Fund and, in the 1990s, shortened simply to the Technical Cooperation (TC) Fund. The IAEA's TC activities are planned based on the TC Fund targets decided by Member States. The TC Fund is provided through assessed voluntary contributions and supplemented through additional extrabudgetary contributions, such as the Peaceful Uses Initiative (PUI). The PUI was established in 2010 to mobilise more funds to support the IAEA's technical assistance activities.

Usually, the TC Fund is not sufficient to finance all the planned TC activities. Approved activities for which funding is

Funding of Each Major Programme of the IAEA (2014-2023)



The proportion of the Regular Operational Budget comprised by each of the IAEA's Major Programmes, not including the Operational Capital Fund or extrabudgetary funding. Sources: The Agency's Programme and Budget and Budget Updates covering the years 2014 to 2023 (GC(57)/2, GC(58)/2, GC(59)/2, GC(60)/2, GC(61)/4, GC(62)/2, GC(63)/2, GC(64)/2, GC(65)/2, GC(SPL.3)/2).

How do Extrabudgetary Funds Work? (Cont)

lacking are referred to as footnote-a/ projects. If the rate of attainment against the TC Fund targets of a particular year is less than what is expected, the programme may be reduced; as of 2023, the last time this occurred was in 2011.

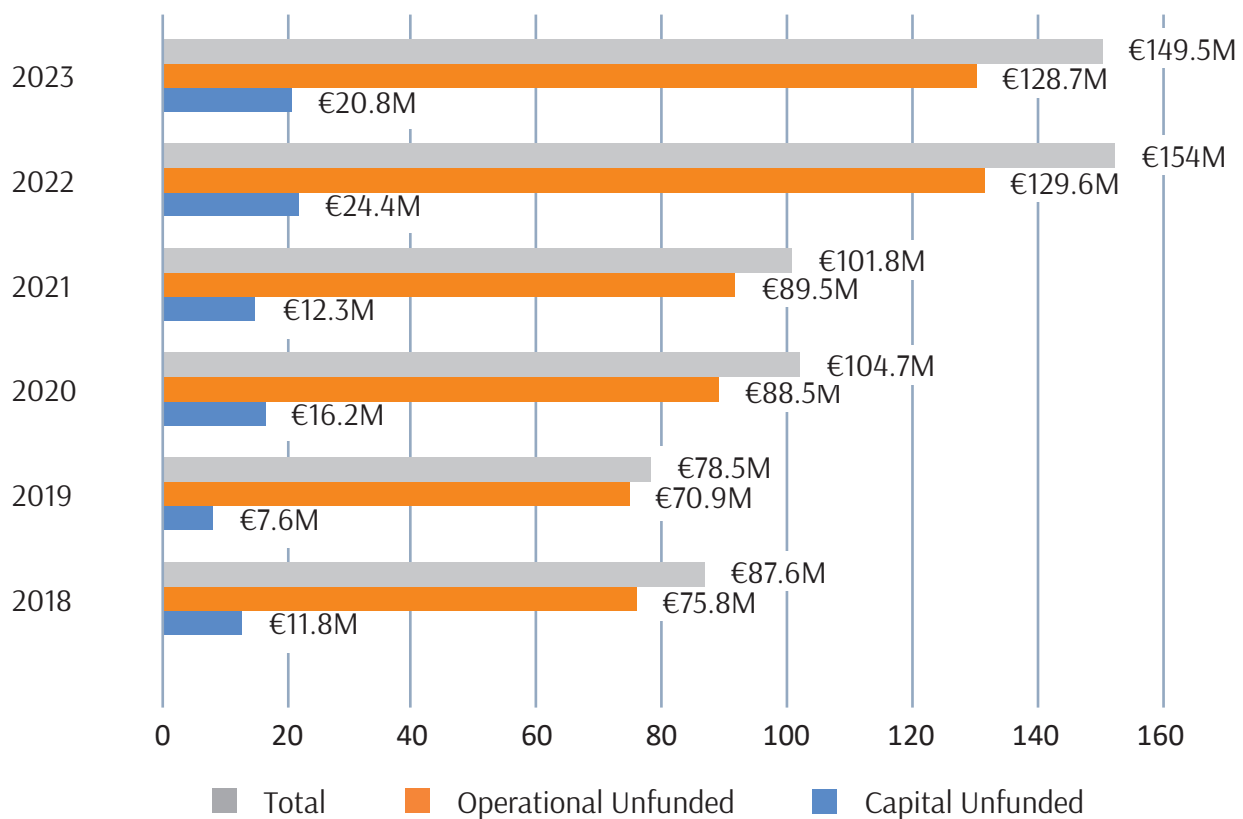
To ensure that sufficient contributions to the TC Fund are received by the Secretariat, the General Conference decided in 1995 to establish a “Due Account Mechanism” (GC(39)/DEC/12, GC(39)/23). Implemented since 1997, the mechanism serves as an incentive to increase the pledging and payment of TC Fund targets. Through the mechanism, the Agency takes “due account” of the extent to which Member States pay their TC Fund targets when determining the allocation of resources for TC projects, as

well as for the procurement of equipment and expert services for TC activities.

Resources for Nuclear Security

In March 2002, the Director General established the Nuclear Security Fund as a voluntary funding mechanism for the Agency’s expanded activities in nuclear security as approved by the Board of Governors (GOV/2002/10). Four funding modalities were considered to support new activities: two involving voluntary funding (one with indicative targets and one without) and two involving mandatory funding (one through a special fund with assessed contributions and the other within the regular budget). Ultimately, it was decided that the

Unfunded Portions of the IAEA Budget (2018-2023)



The increase in the unfunded portions of the budget since 2018.

Sources: The Agency’s Programme and Budget and Budget Updates covering the years 2018 to 2023 (GC(61)/4, GC(62)/2, GC(63)/2, GC(64)/2, GC(65)/2, GC(SPL.3)/2).

How do Extrabudgetary Funds Work? (Cont)

Nuclear Security Fund would be a voluntary fund without indicative targets. Upon the establishment of the Nuclear Security Fund, the view was expressed that eventually there would need to be predictable assessed funding for nuclear security. However, this view has not enjoyed consensus among Member States.

The Nuclear Security Fund supports nuclear security activities conducted by the IAEA as described in three-year Nuclear Security Plans as approved by the Board of Governors.

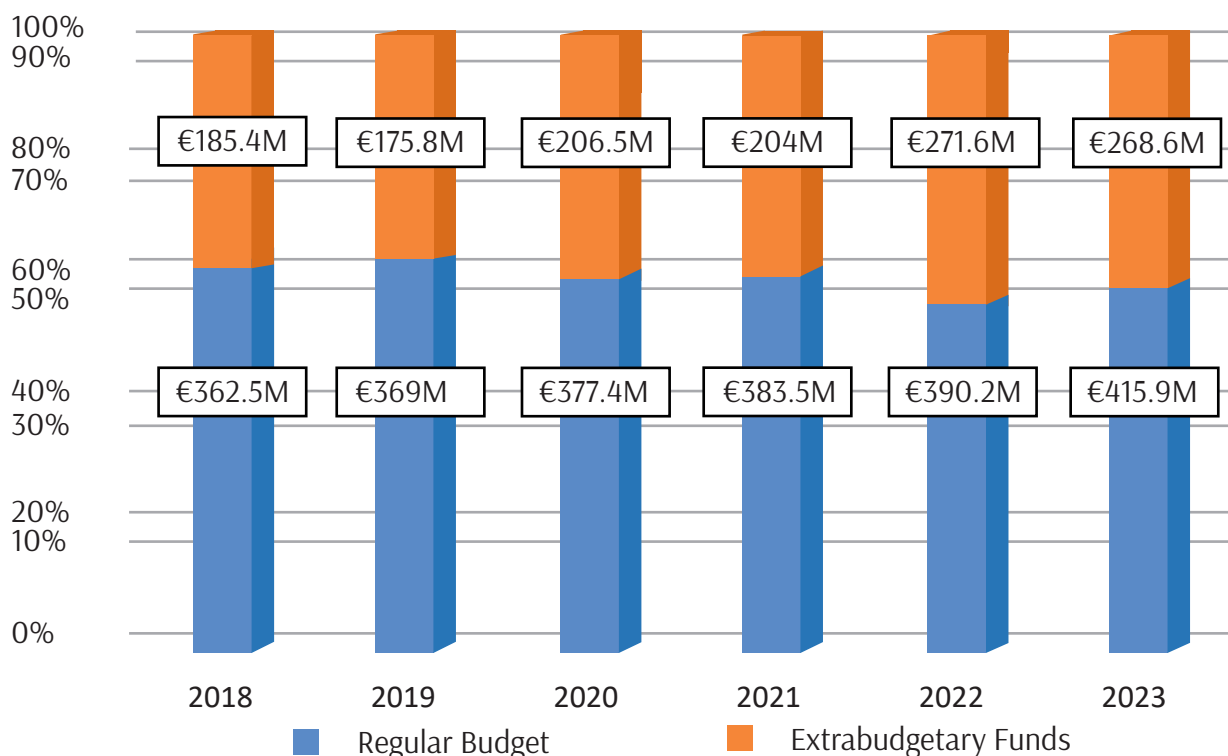
Resources for Safeguards

Since 1977, Member States have made voluntary contributions to the IAEA's safeguards mission through Member State

Support Programmes (MSSPs). While safeguards inspections must be funded through the regular operational budget, other activities such as research and development (R&D) for safeguards technology or safeguards training can be supported by extrabudgetary funds.

As of 2023, there are 23 MSSPs, though any Member State may establish one if it wishes to further support the IAEA's safeguards activities. When the MSSPs donate funds directly, they are usually earmarked for specific activities and often based on the needs identified in the Agency's Resource Mobilization Priorities and its Development and Implementation Support Programme for Nuclear Verification. Both of these documents are updated regularly.

Balance Between the Regular Budget and Extrabudgetary Funds of the IAEA (2018-2023)



The regular budget figures in this graph include the IAEA's Major Programmes, but do not include the Capital Regular Budget or Capital Carry Forward budget lines.

The extrabudgetary figures include the Operational Unfunded, Capital Unfunded and the TC Programme budget lines.

Sources: The Agency's Programme and Budget and Budget Updates covering the years 2018 to 2023 (GC(61)/4, GC(62)/2, GC(63)/2, GC(64)/2, GC(65)/2, GC(SPL.3)/2).

How is the Budget Negotiated?

The IAEA's Programme and Budget is negotiated on a biannual basis, though in principle the IAEA works on an annual budgetary cycle. During the negotiations for the biennium, Member States negotiate a biannual Programme and Budget and, in the first year of the biennium, they consider an adjustment for the next year, usually (but not necessarily only) to account for inflation. To begin the budget negotiation process, the Secretariat conducts internal consultations with different departments, taking into account informal guidance from Member States and utilising a results-based management approach. The Director General then submits the draft Programme and Budget to Member States for negotiation in the Programme and Budget Committee (PBC) in the first quarter of the year prior to the biennium in question, as well as in subsequent

meetings of the Working Group on the Regular Budget and TC Fund targets. The Working Group is co-chaired by one representative from a developed country and another from a developing country.

The PBC meets at the beginning of May to agree on the regular budget and TC Fund targets, which are then submitted to the June meeting of the Board of Governors for recommendation to the General Conference. Targets for each biennium and Indicative Planning Figures (IPFs) for the following biennium are set by recommendations from the June meeting of the Board of Governors after negotiation in the Working Group and the PBC. The primary sticking point in the budget negotiation process is usually the balance between the IAEA's so-called promotional (TC, NA, NE) and non-promotional (SG, NSNS) activities.

What is Shielding?

Following the entry into force of the NPT, the IAEA was faced with a significant increase in the cost of safeguards, as all non-nuclear-weapon States would need to bring comprehensive safeguards agreements into force. As the majority of these countries were developing countries and LDCs, Member States agreed in 1971 (GC(XV)/RES/283) that these countries would be given partial relief, later referred to as “shielding”, for safeguards expenses. The un-shielded States pay a sum greater than their assessed contributions to make

up for the reduction in the contribution of shielded States to the regular budget. In 2006 (GC(47)/RES/5), a phasing-out of shielding began with timelines between seven and 25 years in four categories of States, based on the per capita gross national product of the State concerned. The Member States in each category will have their annual contributions to the safeguards component increased proportionally each year until the end of the de-shielding period.

Category 1

Members with a per capita gross national product greater than 20 percent of the average. De-shielded over seven years.

Category 2

Members with a per capita gross national product from 11 to 20 percent of the average. De-shielded over 12 years.

Category 3

Members with a per capita gross national product less than 11 percent of the average. De-shielded over 17 years.

Category 4

Least-developed countries. De-shielded over 25 years.

What are the Consequences of Late Payment or Non-Payment?

Once the General Conference has approved the regular budget estimates and establishes the scale of assessment, the Director General informs the Member States of their assessed contribution, which are payable within 30 days. If the amount is not paid by 1 January of the following year, the contributions are considered to be one year in arrears, i.e. money that is owed and should have been paid earlier.

According to Article XIX.A of the Statute, a Member State that is more than two years late on paying assessed contributions can

have its voting rights suspended. In practical terms, late payments affect the cash flow of the organisation and could severely hinder the Agency’s ability to deliver services to its Member States due to inability to pay staff. As of 31 December 2021, there has been a total of €95,115,600 in outstanding contributions, including €81,212,461 to the regular budget.

Why is the IAEA Facing a Resource Deficit and How to Mitigate it?

After the NPT entered into force in 1970, the budget increased in real terms with some regularity to account for the Agency's new safeguards responsibilities. However, since the 1980s, Member States have pushed for zero real growth in the IAEA's budget.

Over the years, the number of facilities and locations outside facilities required to be safeguarded has grown, increasing the burden on the budget for safeguards. The demand for other services of the IAEA also continues to increase as more countries, mostly developing countries and LDCs, become IAEA Member States. Meeting the needs of Member States with a near zero-real growth budget since the 1980s is a challenge faced by successive Directors General. Director General ElBaradei argued that the Agency must be able to adequately fund all activities approved by Member States and pleaded with Member States to increase the budget in real terms to meet these needs. In 2019, Director General Amano noted that the budget had been cut in real terms. Director General Grossi's budget proposals for the 2022-2023 and 2024-2025 biennia have been zero-real growth budgets.

An increase in the operational unfunded portion of the Agency's total resources for 2024-2025 demonstrates that the IAEA is turning increasingly to extrabudgetary funding to close the gap between the Agency's resources and Member States' demand for its services.

Reconciling the cost of inflation continues to be the most common challenge to keeping the IAEA's budget fit for purpose. For example, following the 2022 General Conference (at which the budget update for 2023 was approved) the Director General requested a revised budget update for 2023 to account for an unusually high increase in inflation from the previous year. To maintain the zero-real growth budget that was initially presented, the IAEA needed an increase of 9.9% over the already approved adjustment of 1.7%, making for a total requested adjustment of 11.6%. However, following deliberations on this matter, an additional price adjustment of 4.9% percent (for a total of a 6.6% increase over the previous year) was approved by a special session of the General Conference. This trend of budget adjustments below zero real growth presents challenges for the IAEA in the future to cover any shortfall in resources.

Looking to the future, a concern is that the IAEA's budget is reduced beyond zero-real growth towards zero-nominal growth, exacerbating the Agency's chronic funding challenges at a time of increased demand for the Agency's services and expertise. It will be challenging for the Agency to maintain a balance between increased efficiencies on one hand, and ensuring the continued expertise to deliver the services required by Member States on the other hand. Such balance should be born in mind during budget negotiations.



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